2014 ANNUAL REPORT

of the Luka Koper Group and Luka Koper d.d.

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BUSINESS REPORT

1 PERFORMANCE HIGHLIGHTS OF THE LUKA KOPER GROUP

The year 2014 was successful for the Luka Koper Group. In total, maritime throughput was 19 million tonnes of goods and exceeding the quantities of 2013 by 5 percent. In 2014, we reached record annual container throughput amounting to TEU 674 thousand. Revenue from sales reached EUR 163.6 million and exceeded revenue generated in 2013 by 13 percent.

In September 2014, the first phase of seabed dredging by the container coast to the depth of -14 meters was completed and this allowed more container ships to enter the Port. From April 2015 onwards, the Port of Koper will be the first port in the Adriatic for ships connecting weekly to ports in Asia, which will be especially welcoming for those business partners whose key challenge is the transit time.

At the beginning of 2014 the Ljubljana Stock Exchange d.d. again included Luka Koper d.d. shares on the stock exchange index SBI TOP after five years of absence and at the end of 2014 we were pleased to have received the award of the European Sea Port Association where Luka Koper d.d. won the competition with its project 'No waste, just resources!'.

In 2014, we allocated EUR 30 million for investments. The significant part of it was for seabed dredging of the first basin and for organising the area for dumping the dugout material.

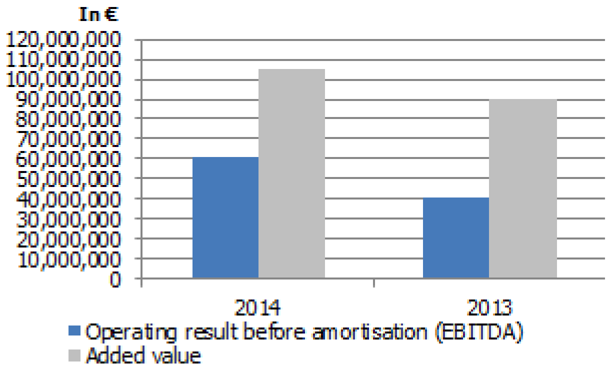
In 2014, the Luka Koper Group continued to repay borrowings and loans and reduced its debt by 17 percent if compared to the end of 2013.

1.1 FINANCIAL INDICATORS

(in EUR)	2014	2013	Index 2014/2013
Income statement			
Revenue	163,601,560	144,235,477	113
Operating result (EBIT)	33,381,026	12,201,713	274
Operating earnings before amortisation (EBITDA)	60,792,878	40,385,025	151
Profit or loss from financing activities	-2,039,593	-6,102,670	33
Profit or loss before tax	31,957,329	6,638,223	481
Net operating profit	29,098,342	7,749,500	375
Added value[1]	105,591,082	89,637,816	118
Statement of financial position (on 31 December)			
Assets	452,585,551	443,558,562	102
Non-current assets	414,412,047	404,525,029	102
Current assets	38,173,504	39,033,533	98
Equity	286,323,570	259,204,139	110
Non-current liabilities with provisions and long-term accruals	129,318,586	152,993,570	85
Current liabilities	36,943,395	31,360,853	118
Financial liabilities	128,146,556	153,750,652	83
Statement of cash flows			
Investments in property, plant and equipment, investment property and intangible assets	29,958,975	14,825,864	202
Indicators (in %)			
Return on sales (ROS)	20.4%	8.5%	240
Net return on capital (ROE)	10.7%	3.0%	357
Return on assets (ROA)	6.5%	1.7%	382
EBITDA margin	37.2%	28.0%	133
Financial liabilities/equity	44.8%	59.3%	75
Net financial debt/EBITDA	1.2	2.6	46
Dividend pay-out ratio	3.8%	4.1%	93
Maritime throughput (in tonnes)			
Maritime throughput	18,965,351	17,999,662	105

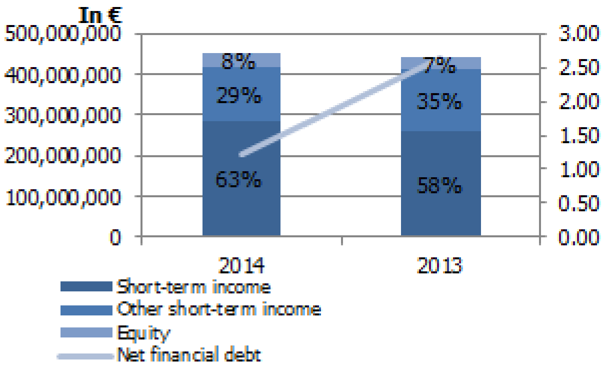
[1] Added value = operating revenue + income – cost of goods, material and services – other operating expenses excluding revaluation operating expences

Operating results before amortisation (EBITDA) and added value



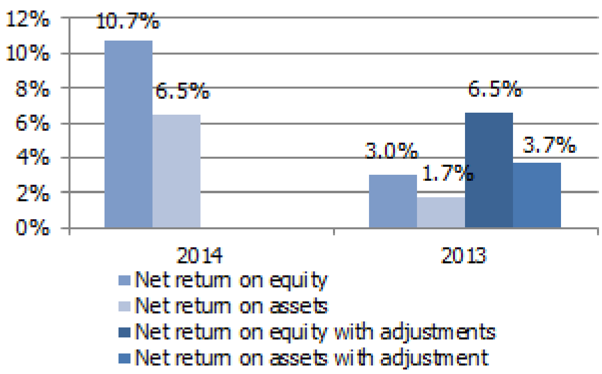
In 2014, the operating result before amortisation (EBITDA) was for EUR 20.4 million higher than in 2013, the increase resulting by creating impairments of the property value in 2013. Added value increased in 2014 for EUR 16 million when compared to 2013.

Structure of liabilities and net financial debts/EBITDA



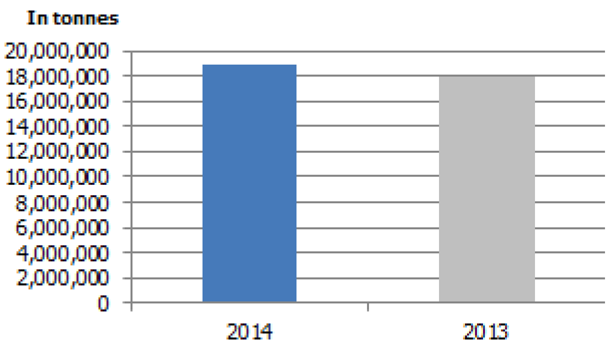
On 31 December 2014, the equity of the Luka Koper Group was EUR 286.3 million, representing 63 percent of the balance sheet total. The net financial debt/EBITDA ratio dropped in 2014 and is 1.2 thereby additionally increasing the financial power of the Luka Koper Group.

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



In 2014, the indicator for the net return on equity (ROE) and the indicator for the net return on assets (ROA) were higher than the achieved indicators in 2013 as well as the adjusted indicators for 2013. The 2013 net operating results of the Luka Koper Group were also affected by impairments of real estate and financial investments and to ensure comparable calculations, we calculated the adjusted indicators for the ROE and ROA without this financial category. The adjustments also include effects on deferred taxes.

Maritime throughput in tonnes



In 2014, the maritime throughput of goods in the Luka Koper Group was 19 million tonnes which is 5 percent higher than in 2013. Changes in the throughput in 2014, when compared to 2014, for key goods groups are:

- containers: 16 percent increase;
- vehicles: 15 percent increase;
- liquid cargoes: 8 percent increase;
- general cargoes: 1 percent decrease and
- dry bulk cargoes: 4 percent decrease.

2 PRESENTATION OF THE LUKA KOPER GROUP

The Port of Koper, as the only Slovenian international cargo port, was established in 1957. It is managed by the company Luka Koper d.d., pursuing port and logical services and is also the operator of all the terminals. On the basis of the Concession Agreement concluded with the Government of the Republic of Slovenia, Luka Koper d.d. also takes care of the Port infrastructure and its development. The Port is directly connected with the European rail and road system and has the status as the boarder entry point into the European union. It represents a strong link in the logistics chain between Central Europe, Eastern Europe, the Mediterranean, the Middle East and the Far East.

The Port's activity has a strong impact on the environment. Therefore, Luka Koper d.d. works in a socially responsible way. It has adopted its own environmental policy and assumes increasing responsibility for the environmental protection.

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

2.1 PROFILE OF THE COMPANY LUKA KOPER D.D. AS OF 17 APRIL 2015

Full company name	Luka Koper, port and logistic system, public limited company
Short company name	Luka Koper d.d.
Registered office	Vojkovo nabrežje 38, Koper Telephone: +386 (0)5 66 56 100 05 66 56 100 Fax: 05 63 95 020 Email: portkoper@luka-kp.si Webpage: www.luka-kp.si
Entered in the register of	District Court of Koper, entry number 066/10032200
Company registration number	5144353
Tax number	SI 89190033
Share capital	EUR 58,420,964.78
Number of shares	14,000,000 ordinary no-par-value shares
Shares listing	Ljubljana Stock Exchange, prime market
Share ticker symbol	LKPG
President of the Management Board	Dragomir Matić
Member of the Management Board	Andraž Novak
Member of the Management Board	Tine Svoljšak[2]
Member of the Management Board and Workers Director	Matjaž Stare
President of the Supervisory Board	Alenka Žnidaršič Kranjc PhD
Primary activity of Luka Koper d.d.	Seaport and logistics system service provider
Activities performed in the Luka Koper Group	Various support and ancillary services

[2] Jože Jaklin was a board member as at 31 December 2014.

2.2 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 Luka Koper Group comprises of the following subsidiary companies as of 31 December 2014:

Group Luka Koper as of 31 December 2014

- Luka Koper d.d.
- Luka Koper INPO d.o.o. (100%)
- Adria Terminali d.o.o. (100%)
- Luka Koper Pristan d.o.o. (100%)
- TOC d.o.o. (68.13%)
- Adria Transport d.o.o. (50%)
- Adria-Tow d.o.o. (50%)
- Adriafin d.o.o. (50%)
- Avtoservis d.o.o. (49%)
- Logis Nova d.o.o. (100%)[3]
- Adria Investicije d.o.o. (100%)[4]
- Adriasole d.o.o. (98%); in bankruptcy proceedings since 28 February 2014
- Golf Istra d.o.o. (20%); in bankruptcy proceedings since 9 October 2014

Participation of the Luka Koper Group in the consolidated statements as of 31 December 2014.

a) Full consolidation method:

- Luka Koper INPO d.o.o. (100%)
- Adria Terminali d.o.o. (100%)
- Luka Koper Pristan d.o.o. (100%)
- TOC d.o.o. (68.13%)

b) Equity method

- Adria Transport d.o.o. (50%)
- Adria-Tow d.o.o. (50%)
- Adriafin d.o.o. (50%)
- Avtoservis d.o.o. (49%)

c) Companies not included in the consolidated statements:

- Logis Nova d.o.o. (100%)
- Adria Investicije d.o.o. (100%)
- Adriasole d.o.o. (98%); in bankruptcy proceedings since 28 February 2014

[3,4] The companies Logis Nova d.o.o. and Adria Investicije d.o.o. were included in November 2011 among 'assets held for sale'. Considering their inactivity they were reclassified back as subsidiaries on 31 December 2014. Because of their irrelevance they are not consolidated.

- Golf Istra d.o.o. (20%); in bankruptcy proceedings since 9 October 2014

Changes to subsidiaries, associated and jointly controlled companies are presented in the Consolidated Financial Report in Chapter 6: Composition of the Luka Koper Group.

2.3 THE LUKA KOPER GROUP ACTIVITIES

The Port of Koper is the only Slovenian multi-purpose port. Hence, it is extremely important for the State, affecting the development of the Slovenian economy and logistics in this part of Europe. the Port involves comprehensive water and coastal area where port activities are performed for cargo and passenger transport.

The main port activities are the throughput and warehousing of a variety of goods, supplemented with a range of services on goods and other services as well as the provision of comprehensive logistics support to our customers. The Port is the boarder entry point into the European Union and holds the status of a free zone of type 1. Luka Koper d.d. is also an authorised economic operator. The AEP certificate confirms that the duty-free zone is a safe area, with lowest level of risks for goods travelling through the Port of Koper.

We are involved in internal exchange of goods and international trade and consistently care for improvements in the quality of life in the environment where we ourselves work and live.

In 2008, Luka Koper d.d. entered into the Concession Agreement with the Republic of Slovenia, for a period of 35 years, as laid down by the Maritime Code and was concluded for the performance of port activities, the management, development and regular maintenance of port infrastructure in the area of the Koper's cargo port. The agreed concession fee is 3.5 percent of company's revenue, less revenue 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. The whole concession fee is paid to the Republic of Slovenia who then earmarks half of that amount for local communities, for the Municipality of Koper and since 1 January 2015 also for the Municipality of Ankaran.

Port and Logistics Activities

The basic port activities of throughput and warehousing are carried out at twelve specialised port terminals. All the terminals are organised according to the goods/cargo received. Each terminal has its own characteristics, determined by goods-specific work process, technological procedures and technology. The terminals are organised in six profit centres. In cooperation with our business partners, we also offer our customers a wide range of additional services to increase the value of goods.

The Port area consists of 270 hectares of land, with 48.4 hectares of covered storage space and 111 hectares of open storage space. We provide 28 berths, located on 3,282 metres of shoreline along 179 hectares of sea surface area. 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 the company Luka Koper INPO d.o.o. and by jointly controlled companies Adria-Tow d.o.o. and Adria Transport d.o.o., which enables us to quickly adapt to customers' needs. Luka Koper INPO d.o.o. performs maritime services such as berthing and unberthing of ships and seabed dredging. It also manages the lorry transport terminal, intended for parking lorries while its driver arranges all the required documentation for entering the Luka Koper d.d. area. 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 provides greater volume of railway traffic, both in and out of the Port.

The passenger terminal, operating since 2005, is becoming significantly more recognised on the world map as a cruise destination. Our main competitive advantage is the ability for the ship to call in the actual centre of the city as well as excellent port service. The passenger terminal is located only 200 metres from the central city square and has been promoting tourist activities in Koper and other Slovenian cities for several consecutive years. The recognition of the Port of Koper is contributed by our membership in the Mediterranean association of passenger ports MedCruise which provides additional possibilities for promoting Koper as a passenger port. The development of passenger transport in Koper involves active participation of the Consortium for promotion and development of cruise in Slovenia, the Municipality of Koper, Postojnska jama, Lipica, Tourist Association of Portorož, and Slovenian Tourist Organisation. In 2014, Koper received 58,970 passengers, which is 10 percent less than in 2013.

Other Activities

In addition to our principal activity i.e. the port activity, the Luka Koper Group provides a variety of supporting activities.

Activities of supporting services

Luka Koper INFO d.o.o., regarding its supporting services, also provides maintenance and municipal services. By doing so, the company remains loyal to its primary mission which, in addition to successful market operations, includes employment and training of disabled persons. For this reason, the Company is introducing and developing business programmes which are interesting for the market while at the same time, it allows for enable disabled persons to follow their working abilities.

Catering

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

Quality Control

The company TOC, tehnološko okoljski in logistični center d.o.o., is a market directed company performing services in the area of technological and ecological research and in the provision of quality. Research activities, technological research in the areas of engineering and in the technology, with special emphasis on renewable sources of energy, waste recovery, technology on extracting natural healing agents and sea ecology, are all carried out at the centre. In accordance with the quality management system requirements of the SIST EN ISO 17025 the activities are performed in accordance with regulations, primary standards and system documentation. The testing area includes laboratory analyses of liquid fuel, gases and chemicals.

Hinterland Logistics Activity Sežana

Sežana

The land logistics centre in Sežana is managed by Adria Terminali d.o.o. in which Luka Koper d.d. holds a 100% ownership share. Business includes throughput and warehousing of general cargoes with iron products, wood pellets, mixed goods and classical throughput in container transport. The company has available almost 50,000 square meters of warehousing area and the most modern mechanism for throughput and the movement of goods.

The company acts as the land terminal manager and strives to attract goods flows in the inland transport on the Central and East European markets.

Five-year strategic plan of the Luka Koper Group concerning the area of Orleška gmajna is, in accordance with the strategic direction, for it to be sold. In 2014, when the municipality of Sežana was preparing its new spatial plans, we were involved in the procedures and communicated our directions, with an objective for the investment to become interesting for potential investors because of its land.

Prekmurje

In order to purchase the land where the logistic centre was initially planned in the municipality Beltinci, a project company Logis Nova d.o.o. was established in 2008. In June 2014, all proceedings for capital increase by equity shares in the land parcels were completed upon their entry in the court register and all planned proceedings for the purchase of the agricultural land and for ownership consolidation were completed. Since then, the company is in 100% ownership by Luka Koper d.d. It has 64.9 of hectares of available land of which all the agricultural land is being cultivated while the project for constructing the logistical centre is at a standstill. Previous owners who are now tenants or lessees of the land cultivate the land.

3 BUSINESS DEVELOPMENT STRATEGY

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

Vision

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

Mission

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

Strategy

In 2010 initiated reformed business strategy of the company resulted in the adoption of a new strategic plan of the company of the Luka Koper Group for the period 2011–2015, which was confirmed by the company's Supervisory Board in August 2011 (http://seonet.ljse.si/default.aspx?doc=SEARCH&doc_id=46179).

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

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

- the Port system, in the forefront, with emphasis on its efficiency and the development of the role as a trade port.
- the logistics system, supporting the cooperation between individual providers in the logistics chain on the transportation route through Koper.
- the business system, taking care of a long-lasting performance.
- the institutional system, focused on sustainable development, cooperation with institutions and wider spatial placement.

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

Marketing goals

1. Increased turnover	▪ 19.5 million tonnes of maritime throughput by 2015 ▪ Keeping the multi-purpose characteristics of the Port (risk management, synergies, cost-effectiveness)
2. Development of services	▪ growth and balanced throughput and storage activities ▪ promoting distribution => trade port ▪ higher expectations in RO-RO area and project cargoes
3. Management of markets	▪ Expanding the gravitational market to the hinterland: ○ traditional markets – increasing the current market shares ○ newer European (transitional) markets – starting new business operations

	▪ strengthening our role in the Mediterranean
4. Customer satisfaction	▪ retaining clients (increase their turnover), good references for new clients and business operations ▪ improving the reliability and efficiency of port services
5. Efficiency of the Port community	▪ maintaining relationships with forwarding agencies, agents, control houses, customs offices and the police
6. Connections with transporters	▪ ship owners – maximising the occupancy on existing lines and obtaining new ones ▪ railway transporters and operators – proactivity for new regular connections (devoting 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 ▪ entering into strategic partnerships
8. Establishing strategic partnerships	▪ new cargoes/filling the vacant port capacities ▪ new capacities (the possibility of joint investment to support new business)
9. Keeping up-to-date with the development of competition	▪ ensuring better conditions/offer than the competition
10. Established trademark and good reputation	▪ Recognising all stakeholders: buyers, suppliers, investors, the local community, EU and others ▪ regular public appearance with a clear message: stable company, ahead of 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 resources in total financing resources ▪ net financial debt/EBITDA = 3 X ▪ average maturity of debt sources > 3 years
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 creative environment)
5. Effective and bold business system	▪ increasing the productivity and manage risks ▪ focusing on ensuring safe conditions for work in the operative segment ▪ improving organisation of process implementation ▪ possibility for outsourcing non-strategic processes (partnerships) ▪ creating 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	▪ organisation of the Luka Koper Group as a concern, 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 towards providers of port services (control over key processes with internal staff)
9. Investment management	▪ effective disposal of portfolio and non-strategic investments and investment property
10. Regular dividend pay-out	▪ distribution up to 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	▪ involvement in transport corridors and infrastructural projects ▪ awareness of novelties to be implemented and active cooperation on EU projects, NAPA, ESPO and FEPORT ▪ safeguarding business interests of the company and the Concession Agreement
3. Infrastructural connection of the Port outwards	▪ shorter transit time to hinterland markets, eliminating bottlenecks on railway infrastructure ▪ maintaining waterways and drafts
4. Proactive relationship with the State	▪ obtaining support for developmental activities, the National Spatial Plan and other projects ▪ improving the understanding of our activity ▪ faster issuing of licenses and document confirmation ▪ arranging pre-customs clearance ▪ help in solving our disputed projects outside the Port (status of land, spatial acts) ▪ confirming the compliance of the Concession Agreement with certain corrections (in fractions where certain inconsistencies were noticed)
5. Proactive relationship with the local community	▪ understanding the importance of the Port's development ▪ Preparing joint development projects and joint development of a modern port city
6. Environmental protection	▪ compliance with all the required standards, introduce new rules and measurements to ensure safeguarding of the environment and the sea ▪ introducing green logistics concepts (the Port as the greenest link of the logistics chain)
7. Safeguarding the Port's environment	▪ following all required standards, introducing new rules for the safety of the area ▪ recognising and managing safety risks
8. Effective drawing of grants	▪ solving the issue of national aid and mass financing of the Port's infrastructure through grants ▪ reaching an agreement on actual financing projects ▪ proper (at least 30%) financing of the public port infrastructure from the funds of the European cohesion policy

3.2 FORECASTS FOR THE MACROECONOMIC ENVIRONMENT IN 2015

In October 2014, the International Monetary Fund (IMF) forecasted 3.3 percent global economic growth in 2014 while the world economic growth in 2015 would be 3.8 percent[5]. In our January report of this year, we reduced the forecast for 2015 to 3.5 percent[6]. Lowering the forecast is based on expected economic events in China, Japan and Russia, in Euro zone and in petroleum exporting countries.

Four key factors affected the development of new, lower world economic growth forecast:

- fuel prices in US Dollars fell for around 55 percent since September 2014;
- economic growth was, in the last quarter of 2015, in most world superpowers, lower than expected with the exception of the USA where growth increased;
- lower exchange rate of US Dollar for around 6 percent, a fall in Euro exchange rate for around 2 percent and a fall in Yen for around 8 percent;
- higher interest rates and risk diversification in most world superpowers.

In 2014, developed countries should have achieved 1.8 percent economic growth and in 2015 the economic growth should be at 2.4 percent. Great Britain carries the best forecast, IMF forecasting 2.6 percent economic growth in 2014 and 2.7 percent in 2015. In the USA, economic growth should be 2.4 percent in 2014 and 3.6 percent in 2015.

Economic growth forecast in the Euro zone is 0.8 percent for 2014 and should increase to 1.2 percent in 2015. Germany, economically most powerful European State, carries the best forecast among the Member States while Spain is slowly but persistently recovering after exiting the banking rescue package. Germany can hope for 1.3 percent economic growth in 2015 and Spain 2 percent economic growth.

International Monetary Fund forecasted 4.4 percent economic growth for fast-growing and for developing States for 2014 and 4.3 percent for 2015. Russia, feeling the consequences of crisis in Ukraine, should have had 0.6 percent economic growth in 2014 and economic growth in 2015 is expected to be negative, at - 3 percent. Chinese GPD should strengthen for 7.4 percent in 2014 and for 6.8 percent in 2015 while the Indian GDP should increase for 5.8 percent in 2014 and 6.3 percent in 2015. Forecasts for Brazil are modest, with 0.1 percent growth in 2014 and 0.3 percent growth in 2015.

According to the information of the Institute for Microeconomic analysis and development of the Republic of Slovenia[7] we can expect higher economic growth in Slovenia in 2014 than in was forecasted in the autumn forecast of 2014, mainly due to better expectations concerning the growth of export and because investment spending growth is forecasted somewhat higher as well. Considering these forecasts, the Slovenian economic growth should be 2.5 percent in 2014 and 2 percent in 2015.

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[5] Source: World Economic Outlook: Legacies, Clouds, Uncertainties. October 2014. Washington. International Monetary Fund.

[6] Source: World Economic Outlook: Legacies, Clouds, Uncertainties. Update January 2015. Washington. International Monetary Fund.

[7] Source: Review of the realisation of the Autumn Forecast of Economic Trends 2014. December 2014. Ljubljana, Institute for Microeconomic analysis and development of the Republic of Slovenia.

With further growth in foreign demand, the improvement of cost competitiveness of the exchange sector and favourable exchange conditions, exporting will remain the key factor of economic growth in Slovenia. Gross investments growth into fixed assets will slow down after its noticeable strengthening in 2014 and 2015 which is strongly affected by the public investments dynamic. The key factor for the gross investments growth into fixed assets in 2014 were public investments into other buildings and facilities, in connection with strengthened drawing of EU funds before the expiry of the financial perspective. Expected growth of these investments will be significantly lower in 2015.

Real gross economic product growth per important supporting markets (in percentages)[8]

COUNTRY	ASSESSMENT 2014	ESTIMATE 2015	CHANGE 2015/2014
Eurozone	0.8	1.2	**1.5**
Slovenia	2.5	20	**0.8**
Italy	-0.4	0.4	**-1.0**
Germany	1.5	1.3	**0.9**
Austria	0.8	1.6	**2.0**
Hungary	2.6	2.3	**0.9**
Slovakia	2.2	2.5	**1.1**
Czech Republic	2.4	2.7	**1.1**

In 2015 and subsequent years, State economic policies, which constitute key supporting markets for the Luka Koper Group will be the following:[9]

- In 2014, the key tasks in Austria will be decreasing the budget deficit, keeping a low level of unemployment, increasing the level of employment, increasing expenses for research and development, increasing educational standards, improving the competitiveness of the economy, promoting entrepreneurship and investments into infrastructure.
- In Italy, the key objectives of the government will be managing and decreasing the large public debt, protecting the banking system and remaining in the Eurozone. In this State, there is a risk of non-performance of contractual obligations, banking crisis risks and the risk of exiting the Eurozone. The greatest challenge to be faced by the Italian government is how to balance measures for reducing the large public debt with measures to stimulate economic growth, to reverse drastic increase in unemployment and to release social tension.
- In Hungary, the government is faced with two main challenges: the consolidation of public finances and the promotion of economic growth. The key element of government's plans includes the labour market reform by increasing employment and by increasing the degree of work force participation.
- In Slovakia, government efforts will continue to be directed towards fiscal consolidation, reducing discrepancies between regions, investing into research and development and increasing economic growth
- The German government will be focused on Euro crises in 2015. It will have three priority tasks: to retain the financial stability and keep public finance in broader balance, to re-

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[8] Source: Statistical indicators 2016-2014. September 2014. Izvozno okno (EIU; Factiva). URL: www.izvoznookno.si.
Source: World Economic Outlook: Legacies, Clouds, Uncertainties. Update January 2015. Washington. International Monetary Fund.
Source: Review of the realisation of the Autumn Forecast of Economic Trends 2014. December 2014. Ljubljana. Institute for Microeconomic analysis and development of the Republic of Slovenia

[9] Source: Review of economic movements September 2014. Izvozno okno (EIU; Factiva). URL: www.izvoznookno.si.

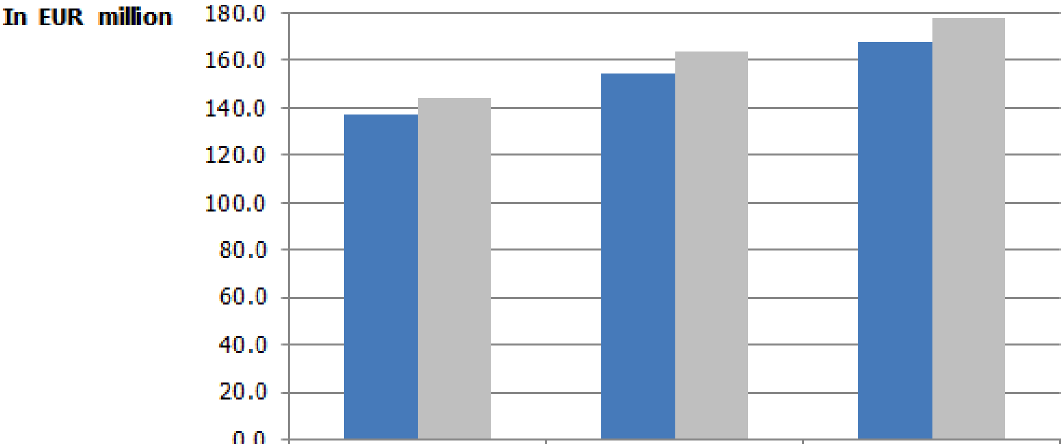
establish healthy financial sector and gradually eliminate nuclear energy production and to improve aging energy infrastructure in the next decade.

- In the Czech Republic, the government intends to introduce important reforms in 2015-2016 on healthcare, social security, pension and tax system, in order to ensure long-term public finance sustainability.

3.3 BUSINESS OBJECTIVES FOR 2015

For 2015, the business plan of Luka Koper Group predicts 9 percent growth in revenue when compared to 2014. The predicted growth is based on maritime throughput growth in all groups of goods. The highest growth is expected to be at the container terminal because of the seabed dredging to -14 meters and because the associations of container ship owners with connect the Port of Koper directly with the Far East, on three container lines. For two new services, the alliance of 2M ad Ocean 3, the Port of Koper will be the first calling port in the Adriatic Sea from February 2015 onwards and for the alliance of CKYHE, our port will obtain such status in April 2015.

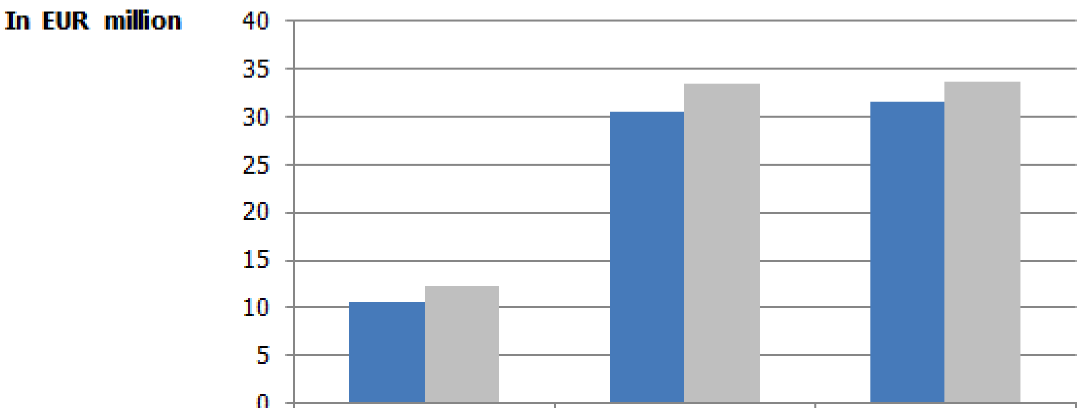
Revenue from sales



	2013	2014	Plan 2015
Luka Koper, d. d.	136.8	154.5	167.6
The Luka Koper Group	144.2	163.6	177.9

The revenue of the Luka Koper Group is expected to be EUR 177.9 million in 2015 and EUR 167.6 million for the company Luka Koper d.d.

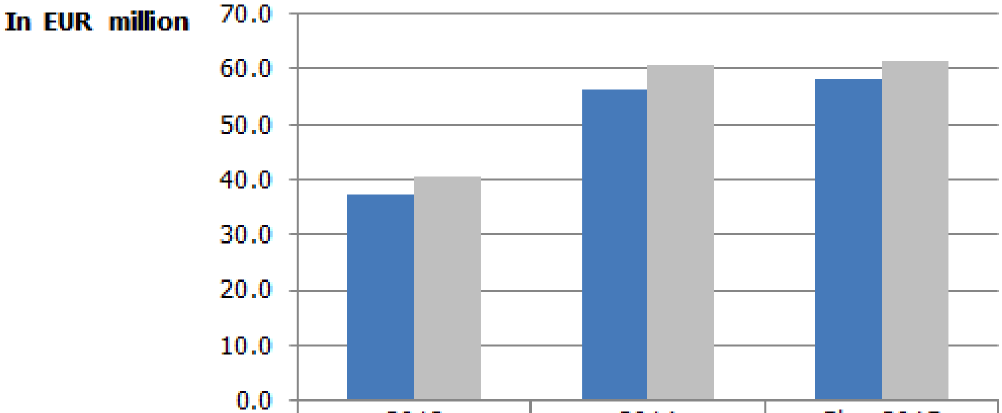
Operating result (EBIT)



	2013	2014	Plan 2015
Luka Koper, d. d.	10.6	30.5	31.6
The Luka Koper Group	12.2	33.4	33.7

The EBIT of the Luka Koper Group is planned at EUR 33.7 million in 2015 which is 1 percent above the 2014 EBIT. Operating earnings of the company Luka Koper d.d. is planned at EUR 31.6 million in 2015 which is 4 percent higher than the achieved operating earnings in 2014.

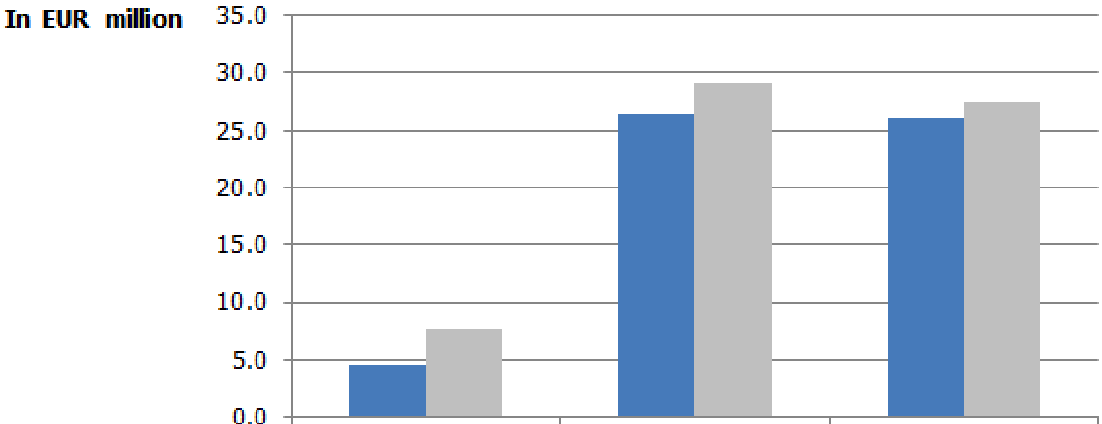
Operating earnings before amortisation (EBITDA)



	2013	2014	Plan 2015
Luka Koper, d. d.	37.2	56.3	58.2
The Luka Koper Group	40.4	60.8	61.5

In 2015, the Luka Koper Group is planning to realise EUR 61.5 million of simplified net cash flow from operating activities (EBITDA) and the company Luka Koper d.d. is planning to generate cash from operating activities in the amount of EUR 58.2 million.

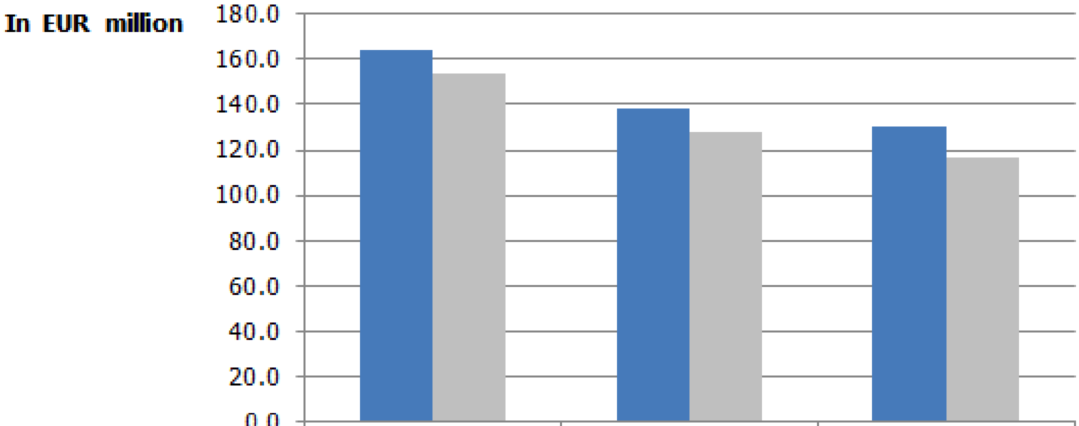
Net profit



	2013	2014	Plan 2015
Luka Koper, d. d.	4.6	26.4	26.1
The Luka Koper Group	7.7	29.1	27.5

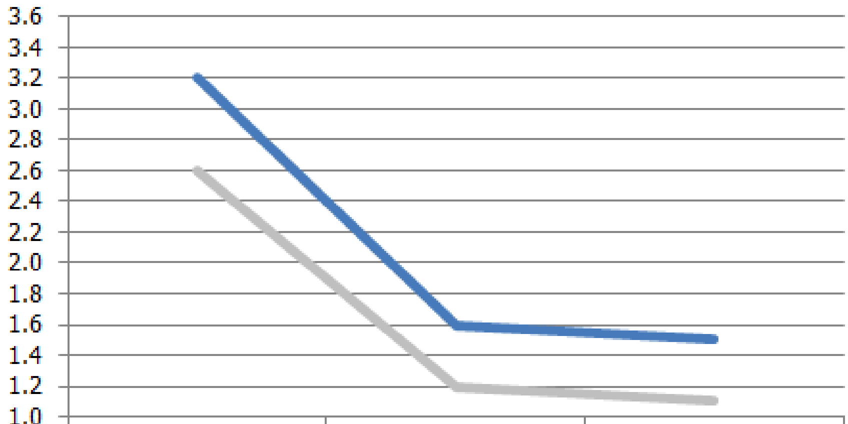
Net profit of the Luka Koper Group is planned at EUR 27.7 million in 2015, which is 6 percent less than the achieved net profit in 2014. Net profit of the company Luka Koper d.d. is for 2015 planned to be in the amount of EUR 26.1 million.

Financial liabilities



	2013	2014	Plan 2015
Luka Koper, d. d.	163.9	138.2	130.6
The Luka Koper Group	153.8	128.1	116.6

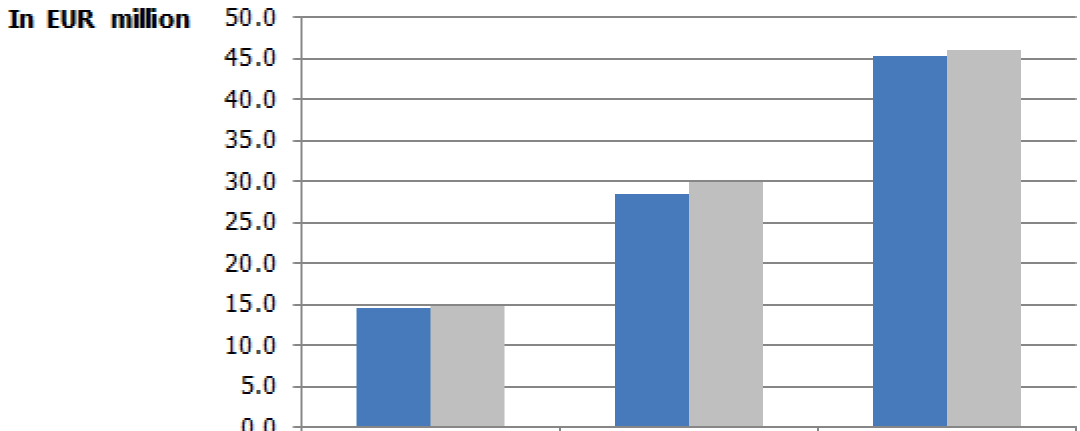
Relationship of net financial debt/EBITDA ratio



	2013	2014	Plan 2015
Luka Koper, d. d.	3.2	1.6	1.5
The Luka Koper Group	2.6	1.2	1.1

The Luka Koper Group will continue to lower its borrowing in 2015, lowering the relationship between the net financial debt, with respect to EBITDA, to 1.1. The relationship between financial obligations and the equity of the Group is planned to be reduced to 0.38 in 2015.

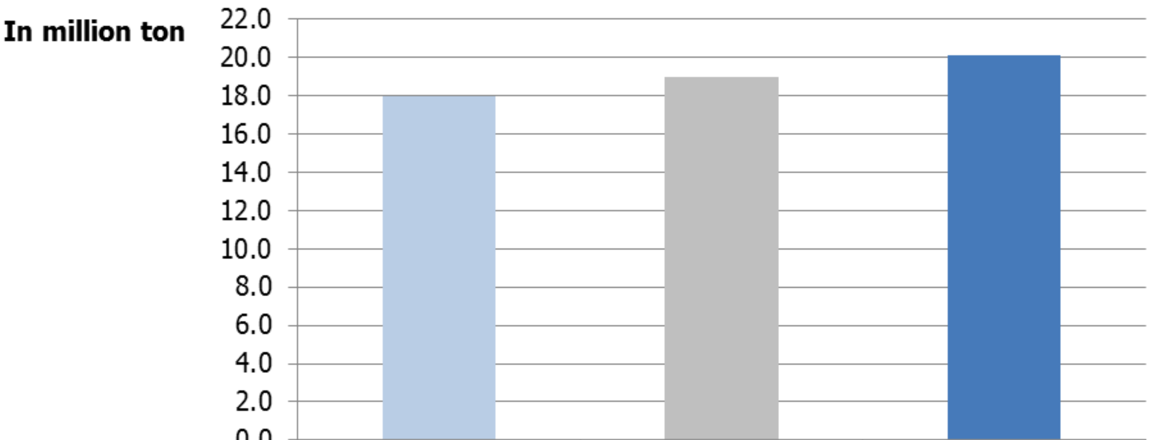
Investment in property, plant and equipment, investment property and intangible assets



	2013	2014	Plan 2015
Luka Koper, d. d.	14.5	28.5	45.2
The Luka Koper Group	14.8	30	46

In 2015, the Luka Koper Group is planning investments into fixed and intangible assets in the amount of EUR 46 million. Investment activities will be directed mostly to the container terminal, in accordance with the company's strategy.

Maritime throughput (in EUR million tonnes)



	2013	2014	Plan 2015
Maritime throughput	18	19	20.1

Maritime throughput in planned at 20.1 million tons in 2015, representing 6 percent growth when compared to the achieved maritime throughput in 2014.

A summary of the key data from the 2015 business plan of Luka Koper d.d. and the Luka Koper Group

	Luka Koper d.d.			Luka Koper Group		
	2014	Plan 2015	Index Plan 2015/ 2014	2014	Plan 2015	Index Plan 2015/ 2014
Revenue	154,464,507	167,634,395	109	163,601,560	177,866,199	109
Operating result (EBIT)	30,474,904	31,603,934	104	33,381,026	33,746,955	101
Operating earnings before amortisation (EBITDA)	56,341,285	58,197,398	103	60,792,878	61,463,217	101
Net operating profit	26,448,414	26,091,439	99	29,098,342	27,489,771	94
Added value	95,235,916	100,015,207	105	105,591,082	108,974,274	103
Financial liabilities	138,202,764	130,623,027	95	128,146,556	116,623,027	91
Investment in property, plant and equipment, investment property and intangible assets (from the cash flow statement)	28,485,811	45,185,502	159	29,958,975	45,966,862	153
Maritime throughput (in tonnes)	18,965,351	20,101,750	106	18,965,351	20,101,750	106
Number of employees	824	858	104	1.009	1.047	104
	31 Dec 2014	Plan 31 Dec 2015	Index Plan 2015/ 2014	31 Dec 2014	Plan 31 Dec 2015	Index Plan 2015/ 2014
Return on sales (ROS)	19.7%	18.9%	96	20.4%	19.0%	93
Net return on capital (ROE)	10.4%	9.6%	92	10.7%	9.4%	88
EBITDA margin	36.5%	34.7%	95	37.2%	34.6%	93
Financial liabilities/equity	51.9%	46.0%	89	44.8%	38.4%	86
Equity share in the balance sheet total	60.9%	63.0%	104	63.3%	66.0%	104
Financial and operating liabilities/equity	64.3%	56.0%	87	58.1%	48.3%	83
Net financial debt/EBITDA	1.6	1.5	94	1.2	1.1	92

3.4 REALISATION OF PLANS, STRATEGIC OBJECTIVES AND ORIENTATIONS

Realisation of strategy

The realisation of strategy in 2014 followed the strategic plan of the Luka Koper Group for 2011-2015 which was renewed last in April 2014.

The activities were mostly focused on the result of the Port's system, especially the launch of further development of additional port capabilities and successful marketing of our services in trans-marine markets and the provision of traditional presence in the hinterland markets. In accordance with the strategy set forth, the volume of throughput of the strategic groups of container goods and vehicles grew especially favourably with the record throughput. Despite important changes in strategic decisions of alliance ship owners, we were able to successfully manage their arrival in Koper through increased transport. We are aware of the challenge to provide timely adequate port activity, especially concerning the container transport.

It should be mentioned that certain advancements were also made in the business systems where active contribution was made towards lowering borrowing and rehabilitating past bad projects and investments and to ensure the optimisation of certain processes and improvements in the company's operating organisation, the results of which were very good. By singing the social agreement until 2017, an important advancement was made in the area of social dialogue.

At the logistical level, great attention was given to improving the relationships with the Port community and in connecting the actors on the transport route through Koper. Especially important acquisitions arose when the first phase of dredging the first basin to -14 meters was completed which strengthens the presence of main container ship owners. On the other hand, pressures to provide suitable infrastructural connection with the hinterland services were also strengthened, especially concerning the second rail track project of the railway, the improvements in accessing the Port by road thru new entries.

Concerning the challenges of the institutional environment, especially in terms of the new financial perspective for 2014-2020 and the suitable position and connection of the Port of Koper, a lot of attention was given to harmonising the strategic documents at the European, national and regional level. The ESPO award without doubt contributed towards better recognisability of our Port at the European level. Additionally, due to exceptional change of government at national level and regular changes at the local level, there was a lot of organising at the national as well as at the local level, directed towards protecting the interests of the company in terms of the centralised and integrated management and priorities of the Port.

Expecting new strategic plan

Considering that the existing strategic business plan expires at the end of 2015, activities already commenced in 2014 for preparing a new strategic-development document. The fundamental analysis of the existing capacity, approximate expected throughout and plans for phased increase in port capacity were prepared. The document will be completed in 2015, valid until 2020, with guidelines until 2030. According to thus far held discussions, significant conceptual changes are not expected on the method of operation, management and positioning of the company.

Until 2020, important challenges will include actual activities for strengthening the market position of the Port system, for ensuring infrastructural activities and for maintaining competitive services. the Port remains multi-purpose, having a priority for the container transport concerning which we will strive to maintain the leading position in the Adriatic North, especially focused on vehicles concerning which we have a leading position in the South channel into the Central and Eastern Europe.

Until 2020, around EUR 200 million of new investments are planned for infrastructural capacity and resources planned for the equipment will also be important. We recognise the opportunity to utilise the European financing instruments with non-refundable funds and other forms of financing. The development policy and investment intensity into the Port infrastructure will strongly depend on providing suitable capacity on the public railway infrastructure leading to the Port, especially the single-track line at the Koper-Divača section as the traffic growth until 2020 is forecasting a need between 80 to 90 trains per day.

Key operating indicators of Luka Koper d.d. and the Luka Koper Group in 2014 when compared to the 2014 plan

	Luka Koper d.d.			**Luka Koper Group**		
	2014	**Plan 2014**	**Index 2014/ Plan 2014**	**2014**	**Plan 2014**	**Index 2014/ Plan 2014**
Revenue	154,464,507	144,082,569	107	163,601,560	151,231,286	108
Operating result (EBIT)	30,474,904	25,369,761	120	33,381,026	27,330,036	122
Operating earnings before amortisation (EBITDA)	56,341,285	51,420,042	110	60,792,878	54,663,265	111
Net operating profit	26,448,414	19,304,430	137	29,098,342	20,797,516	140
Added value	95,235,916	86,779,578	110	105,591,082	95,452,780	111
Financial liabilities	138,202,764	154,591,262	89	128,146,556	147,270,205	87
Investment in property, plant and equipment, investment property and intangible assets (from the cash flow statement)	28,485,811	37,103,917	77	29,958,975	38,506,577	78
Maritime throughput (in tonnes)	18,965,351	18,888,885	100	18,965,351	18,888,885	100
Number of employees	824	820	100	1,009	1,008	100
	31 Dec 2014	**Plan 31 Dec 2014**	**Index 2014/ Plan 2014**	**31 Dec 2014**	**Plan 31 Dec 2014**	**Index 2014/ Plan 2014**
Return on sales (ROS)	19.7%	17.5%	113	20.4%	18.1%	113
Net return on capital (ROE)	10.4%	7.7%	135	10.7%	7.7%	139
EBITDA margin	36.5%	35.5%	103	37.2%	35.5%	105
Financial liabilities/equity	51.9%	60.0%	87	44.8%	53.0%	84
Equity share in the balance sheet total	60.9%	58.0%	105	63.3%	61.0%	104
Financial and operating liabilities/equity	64.3%	67.0%	96	58.1%	60.0%	97
Net financial debt/EBITDA	1.6	2.4	67	1.2	2.0	60

4 LETTER OF THE PRESIDENT

Dear shareholders, business partners, port's neighbours and colleagues,

The Luka Koper Group ended 2014 business year incredibly successfully, despite continuous unstable economic and political conditions on world markets. Revenue from sales was EUR 163.6 million, higher from projections and higher by 13 percent over the previous year. Higher revenue is the result of increased throughput, which reached a record 19 million tonnes in 2014, the most in the history of the Port of Koper. It is important to emphasise containers, especially container units (TEU), the number of which increased for 12 percent and which marked the highest rate of growth among the ports in the Adriatic North where we have been holding the first place for a number of years with regard to the volume of throughput TEU. The success of the container terminal is without doubt a result of investments in increasing the terminal's capacity, especially the seabed dredging, as well as better trust of business partners into the quality and reliability of our services and their resulting satisfaction. The growth in throughput was also noted in the vehicle terminal, where in 2014 we again exceeded the number of half a million euros of vehicles and came close to the numbers of 2008 that were reached before the world economic crisis affected the vehicle throughput the most. The vehicle terminal of Luka Koper d.d. has been the largest in the Mediterranean for many years.

The financial indicators for 2014 were also exceeded and are by far the best since the onset of the world economic crises. At that time, the parent company was faced with the consequences of insufficiently thought-out and for the company financial burdening past investments that additionally weakened its financial stability. Because of certain bad investments, we faced net loss or minimal net operating profit for a number of years. This period is behind us and 2014 ended with satisfactory EUR 29.1 million high net operating profit. At the same time, we continued with the trend to reduce the company's financial liabilities that were EUR 128.1 million at the end of 2014. Today, the parent company is prepared for a new development cycle that will include investing into the Port infrastructure and increasing the capacity of our central activity. Until 2020, we are planning investments that will exceed EUR 200 million. A lion share of these investments will be dedicated to the container terminal as new connections between ship owners, the arrival of larger container ships and the establishment of new shipping lines all forecast a reliable throughput growth. The plans are ambitious and yet realistic. They are based on close and long-term relationships with business partners, on almost 60-years of experience in port activities and on motivated, well-trained and professional colleagues. When extending the coast and the piers, and building new lorry port entries we will try to establish a dialogue with the local communities who legitimately demand a clean and safe environment. In this area, we also pride ourselves with internationally recognised results as we received a prestige award of the European Sea Port Association EPSO in 2014 for environmentally most innovative projects.

Luka Koper d.d., as the concessionaire and the investor in the only Slovenian cargo port, is aware the Port is only one link in the logistic chain. Increasing the Port capacity will not bring desired development and yield of full market potential unless suitable connections with the supporting services are also taken care of. In our commercial presentations, we like to pride ourselves that we are the shortest path for goods between the Far East and the Central and Eastern Europe, a fact which is indisputable. However, when we look at the map, the density of shipping connections between Asia and Europe, we can see that North European ports retain their advantage. Shipping lines so directed are more frequent and have faster rail connections as a result of which the good reach their destination faster and cheaper. On the other hand, the South transportation route is becoming increasingly more interesting due to environmental challenges of the Northern seas and the difficulties in reducing shipping company's transportation costs.

Koper has very good conditions for development when compared to the regional neighbouring ports. However, our competitors are not sleeping and are also ambitiously planning their investments. We will not be able to retain and further develop our potentials alone if we will not be able to count on the capacity of the traffic infrastructure that connects the Port with the supporting services. The existing single tier track will probably be satisfactory for around five years, if suitable upgrades are made. Significant increase in the throughput of goods, of which even today almost 60 percent is transported on tracks, we cannot envision without suitable capacity of the Slovenian railway network in Luka Koper d.d. We believe that, as a State, we will know and be able to utilise the fact that two most important European transport corridors run through our land. These two are the key for the provision of our supporting markets. Luka Koper d.d. will come closer to realising its vision in becoming a leading port system for the Central and Easter European States.

Dragomir Matić
President of the Management Board of Luka Koper d.d.

5 REPORT OF THE SUPERVISORY BOARD FOR 2014

Composition of the Supervisory Board

In 2014, the Supervisory Board was working in the composition of Alenka Žnidaršič Kranjc PhD, Elen Twrdy PhD, Žiga Škerjanc, Andrej Šercer Msc, Capt. Rado Antolovič MBA, Sabina Mozetič, Mladen Jovičič, Stojan Čepar and Nebojša Topić Msc. The stability for its composition was significant which is the main difference to 2013, when the Supervisory Board composition changed three times due to exceptional replacement of its members. The main advantage of a stable composition of the Supervisory Board is its stability. It represents a condition for consistent work, making it significantly easier to overcome any disagreements and especially making it possible to achieve long-term objective which contributes not only to the quality of the work by the Supervisory Board but also to the stability of the company as a whole.

Work of the Supervisory Board

In 2014, the Supervisory Board gave its concern to the supervision over the operations of the company Luka Koper d.d. and to the evaluation of the operations of the Management Board. Within its authorisations, the Supervisory Board was dealing with different tasks among which, three are important to emphasise:

1. forming the company's Management Board based on professional competence and stability;
2. creating a dialogue between equity owners and employees;
3. improving efficiency of the company's operations.

The Supervisory Board is of the opinion it satisfactory achieved these three goals. With a lot of initial effort it was able to appoint a complete Management Board, which does not have disagreements and which consistently performs it tasks, as reflected also on the company's operating results. 2014 was the most important year for the dialogue between equity owners and employees, resulting in reaching a social agreement in June for a period of three years. In the social agreement, the Management Board, as the representative of equity, and the representative company's trade union, as the representative of the workers, agreed on mutual rights and obligations which will prevent mutual conflicts and ensure the observance of documents and agreements already adopted. In 2014, the company was successful in many areas when compared to the previous periods, such as improving the company's productivity, increasing the return on capital and increasing revenue, profits and realisation of investments.

The Supervisory Board, constituted as described above, convened at eleven regular and six correspondence sessions.

The Supervisory Board’s members attended most meetings in full turnout and none of the Members were absent on a regular basis. The sessions were attended by the President and members of the Management Board, and by expert company colleagues who provided any additional explanations and information necessary to reach decisions.

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

In addition to already mentioned three tasks, which were given the most attention, the Supervisory Board also dedicated itself to:

- determining key indicators for monitoring performance (KPI);
- criteria for remuneration for the Management Board;
- monitoring business plan, with emphasis on investments;
- monitoring the operations of the company,
- managing financial investments of the company;
- long-term development of the company;
- reforming operations in the company;
- reducing the exposure of the company to court proceedings in progress against it;
- measures for improving the work of the Supervisory Board;

At its sessions, the Supervisory Board discussed the following:

- interim reports on the operation of Luka Koper d.d and the Luka Koper Group;
- measures for long-term and short-term productivity of the company;
- at its January session, the appointment of Andraž Novak as a member the Management Board, for operations and sales;
- at its February session,
    - adopted the business plan of the Luka Koper Group for 2014;
    - addressed exceptional conditions due to ice damage at the end of January and early February 2014;
    - was informed of the request of the Republic of Slovenian and the Slovenian Compensation Company for convening a Shareholders' meeting of the company Luka Koper of 21 January 2014;
- at its April session,
    - the President Gašpar Gašpar Mišič of the Management Board was recalled and a new president Andraž Novak was appointed;
    - carried out self-evaluation of the Supervisory Board;
    - reviewed and confirmed the audited Annual Report of Luka Koper d.d. and the Luka Koper Group for 2013, and was informed of the independent auditor's report on the audit of unconsolidated financial statements of Luka Koper d.d. and of the independent auditor's report on the audit of consolidated financial statements of the Luka Koper Group as well as agreed with the proposal of the Management Board on the use of balance profit of 2013;
    - was notified of investments made;
- at its May session,
    - the President Andraž Novak was recalled as the President and appointed as a member of the Management Board;
    - a new President Dragomir Matić was appointed as the President;
    - addressed measures for increasing the successes of the Supervisory Board;
    - addressed certain questions associated with the position of Luka Koper d.d. as a shareholder in the company Railport Arad S.R.L.;
- at its June session,
    - addressed a report on measures performed for expediting procedures for obtaining required consents from State bodies;
    - addressed the activities for the release of land for building a new entry;
    - addressed the activities of the Management Board on concluding a social agreement;

- at its August session,
  - the external member Blanka Vezjak of the Supervisory Board's Audit Committee was recalled and a new member Barbara Nose was appointed;
  - addressed the report on the criteria for determining the variable part of the salary for management positions;
  - addressed the performance of the dredging of the first basin in the Port of Koper;
- at its September session,
  - addressed the guidelines for the business plan for 2015;
  - addressed the report on the investment status on extending the South part of the Pier I and on obtaining resources from the European Investment Bank;
- at its November session,
  - appointed Tina Svoljšak as a member of the Management Board, for finances and accounting;
  - was notified of the draft business plan for 2015;
- at its December November session,
  - adopted the business plan of the Luka Koper Group for 2015;
  - addressed measures for increasing the successes of the Supervisory Board;
  - considered the business plan of the Luka Koper Group for 2015;
  - addressed the problems with the experiment to introduce a port administration in the Port of Koper.

Work of the Supervisory Board Committees

In 2014, the following Committees operated regularly within the Supervisory Board: the Human Resources Committee, the Audit Committee and the Committee of Infrastructure and Operations, all of which positively contributing to the work of the Supervisory Board.

The Human Resources Committee was appointed on 16 October 2013 in the following composition: Capt. Rado Antolovič Msc (President), Andrej Šercer Msc (member), Sabina Mozetič (member) and Stojan Čepar (member), which convened five times in 2014: on 23 May to examine candidates for a president of the Management Board; on 18 September, 26 September, 13 November and 18 November to find a member of the Supervisory Board for finance and accounting. The Human Resources Committee can evaluate its work successfully as it contributed to constituting a full Management Board which is now working successfully and in coordination.

The Audit Committee met at eight sessions in 2014, one of which one was a correspondence session. In early 2014, the Commission worked in the composition of Žiga Škerjanc (President), Alenka Žnidaršič Kranjc PhD, (member), Blanka Vezjak Msc (external member) and Mladen Jovičič (member). On 22 August 2014 the external member Blanka Vezjak Msc, was recalled and Barbara Nose was appointed in her stead. The Audit Committee regularly monitored the operations of the company and addressed many important questions at its sessions. At its session of 10 January it addressed the business plan for the Luka Koper Group for 2014, at its sessions of 6 February and 13 March it addressed the unaudited report on the operations of the Group and the company Luka Koper d.d. in 2013; In addition to unaudited report, during the session of 13 March, the Audit Committee also separately addressed the letter to the management concerning the pre-audit for 2013, a report on the work of the internal audit for 2013 and the annual working plan for the internal audit for 2014. During its correspondence session of 3 April 2014, the annual report of Luka Koper d.d and the Luka Koper Group for 2013 was addressed and a letter to the management of the company Ernst & Young d.o.o.

after the audit was made, containing the replies of the Management Board. At the session of 23 May, the Committee addressed the appointment of external auditors, the report on the implementations of recommendations by the internal audit of 31 March 2014 and an offer from the company Ernst & Young d.o.o. to perform procedures concerning the examination of objective justification criteria and their correct use. At the session of 22 August, the Committee addressed two reports: 1. a report based on the Concession Agreement on the performance of port activity, management, development and regular maintenance of port infrastructure in the Port of Koper's area for cargo, for the period ending on 31 December 2013, prepared by the company Ernst & Young d.o.o., and 2. a half-yearly report on the work of the internal audit. During the same session, the Committee was also notified of the draft agreement for auditing accounting statements and of the draft agreement for security granting transactions (KPMG). At the session of 21 November, a new secretary of the Audit Committee was appointed and the Committee addressed the report on internal audit of 30 September 2014, the plan of the internal audit for 2015 and the report on non-implemented recommendations of the internal audit. At its session of 19 December, the financial calendar for 2015 was addressed as well as the calendar for the sessions of the Audit Committee in 2015 and the business plan of Luka Koper d.d. for 2015. At the same session, the auditors of the company KPMG Slovenia reported on the performed preliminary audit of the accounting statements of the company Luka Koper d.d.

The Committee of Infrastructure and Operations convened at nine regular sessions in 2014. At the start of the year, it worked in the composition of Elen Twrdy PhD, (president), Capt. Rado Antolovič Msc (member), Stojan Čepar (member) and Nebojša Topić Msc (member). Nebojša Topić Msc gave a resignation notice on 11 April and a new member of the Committee was appointed, Andrej Šercer Msc During its sessions the Committee of Infrastructure and Operations continued to monitor the status on the performance of current investments in the company and addressed many other questions. At its sessions of 10 January and 6 February the Committee addressed the business plan for 2014 in terms of investments the company was intended to make in the period. At the session of 11 April, the Committee addressed the realisation of investments, the investment and current maintenance until 31 March 2014, the progress on the dredging of the first basin of the Port of Koper, the realisation of investments for increasing the capacity of the container terminal and for extending Pier I, as well as a presentation of the KPI by each terminal and goals attained. At the sessions of 23 May and 4 June, the Committee addressed the progress on the dredging of the first basin and the status of the project on the new entry, and at the session of 22 August, it was notified of the report on monitoring the effects of short-term measures for raising the productivity in the period January-June 2014. At the session of 24 October, it addressed the investment into extending Pier I, with connection to the DPN, as well as reviewed the draft investment plan 2015, with marketing activities and a preliminary economic report on investments into electrifying transtainers in the cargo terminal and the report on purchasing new equipment for Pier I, in the context of the public procurement difficulties. At the session of 12 December, it addressed the investment plan for 2015.

Absence of individual Members of the Supervisory Board and the Supervisory Board Committee's members by each session

Number of the session	Date of Session	Absent members
Supervisory Board session		
4th correspondence session	24 March 2014	Sabina Mozetič
7th regular session	4 July 2014	Sabina Mozetič
10th regular session	21 November 2014	Elen Twrdy PhD, Sabina Mozetič
11th regular session	19 December 2014	Alenka Žnidaršič Kranjc PhD,
Human Resources Committee's session		
3rd regular session	23 May 2014	Stojan Čepar
4th regular session	18 November 2014	Sabina Mozetič
Audit Committee's session		
7th regular session	22 August 2014	Alenka Žnidaršič Kranjc PhD
9th regular session	19 December 2014	Alenka Žnidaršič Kranjc PhD

Assessment of the work of the Management and Supervisory Boards

The current composition of the Supervisory Board is working since October 2013. Upon the formation of the current composition, the Supervisory Board gave itself very important tasks, including increasing the productivity, increasing the return on investments, better realisation of investments, appointing a compatible Management Board and reaching a dialogue between the workers and equity. The Supervisory Board was able to complete all these tasks in 2014. The productivity and the return on capital increased in the company, as confirmed by significantly higher profit when compared to 2013. The Management Board was constituted with members that work together well, without major disagreements. It is very important that a social dialogue was set up, resulting in a milestone conclusion of a social agreement in July 2014 and further good cooperation between the Management Board and the representative trade unions. Certain matters in the company must still be addressed in the area of reducing costs.

The Supervisory Board, constituted by Alenka Žnidaršič Kranjc PhD, Capt. Rado Antolovič MBA, Elen Twrdy PhD, Andrej Šercer Msc, Žiga Škerjanec, Sabina Mozetič, Mladen Jovičič, Stojan Čepar and Nebojša Topić Msc carried out a self-evaluation according to the methodology of the Association of Supervisory Board Members, it developed a proposal of measures for increasing the success of the Supervisory Board and appointed a member of the Supervisory Board for areas that need improvements. The majority of members, working in the Supervisory Board in 2014, also completed a questionnaire regarding the conflict of interests from the Corporate Governance Code and the company published their statements on its web pages.

Costs for the work of the Supervisory Board

Pursuant to Article 25 of the Articles of Association of the company Luka Koper d.d, the Shareholders' Meeting adopted a decision on 8 July 2014 on determining payments for performing functions and attendance fees of the members of the Supervisory Board and the members of the Supervisory Board's Committees for a period of next twelve months. From July onwards, the members of the Supervisory Board were entitled to 275 EUR gross for participating at a session and 80% of that amount for correspondence sessions. For participating at a Committee session, each member of the Committee was entitled to a participation fee in the gross amount of 80% of the participation fee for participating at a session of the Supervisory Board. Transport costs and attendance fees were paid to the Committee members in accordance with the company's regulation.

Supervisory Board's members were also entitled to a payment in the amount of 11,000 EUR gross per year per member for performing their function which is in addition to the attendance fees. The Chairman received a supplement of 50 percent of the basic payment for carrying out his function and the deputy Chairperson received a supplement of 10% of the basic payment for carrying out his function as a member of the supervisory board. The Supervisory Board's Committee members received a supplement for performing their functions which, for each Committee member, amounted to 25% of the gross payment for performing a function of the Supervisory Board member. The Committee president was entitled to a supplement for performing his function in the amount of 50% of the payment for performing a function as a Supervisory Board's Committee member. The external member of the Audit Committee, who is not a member of the Supervisory Board as well was, pursuant to the Resolution of the Shareholders' Meeting of 8 July 2014, entitled to 25% of the gross payment to a Supervisory Board member for performing their function in the Supervisory Board.

Payments to individual Members of the Supervisory Board and Members of Committees of the Supervisory Board are presented in the Explanation No. 37 to the Financial Report of Luka Koper d.d.

It is important to emphasise that supplements to the members of the Supervisory Board and its Committees did not increase when compared to 2013. This decision was in fact adopted by the Supervisory Board whose members were of the opinion it benefits the company.

Endorsement of the annual report and the opinion of the auditor's report

The Supervisory Board reviewed the Annual Report of Luka Koper d.d. and the Luka Koper Group for 2014, and the proposal of the Management Board regarding the use of the accumulated profit at its 14 regular session, held on 17 April 2015.

The Supervisory Board was notified and reviewed the auditor's report as well, in which the authorised audit firm KPMG Slovenia, auditing company d.o.o., stated that the financial statements, 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 it provides a true and fair presentation of their business position As of 31 December 2014.

The Members of the Supervisory Board unanimously approved the Annual Report of Luka Koper d.d. and the consolidated Annual Report of the Luka Koper Group, with the 2014 auditor's report, at the session held on 17 April 2015. We find that the Annual Report is thus also formally adopted in accordance with the provisions of Article 282 of the Companies Act (ZGD-1) and the Articles of Association of Luka Koper d.d.

Proposal for the use of earnings of 2014

The Supervisory Board is of the opinion that the Management Board's proposal on the use of earnings complies with the Company's dividend policy and its strategic development, taking into account Shareholders' interest on increasing the share value. In 2014, the Company generated net profit of EUR 26,448,414.59. Based on the resolution of the Management Board regarding the formation of other profit reserves in the amount of a half of the net profit of 2014, Luka Koper d.d. created other profit reserves of EUR 13,224,207.30 at the end of 2014 in accordance with Article 230(3) of the Companies Act. Total accumulated profit for the year 2014 is EUR 14.598.947.31.

Simultaneously with the endorsement of the 2014 annual report, the Supervisory Board approved the use of the accumulated profit, which will be proposed by the Supervisory and Management Boards for the approval at the Shareholders' Meeting. The proposal for the use of accumulated profit, totalling EUR 14,598,947,31 as of 31 December 2014, is as follows:

- part of the accumulated profit in the amount of EUR 8,540,000.00 is to be paid as dividends in gross value of EUR 0.61 per ordinary share;
- residual value of accumulated profit in the amount of EUR 6,058,947.31 shall be allocated to other revenue reserves.

The Supervisory Board proposes that, on the basis of the Annual Report of Luka Koper d.d. and the Luka Koper Group, the Independent Auditor's Report and this report, the Shareholders' Meeting discharges the Management and the Supervisory Boards for their work performed in 2014.

Alenka Žnidaršič Kranjc PhD
President of the Supervisory Board of Luka Koper d.d.

6 CORPORATE GOVERNANCE REPORT

6.1 CORPORATE GOVERNANCE STATEMENT

In accordance with the provision of Article 70(5) of the Companies Act and the provisions of the Code of Ethics of the Luka Koper Group (adopted by the Management Board of Luka Koper d.d. on 14 February 2012), the Corporate Governance Code, the Corporate Governance Code for Companies with Capital Investments by the State and the Corporate Governance Policy Corporate Governance Code (adopted on 15 May 2013, valid from 19 December 2014), the Governance Code for Capital Investments by the Republic of Slovenia (adopted on 19 December 2014), Luka Koper d.d. is herein below providing its statement on the management of Luka Koper d.d. and the corporate governance report, both of which are available on the web page http://www.luka-kp.si/eng/investors/annual-reports .

1. Statement on compliance with the provisions of the Code of Ethics of the Luka Koper Group

Luka Koper d.d. follows the recommendations of the Code of Ethics of the Luka Koper Group, which was adopted on 14 February 2012 by the Management Board of the company Luka Koper d.d and is available to the public on the web page www.luka-kp.si .

2. Statement on the compliance with the provisions of the Corporate Governance Code

Luka Koper d.d. follows the recommendations of the Corporate Governance Code of Public Limited Companies, adopted on 8 December 2009 by Ljubljanska borza d.d., the Association of Supervisory Board Members and the Association Manager, and is available to the public on the web pages of Ljubljanska borza d.d. (www.ljse.si).

The company's Management and Supervisory Boards state that in 2014 they observed the Corporate Governance Code of Public Limited Companies except in part of the signed statement that there are no conflicts of interests, in accordance with Annex 3 to the Corporate Governance Code of Public Limited Companies.

3. Statement of Compliance with the Provisions of the Governance Code for Capital Investments by the Republic of Slovenia (adopted on 15 May 013, valid from 19 December 2014), and the Corporate Governance Code (adopted on 19 December 2014) and the Recommendations of the manager of direct and indirect capital investments of the Republic of Slovenia (adopted on March 2014, valid from December 2014) and the Recommendations and expectations of the Slovenian National Holding (adopted in December 2014)

Luka Koper d.d. follows the recommendation of the Corporate Governance Code with State equity investment (adopted on 19 December 2014) and other individual recommendations available to the public at the web pages www.sdh.si.

The company's Management and Supervisory Boards state that in 2014 they observed the provisions of the Governance Code for Capital Investments by the Republic of Slovenia (adopted on 15 May 2013, valid from 19 December 2014), and the Corporate Governance Code (adopted on 19 December 2014). They also observed the Recommendations of the manager of direct and indirect capital investments of the Republic of Slovenia (adopted on March 2013, valid from December 2014) and the

Recommendations and expectations of the Slovenian National Holding (adopted in December 2014) except for those listed below.

4. Derogations from individual Recommendations of the manager of direct and indirect capital investments of the Republic of Slovenia (adopted on March 2014, valid from December 2014)

Luka Koper d.d. did not observe the following individual Recommendations of the manager of direct and indirect capital investments of the Republic of Slovenia:

- Recommendation No. 2: Payments to external members of Committees of the Supervisory Board and other experts who cooperate with the Supervisory Board through their work, in 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 Shareholders' Meeting of Luka Koper d.d., at its session of 8 July 2013, adopted a special resolution pursuant to Article 25 of the Articles of Association of Luka Koper d.d. by which it determined payments to the members of the Supervisory Board, to the members of Committees of the Supervisory Board and to external members of Committees of the Supervisory Board. Neither the Management Board of the Company nor the Supervisory Board have the competence to decide or modify the resolutions adopted at the Shareholders' Meeting and thus, the Company executed payments to the members of the Supervisory Board and to external members of Committees of the Supervisory Board in accordance with the resolution of the Shareholders' Meeting.
- Recommendation No. 6: Quarterly report on the operations of the company/group. The company Luka Koper d.d. publishes quarterly unaudited reports on the operations of the Luka Koper Group and Luka Koper d.d. but not within 25 days in the month following the completion of each quarter. For 2014, quarterly reports were published on 23 May, 22 August, 21 November of 2014 and on 20 February 2015. The companies SOD d.d. and SDH d.d. were delivered the reports in three days after their publication.
- Recommendation No. 7: Transparency of transaction conclusion procedures, which concern Company's expenditures. The company did not operate in accordance with Point 3 of the Recommendation concerning the publication of all donations and sponsorship until 17 April 2014. From 17 April onwards, Luka Koper d.d. is publishing them on its web pages, in accordance with the Act on amendments and supplements of the Public Information Access Act (ZDIJZ-C, Official Gazette of the RS No. 23/14 of 2 April 2014) which entered into force on 17 April 2014. The publications are carried out in accordance with Article 10.a (11) of the Public Information Access Act. The company also did not operate in accordance with Point 4 of the Recommendation since the information on other concluded transactions, referring to expenditure of the company, is regarded as a business secret and therefore the company does not publish individual transactions, selected contractor and the value of individual transaction. An exception is the transactions published on the web pages in accordance with Article 10.a (11) of the Public Information Access Act.
- Recommendation No. 8: Labour cost optimisation in 2013 and 2014, referring to the payment of the 13th salary. In accordance with the Corporate Collective Agreement, Luka Koper d.d. paid the 13th salary in the amount of 100% of the average monthly salary of an employee.
- Recommendation No. 8: Labour cost optimisation in 2013 and 2014, referring to public announcement of the binding collective agreement for the Company. At the end of 2011, Luka Koper d.d. called the representative trade unions to give their consent for the publication of the wording of the Collective Agreement of Luka Koper d.d. on its website. The trade unions did not agree with the public announcement of the text.

- Recommendation No. 11: Attainment of quality and excellence of performance of companies/groups. Luka Koper d.d. does not carry out self-assessments in line with the European EFQM excellence model.
- Recommendation No. 12: Shareholders' Meetings. The 2013 Annual Report was published on 4th April 2014 in accordance with the Companies Act (ZGD-1) and the Company's financial calendar.

5. 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 sub-chapters titled System of Internal Controls, Internal Control and Risk Management Related to Financial Reporting, and Risk Management.

6. Data relating to the Takeover Act

Luka Koper d.d. is obligated to apply the Takeover Act, in accordance with the provision of Article 70 (§6) of ZGD-1. The Company was not subject to the relevant provisions of the Takeover Act in 2013, as the circumstances requiring the application of these provisions did not exist at the time.

7. Data relating to the work and key authorisations of the Shareholders' Meeting and the description of shareholders' rights

The functioning of the Shareholders' Meeting, its authorisations, rights of shareholders and their management are regulated by law and defined in detail in the company's Articles of Association, which is publicly available at the web page www.luka-kp.si. The functioning of the Shareholders' Meeting in 2014, key authorisations, shareholders' rights and the method of exercising these rights are described in the Report on Corporate Governance, in the sub-chapters titled Two-Tier Management System and the General Meeting of Shareholders.

8. 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 sub-chapters titled Supervisory Board and Management Board.

The management of Luka Koper d.d. and the Luka Koper Group complied 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, as provided by the Corporate Governance Code and recommended by the Association of Supervisory Board Members, the Corporate Governance Policy (adopted on 15 May 2013, valid from 19 December 2014) and the Corporate Governance Code for Companies with Capital Investments by the State (adopted on 19 December 2014) and observed the corporate governance policy which was adopted by the Supervisory Board in May 2010.

Dragomir Matić
President of the Management Board of Luka Koper d.d.

Alenka Žnidaršič Kranjc PhD
President 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, according to which the Company has three management bodies: the Shareholders' Meeting, the Supervisory Board and the Management Board. The competencies of individual bodies and the rules on their appointment, discharge and changes of the Articles of Association 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. Company's Articles of Association are available to the public on the web page http://www.luka-kp.si/eng/about-us .

6.3 SHAREHOLDERS' MEETING

Shareholders' Meetings is the highest body of the company and decides on the company's statutory changes, the distribution of profit, the appointment and recall of Supervisory Board's members and on all other matters on which it decides pursuant to the Companies Act and the Articles of Association of the company Luka Koper d.d. Ownership structure of the company Luka Koper d.d. is shown in the chapter THE LKPG SHARE.

6.3.1 Convening of the Shareholders' Meeting

The Management Board usually convenes the Shareholders' Meeting once a year or more if necessary. The convening of the Shareholders' Meeting is published at least a month in advance, on the AJPES website, on the electronic system of the Ljubljana Stock Exchange SEOnet, and on the Company's website. On the website http://www.luka-kp.si/eng/investors/general-assembly full material is available, including proposals for resolutions, which are available to the shareholders also at the seat of the company. In compliance with the rules of the Ljubljana Stock Exchange, all resolutions adopted at the Shareholders' Meeting are published.

6.3.2 Participation and Voting Rights

Shareholders may participate at the Shareholder's Meeting and exercise their voting rights as long as they register their participation at least by the end of fourth day before the session with the Management Board of the company and submit shares or confirmation thereof for inspection.

There is no limitation to voting rights, since all shares of Luka Koper d.d. grant voting rights in accordance with the legislation.

Luka Koper d.d. does not have issued securities that would give special rights of control to their holders.

6.3.3 Resolutions of the General Meetings of Shareholders

In 2014, the Shareholders' Meeting convened two times:

- at 24th session on 19 March 2014 and
- at the 25th session on 8 July 2014.

At the 24 session of the Shareholders' Meeting of the company Luka Koper d.d. on 19 March 2014 the shareholders adopted amendments to the Articles of Association. The Municipality of Koper announced an appeal against this resolution. Gašpar Gašpar Mišič, the President of Luka Koper d.d., informed the shareholders of the situation regarding the compensation claims filed against the former Management and Supervisory Board members.

At the 25th session on 8 July 2014:

- the shareholders were presented with the adopted Annual Report of the Luka Koper Group and Luka Koper d.d. for 2013;
- the shareholders adopted the resolution on the proposed allocation of accumulated profit for 2013, in the amount of EUR 3,721,761 which planned that:
    - EUR 2.240.000 be paid as dividends in gross value of EUR 0.16 per ordinary share,
    - the residual amount of accumulated profit of EUR 1.481.761 to remain undistributed;
- the shareholders granted a discharge to the Management and Supervisory Boards for 2013;
- the shareholders appointed the auditing firm KPMG Slovenia, auditing company d.o.o., as the external auditor of Luka Koper d.d. and the Luka Koper Group for 2014;
- the shareholders adopted the resolution on the amount of remuneration and attendance fees for members of the Supervisory Board and for the members of Management Board's Commissions for the following twelve months;
- the shareholders adopted an amendment of the Articles of Association of the company Luka Koper d.d.

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 Company's Articles of Association, are: appointing and dismissing the Management Board, determining the amount of Management Board's remuneration, endorsing annual reports, preparing proposals for the allocation of the accumulated profit, and convening the Shareholder's Meeting.

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 Shareholder's Meeting and three by the Workers' Council of the Company. The Members of the Supervisory Board are elected for a term of four years.

The Supervisory Board of Luka Koper d.d., with the exception of the external member of the Supervisory Board's Audit Committee, worked in the same composition in 2014.

Composition of the Management Board of Luka Koper d.d. as of last day in 2014:

Appointed by the equity:
Alenka Žnidaršič Kranjc PhD, President of the Supervisory Board
Representative of equity: Republic of Slovenia

Start of the four-year mandate: 7 October 2013 (23rd Shareholders' Meeting)
Membership in other supervisory or management bodies: the company Prva osebna zavarovalnica, d.d., - CEO, Skupina Prva, zavarovalniški holding, d.d., - President, Deos d.d. – President

Elen Twrdy PhD, Deputy President
Representative of equity: Republic of Slovenia
Start of the four-year mandate: 7 October 2013 (23rd Shareholders' Meeting)
Membership in other supervisory or management bodies: the Faculty of Maritime Studies and Transport – Dean

Capt. Rado Antolovič MBA, Member of the Supervisory Board
Representative of equity: Republic of Slovenia
Start of the four-year mandate: 7 October 2013 (23rd Shareholders' Meeting)
Membership in other supervisory or management bodies: the company P&P Maritime - President, the company Repasa S.A – auditor

Andrej Šercer Msc, Member of the Supervisory Board
Representative of equity: Republic of Slovenia
Start of the four-year mandate: 7 October 2013 (23rd Shareholders' Meeting)

Žiga Škerjanec, Member of the Supervisory Board
Representative of capital: Republic of Slovenia
Start of the four-year mandate: 7 October 2013 (23rd Shareholders' Meeting)
Membership in other management or supervisory bodies: the company Helios, d.d. – member of the Supervisory Board (until 7 April 2014)

Sabina Mozetič,Mmember of the Supervisory Board
Representative of equity: Municipality of Koper
Start of the four-year mandate: 12 June 2011 (19th Shareholders' Meeting)
Membership in other management or supervisory bodies: the company Rižanski vodovod Koper - member of the board, the institute Zdravsteni dom Koper - member of the board

Appointed by employees:

Mladen Jovičič, Member of the Supervisory Board
Start of the four-year mandate: 18 March 2013 (21st Shareholders' Meeting – informing of shareholders)

Stojan Čepar, Member of the Supervisory Board
Start of the four-year mandate: 18 March 2013 (21st Shareholders' Meeting – informing of shareholders)

Nebojša Topić Msc, Member of the Supervisory Board
Start of the four-year mandate: 28 July 2012 (21st Shareholders' Meeting – informing of shareholders)

External member of the Supervisory Board's Audit Committee:

Barbara Nose, external Member of the Supervisory Board's Audit Committee
Appointed: 22 August 2014 (8th session of the Supervisory Board), for the period from 22 August 2014 to 7 October 2017.
Membership in other management or supervision bodies: the company Alta Skupina d.d. - member of the supervisory board's audit committee, the company Telekom Slovenije d.d. - member of the

supervisory board's audit committee, the company Aerodrom Ljubljana d.d. - member of the supervisory board's audit committee, the company Zavarovalnica Triglav d.d. - member of the supervisory board's audit committee, the institute Primary School Trnovo - member of the board, the company Constantia Plus d.o.o. - director, the company Shramba d.o.o. - director.

Changing the external member of the Supervisory Board's Audit Committee on 22 August 2014

On 22 August 2014 the Supervisory Board recalled Blanka Vezjak Msc, as the external member of the Supervisory Board's Audit Committee, and appointed Barbara Nose in her stead.

Blanka Vezjak Msc, external Member of the Supervisory's Board Audit Committee
Appointed: 11 September 2009, reappointed on 12 August 2013, recalled on 22 August 2014.
Membership in other management or supervision bodies (from 1 January 2014 until 22 August 2014): external member of the supervisory board's audit committee in the companies Banka Celje, d.d., Letrika, d.d., SID banka, d.d., SID – Prva kreditna zavarovalnica d.d., Skupna pokojninska družba, d.d.

6.4.2 Work of the Supervisory Board

The work of the Supervisory Board is governed by statutory regulations, the Articles of Association and the Rules of Procedure of the Supervisory Board, the Corporate Governance Code, the Governance Code for Capital Investments by the Republic of Slovenia, the Recommendations and expectations of the Slovenian National Holding, and the recommendations of the Association of Supervisory Board Members.

In 2014, the Supervisory Board worked in the same compositions. The work, decisions and positions of the Supervisory Board and the Supervisory Board's Committees are reported in detail in the Report of the Supervisory Board for 2014.

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, all Members of the Supervisory Board and the external Member of the Supervisory Board’s Audit Committee each signed the statement of no conflict of interests at the start of 2015, which indicate that an individual member:

- has currently or in the past three years engaged in significant business relations with either Luka Koper d.d. or its related companies;
- is a major shareholder of Luka Koper d.d.;
- has as an individual either economic, personal or any other close ties with the major shareholder or its Management Board;
- is a significant supplier of goods and services (inclusive of consultancy or auditing services),
- has received, over the past three years, major payments from Luka Koper d.d. or its related companies, other than payments received as a member of a body of Luka Koper, d.d., or its related companies:
- holds the position, in the last three years, either as partner or employee of the current or past external auditor of Luka Koper d.d. or its related company;

- is a close relative of another Member of the Supervisory Board or the Management Board of Luka Koper d.d.;

The statements are available on the webpage http://www.luka-kp.si/eng/investors .

6.4.4 Supervisory Board's Committees

Three Committees work within the Supervisory Board:
- human resources committee;
- audit committee;
- committee of infrastructure and operations.

A Committee for the appointment of candidate for the Supervisory Board's members of Luka Koper d.d. was established in 2013.

The Human Resources Committee was appointed on 16 October 2013 in the following composition: Capt. Rado Antolovič Msc, (President), Andrej Šercer (member), Sabina Mozetič (member) and Stojan Čepar (member). In 2014 it convened five times to prepare a proposal to the Supervisory Board on the appointment of the President and a member of the Management Board for finances and accounting.

In 2014, the Supervisory Board's Audit Committee was constituted of the following members: Žiga Škerjanec (president), Alenka Žnidaršič Kranjc PhD, (member), Mladen Jovičič (member), Blanka Vezjak Msc (external member – until 22 August 2014) and Barbara Nose (external member – from 22 August 2014). In 2014, the Audit Committee convened six times for regular session and twice for correspondence session. During these sessions it discussed the annual report of the Luka Koper Group and the company Luka Koper d.d. for 2014 as well as mid-year business results of 2014, it was notified of the report on the work of the internal audit for 2013 and of the annual plan for the work of the internal audit for 2014, every quarter it was notified of the report on the implementation of the recommendations of the internal audit, it was notified of the letter to the management on the completed audit of accounting statements as well as replies of the Management Board, it gave a proposal for appointing an auditing company for auditing the accounting statements of the Luka Koper Group and the company Luka Koper d.d. for 2014 while the external auditors presented to the audit committee the points emphasised in the letter to the Management after having completed a preliminary audit of the accounting statements for 2014. The Audit Committee also considered the company's business plan for 2015 and was notified of the report concerning the Concession Agreement for 2013

The Committee of Infrastructure and Operations convened eight times for regular sessions in 2014. Until 11 April 2014 it was constituted of Elen Twrdy PhD, Capt. Rado Antolovič Msc, Nebojša Topić and Stojan Čepar. From 11 April 2014 Nebojša Topić Msc resigned from the Committee and Andrej Šercer Msc was appointed into his position. The main themes addressed by the Committee in 2014 were: the realisation of the investment plan for 2014, the progress of the first basin dredging, the increase of the capability of the container terminal, the new entry and the investment plan for 2015.

6.4.5 Payments to the Supervisory Board

Besides attendance fees, payments to the Members of the Supervisory Board and the Committees of the Supervisory Board also comprise payment for carrying out their functions. The remuneration for correspondence sessions and the amount of payments are determined by the Shareholders' Meeting each year. Members of the Supervisory Board and of the Supervisory Board's Committees are also entitled to the reimbursement of travel costs and other costs for arrival and attendance at sessions. Details on the payments to the Supervisory Board and their amounts are written in the accounting report of Luka Koper d.d., under the explanation No. 37, while their share ownership is discussed 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 for work and of adopting decisions of the Management Board, and the working 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.

The Management Board of Luka Koper d.d. was constituted by the following composition until 11 April 2014:

- Gašpar Gašpar Mišič (President of the Management Board)
- Andraž Novak (Member of the Management Board)
- Jože Jaklin (Member of the Management Board)
- Matjaž Stare (Member of the Management Board and Workers Director)

The Supervisory Board of the company Luka Koper d.d., during its regular session of 11 April 2014, recalled the President Gašpar Gašpar Mišič and appointed Andraž Novak into his position.

The Management Board of Luka Koper d.d. was constituted by the following composition from 11 April 2014:

- Andraž Novak (President of the Management Board)
- Jože Jaklin (Member of the Management Board)
- Matjaž Stare (Member of the Management Board and Workers Director)

On 22 May 2014, the Supervisory Board appointed Dragomir Matić as the President who assumed his function on 10 June. On the same day, the incumbent board president Andraž Novak assumed the function as a management board member which he occupied before taking up the presidency on 11 April 2014.

During its regular session of 4 June 2014, the Supervisory Board of the company Luka Koper d.d. was notified of the resignation statement of the management board member Jože Jaklin. Within the notice period, the Supervisory Board started searching for a new board member for finances.

Composition of the Management Board of Luka Koper d.d. as of last day in 2014:

- **Dragomir Matić**, born 1964
  President of the Management Board

As a university graduate engineer in transport technology, he started his professional path in a forwarding company and became employed in Luka Koper d.d. in 1987 where he first worked as a port transport worker and slowly progressed into the position of the executive director for operations and logistics. Since 2012 onwards until the appointment as the head of Luka Koper d.d., he was employed as an assistant director in an international forwarding company. Upon the invitation of the Supervisory Board and pursuant to the decision on the appointment of a President, he started his five year mandate on 10 June 2014.

- **Andraž Novak**, born 1966
  Member of the Management Board

After several years of service in the merchant navy, where he achieved the position of first officer, Mr Novak obtained the title of marine engineer at the Faculty of Maritime Studies and Transport in Portorož. Since 1995 Mr Novak has occupied various managerial positions in Luka Koper d.d., including the director of the Break Bulk Terminal and the General Cargo Terminal. In 2008 he completed specialist post-graduate studies at the Faculty of Maritime Studies and Transport. He was appointed as a member of the Management Board of Luka Koper d.d. responsible for operations and sales in January 2014.

- **Jože Jaklin**, born 1964
  Member of the Management Board

After graduating from the Ljubljana's Faculty of Economics in 1989, he started his career as a financial advisor for restructuring and evaluation of companies. Between 1993 and 1997 he was deputy President of the Agency of the Republic of Slovenia for Restructuring and Privatisation where he participated in the fostering and implementation of ownership transformation of social enterprises, as well as in resolving many privatisation issues. In 1997, he completed international post-graduate MBA study at Clemson University, South Carolina. Between 1997 and 2001 Mr Jaklin was a member of the Management Board of the Slovenian Development Corporation where, among other things, he took the role of company's supervisor in a number of corporate restructuring processes. Since 2002, he has been a member of the Management Boards of Geoplin, Litostroj E.I., Cimos and Salonit, with responsibility for finance. In December 2013, he was appointed by the Supervisory Board as a member of the Management Board of Luka Koper d.d. for finance and accounting, commencing his five-year term on 1 February 2014. On 4 June 2014 he submitted his resignation statement to the Supervisory Board.

- **Matjaž Stare**, born 1957
  Member of the Management Board and Workers Director

Mr 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, journalism and working with people. His five-year term of office started on 18 October 2010.

In 2014, the members of the Management Board of Luka Koper d.d. held the following positions in management and supervisory bodies of non-related companies:

- Gašpar Gašpar Mišič, President of the Management Board of Luka Koper d.d. was a member of the supervisory board of IEDC Bled School of Management until 11 December 2014.

The Supervisory Board of Luka Koper d.d., during its regular session of 21 November 2014, appointed a new member of the Management Board, responsible for finance. This was Tine Svoljšak who started his five year mandate on 1 February 2015.

Composition of the Management Board of Luka Koper d.d. since 1st February 2015

- **Dragomir Matić**, President of the Management Board, appointed on 23 May 2014, for a period of five years, assuming his function on 10 June 2014;
- **Andraž Novak**, Member of the Management Board, five year mandate assumed on 10 June 2014;
- **Tine Svoljšak**, Member of the Management Board, five year mandate assumed on 1 February 2015;
- **Matjaž Stare**, Member of the Management Board and Workers Director, five year mandate assumed on 10 October 2010.

Newly appointed Members of the Management Board:

- **Tine Svoljšak**, born 1978
  Member of the Management Board

University graduate in economics from the Ljubljana's Faculty of Economics, he started his business path already during his studies when he participated in the functioning of various organisations. After he completed his studies, he gained employment in an advisory auditing company. Before coming to Luka Koper d.d. he was a board member in DARS d.d.

The Supervisory Board appointed him as a member of the Management Board of the company Luka Koper d.d., for a five year mandate, commencing on 1 February 2015. Area and responsibilities: finance and accounting.

Presentation of the management board members is also available on the company's web pages at http://www.luka-kp.si/eng/about-us/management/management-board.

6.5.1 Work 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 the regulations, the Articles of Association and the binding decisions of the Company bodies.

The company is represented by the Management Board members who are responsible for the following areas:

Tasks of the President:

- office of the Management Board;
- secretary of bodies;
- operations and sales (profit centres, operation area);
- marketing;
- human resources;
- legal matters:
- public relations:
- port safety.

Areas of the board member for operations and sales:

- investments;
- purchasing and maintenance;
- strategic development.

Areas of the board member for finance and accounting:

- finance and accounting;
- control;
- management and development of business processes.

Tasks of board member - worker's director:

- representing interests concerning employee's human resources and social issues;
- protecting employee's health;
- operation and implementation of written agreements between employees and employers (participatory agreement and other agreements).

All members of the Management Board work together and manage the internal audit area.

6.5.2 Remuneration of the Management Board

The payments of the Management Board’s members are comprised of a fixed and variable component. These are stipulated in the employment agreements for a specified period of time for managing the company as a Management Board member. The contracts are concluded between individual members of the Management Board and the Supervisory Board, laying down reimbursements and perks. The Chairperson acts as the representative of the Supervisory Board when concluding agreements with the members of the Management Board. Details on the payments to the

Management Board are written in the accounting report of Luka Koper d.d., under the explanation No. 37, while their share ownership is discussed in the chapter THE LKPG SHARE.

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

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

- **Portfolio investments** are investments in shares of companies listed on the stock exchange, in 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 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 according to the principle of trusteeship over investments. Investments will be subject to various types of disinvestment.
- **Strategic investments** are investments in shares and stakes of companies engaged in activities 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 shares and stakes of companies engaged in activities which are important to the parent company for the wider social and sustainable motive. They are managed according to the principle of trusteeship over investments.

In terms of non-strategic financial investments we endeavour to maximise the payment of profit and for strategic investments and other 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 at 31 Dec 2.014

Company	Director	Equity stake of the parent company (in %)
Luka Koper INPO d.o.o.	Mirko Pavšič	100.00
Adria Terminali d.o.o.	Aleš Miklavec	100.00
Luka Koper Pristan d.o.o.	Darko Grgič	100.00
Adria Investicije d.o.o.	Mojca Černe Pucer	100.00
Logis Nova d.o.o.	Mirko Pavšič	100.00
TOC d.o.o.	Ankica Budan Hadžalič	68.13

6.7 INTERNAL AUDIT

The internal audit activities in the company Luka Koper d.d are performed by the Internal Audit Department on the basis of an adopted internal audit fundamental document. The Internal Audit Department was established for the purpose of performing an internal audit for Luka Koper d.d. and the Luka Koper Group, and it is an independent organisational part, directly subordinate to the Management Board of the Company. Its organisational independence is successfully realised through the functional responsibility and reporting to the Supervisory Board.

The work of the Internal Audit is determined in the Rules on the Internal Audit's Work, which has been prepared in accordance with the applicable definition of internal auditing, in the Code and the International Standards for the Professional Practice of Internal Auditing. The activity of the internal audit helps in realising the objectives of the company and of the group in accordance with valid definitions of the internal audit which is achieved through systematic and methodological evaluation and improvements on successful risk management, control processes and their operations. It works with an objective to add value in more reliable attainment of objectives.

In 2014, the Internal Audit carried out internal audit activities and other activities in accordance with the approved annual work plan. Six new audits were planned and a conclusion of one transaction from 2013 was planned which were all realised except for one. Upon the initiative of the Management Board, one unplanned transaction was conducted. Within the transactions executed, the existence and operation of internal controls were examined as well as risk management and recommendations for their improvements were given at certain times. In addition to the planned and unplanned audits, post-audit activities were carried out every quarter of the year in order to check the implemented measures for improving the management of risks identified during internal audit. The advisory activity provided help, primarily in the development of the internal control system and risk management.

The internal audit reported to the management of the auditing unit of every transaction performed and to the Management Board and periodically on the collective findings, risks and implementation of internal audit recommendations to the Management Board and to the Supervisory Board's Audit Committee. It reported annually to the Supervisory Board.

6.8 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 of the preparation of financial statements, which are a true and fair presentation of the financial position, operating result, cash flow and equity movements, 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

- the 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 us that the 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.

6.9 EXTERNAL AUDIT

During the 25th regular session of 8 July 2014, the Shareholders' Meeting appointed the auditing firm KPMG Slovenia, auditing company d.o.o., Železna cesta 8a, Ljubljana for auditing the company Luka Koper d.d. and the Luka Koper Group's statements.

The costs for the auditing services of Luka Koper d.d. and its subsidiaries are presented in the Consolidated Financial Report, under Explanation No. 39: Transactions with the auditing company.

7 REVIEW OF MOST IMPORTANT EVENTS, NEWS AND ACHIEVEMENTS IN 2014

JANUARY

- The Supervisory Board of Luka Koper d.d., appointed Andraž Novak Member of the Management Board for operations and sales division, with a five-year mandate, commencing on 13 January 2014.
- The Management Board of Luka Koper d.d. received a request from the board of Slovenska Odškodninska Družba (Slovene Compensation Fund) to convene the Shareholders' Meeting.
- In January 2014, the Slovenian Maritime Authority installed two new buoys at the entry into first basin. This meets the condition stipulated in the Slovenian Maritime Authority's decision allowing berthing of 11.8-meter draft ships (previously 11.4 m) under special conditions. The mentioned novelty will not materially increase throughput at the container terminal of Luka Koper d.d. until the depth of -14 metres is reached by seabed dredging, which is planned to be for April 2014.
- With the University of Primorska, the City Municipality of Koper and the Association of users and supporters of the Slovenian Institute of Technology, we signed a letter of intent to establish a Slovenian Institute of Technology - SIT.
- We presented ourselves at the European Oil Storage conference.

FEBRUARY

- On 6 February 2014, Luka Koper d.d. published results of the review of position and critical measures in the Port that were adopted after natural disaster that affected the majority of the country. The rail track to Koper was closed for six days due to ice damage in Notranjska region.
- On 17 February 2014, the Management Board published a call for 24th Shareholders' Meeting of Luka Koper d.d. which took place on 19 March 2014.
- In February the construction work began on the warehouses at the rear berth 7 C on the container terminal i.e. at the front of Pier I. By this investment, we will gain additional 6,840 m2 of areas for storing TEU 672, which is a part of the project to extend the Pier I, with expected completion date in 2018.
- The first phase of seabed dredging in the first basin began; the seabed will be extended to the depth of -13 metres. The works for the construction and filing of the dumping grounds is also progressing. These works coincide with the plans to extend Pier I.
- We published a call for dispersing sponsorship and donations under the Living with the Port fund.
- After five years of absence Ljubljanska borza d.d. again included the shares of Luka Koper d.d. into the stock exchange index SBI TOP.

MARCH

- At the Shareholders' Meeting of the company Luka Koper d.d. of 19 March 2014 the shareholders adopted amendments to the Articles of Association. The Municipality of Koper has announced an appeal against the resolution. Gašpar Gašpar Mišič, the President of Luka Koper d.d., informed the shareholders of the situation regarding the compensation claims filed against the former Management and Supervisory Board members.
- The first phase of seabed dredging of the first basin, to the depth of -13 metres, was completed.

- We signed a letter of intent with the Slovenian Maritime Authority which lays down different forms of mutual cooperation.
- The Republic of Slovenia Maritime Administration issued a decision allowing 12.5-metres draft ships to sail into the Port (previously 11.8 metres).
- We presented ourselves at the largest fair on passenger cruise tourism in Miami - Seatrade 2014.

APRIL

- The Supervisory Board of the company Luka Koper d.d., during its regular session of 11 April 2014, recalled the President Gašpar Gašpar Mišič and appointed Andraž Novak into his position. It confirmed the annual report of the Luka Koper Group and Luka Koper d.d for 2013 as well as the proposal of the Management Board on the use of balance profit of 2013.
- We received the ISCC EU certificate which confirms that in Luka Koper d.d we unload and store oil, rapeseed, soya oil, palm biodiesel, bioethanol and used cooking oil, in accordance with the EC Directive on stimulating the use of renewable energy resources.
- Luka Koper d.d. accepted the presidency of the North Adriatic Ports Association (NAPA) until the end of 2014.
- We obtained a user permit for the disposal size 7A and 799/29.
- We started the second phase of seabed dredging of the first basin to -14 meters.
- The Republic of Slovenia Maritime Administration started to dredge the navigation channel in the first basin to -15 meters.
- External assessment was carried out by the Slovenian Institute of Quality and Metrology, concerning the environmental treatment management system and protection of employees.
- Luka Koper d.d. received the Brand Leader Award for the best port operator and provider of logistic services in South-East Europe.

MAY

- The agreement between Luka Koper d.d. and the company selected pursuant to a public procurement for the seabed dredging by the container coast to the depth of -14 meters expired on 13 May 2014. The company's Management Board found that the Italian company, which should have completed the dredging by the contractually stipulated date, did not perform even one tenth of planned works (assessment based on measurements). Because of unjustified and drastic delay in dredging works and many problems faced by the contractor already during the preparation phase, the Management Board concluded that continuing the contractual relationship with the selected contractor would constitute excessive risks. The company's Management Board accepted all required measures in order to ensure the project for seabed dredging is completed by the end of August.
- During port days we allow the wider public to see the Port.
- Together with the University of Primorska we prepared a conference on Kinesiology in the Ergonomics.
- Within the European project B2MOS and in cooperation with the Slovenian national form for e-invoices we prepared a seminar entitled E-invoices in logistics and transport.
- The Supervisory Board of Luka Koper d.d, during its session of 23 May, appointed Dragomir Matić as the President. He assumed the five-year mandate on 10 June and on the same day, the incumbent President Andraž Novak assumed the function as a Management Board member which he occupied before taking up the presidency on 11 April 2014.

JUNE

- On 10 June, the management of the company Luka Koper d.d. was taken over by Dragomir Matić while Andraž Novak resumed the function as a member of the Management Board on the same day.
- On 5 June, the Management Board of the company Luka Koper d.d, pursuant to the provision of Article 10(1) of the Articles of Association of the company Luka Koper d.d., published a call for the 25th Shareholders' Meeting of the company Luka Koper d.d, to be convened on 8 July.
- On 19 June 2014 Luka Koper d.d and a Dutch company Van Oord entered into an agreement for dredging the navigation channel and the Northern part of the first basin within the Port of Koper's aquatorium. The contract in the value of EUR 2.48 million plans for seabed dredging by the container terminal to -14 meters, requiring a removal of 230,000 cubic meters of sea mud and silt. The Dutch company, as the only applicant in the public procurement procedure, started with its works on 15 June and completed them in the second half of August. They worked 24 hours per day and used technology which was faster than the classical suction excavator.
- The Austrian transport newspaper Verkehr published the analysis of the throughput of Austrian goods through sea ports. In 2013, Luka Koper d.d. reached the first place which means that the Port of Koper is the most import for trans-marine import and export of Austrian goods. Luka Koper d.d. has been occupying this position since 2010.

JULY

- During the 25th Shareholders' Meeting of Luka Koper d.d., convened on 8 July 2014, the shareholders:
    - were presented with the adopted Annual Report of the Luka Koper Group and Luka Koper d.d. for 2013;
    - adopted the resolution on the proposed allocation of accumulated profit for 2013, in the amount of EUR 3,721,761 which planned that:
        - EUR 2,240,000 be paid as dividends in gross value of EUR 0.16 per ordinary share,
        - the residual amount of accumulated profit of EUR 1.481.761 to remain undistributed;
    - gave a discharges to the Management Board and the Supervisory Board for 2013;
    - appointed the auditing firm KPMG Slovenia, auditing company d.o.o., as the external auditor of Luka Koper d.d. and the Luka Koper Group for 2014;
    - adopted the resolution on the amount of remuneration and attendance fees for the members of the Supervisory Board and for the members of Management Board's Commissions for the following twelve months;
    - adopted an amendment of the Articles of Association of the company Luka Koper d.d.
- We completed the project for expanding the warehousing capacity in the container terminal at the top of Pier 1 and gained 6,840 square meters of new areas which will allow for around 600 TUE of additional warehousing places.
- During its regular session of 4 June 2014, the Supervisory Board of the company Luka Koper d.d. was notified of the resignation statement of the Management Board member Jože Jaklin. Within the notice period, the Supervisory Board started searching for a new Management Board member for finances.

- On 20 June 2014, another larger excavator of the Dutch contractor Van Oord started working on seabed dredging by the container terminal to -14 meters.

SEPTEMBER

- In September, the first phase of the seabed dredging by the container coast to -14 meters was completed and we received a decision from the Slovenian Maritime Authority, permitting berthing and unberthing from the Northern part of the first basin by 13.5-meter draft ships. By dredging to -14 meters we expect the Port of Koper to be the first choice for ship owners for berthing in the Northern Adriatic.
- We made 24,300 square meters of open areas for warehousing vehicles.
- We presented ourselves at the passenger cruise tourism fair Seatrade Med.

OCTOBER

- The ship owner Arkas Line from Turkey included Luka Koper d.d. into its container line Northern Adriatic - Eastern Mediterranean, Black Sea and North Africa.
- The Austrian steelworker Voestalpine granted Luka Koper d.d. an award for the best link in the distribution chain of materials.

NOVEMBER

- Luka Koper d.d. received the first prize of the European Sea Ports Organisation (ESPO). During the finals for the prize, which the association gives each year to environmental most friendly and social responsible ports in Europe, we won many larger ports such as the Spanish Huelva, Portuguese Lisbon, the French Marseilles and the Dutch Rotterdam. The theme of this year's competition was innovative environmental projects. Luka Koper d.d. prepared the project 'No waste, just resources', addressing examples of good practices when treating waste in the Port of Koper. We presented a system for covering throughput with waste cellulose, making use of waste wood that is generated during the loading of goods for heating the administration building premises, and composting and using sea sediments for manufacturing bricks and other construction materials. In all these cases, we used the waste that would otherwise end on dumping grounds and processed it into raw materials.
- The Supervisory Board of Luka Koper d.d., during its regular session of 21 November 2014, appointed a new member of the Board for finance. This Tine Svoljšak started his five-year mandate on 1 February 2015.

DECEMBER

- Luka Koper d.d. sold to the company Trade Trans Log Srl 33.33 percent equity interest in the company S.C. Railport Arad s. r. l.
- With the European Investment Bank (EIB) we signed an agreement on a 15-year long-term loan for EUR 36 million, with 3-year deferment. The loan will complete the financial reconstruction of the project on extending Pier 1 in Luke Koper d.d. and other infrastructural works for increasing the capacity of the container terminal in Luka Koper d.d.

8 EVENTS AFTER THE BALANCE SHEET DATE

JANUARY 2015

- The Supervisory Board of Luka Koper d.d, at its regular session of 9 January 2015, was notified of the business plan for the Luka Koper Group for 2015 and gave its consent.
- Pursuant to the provisions and criteria of the Corporate Collective Agreement and the operating result statement, the company's Management Board of Luka Koper d.d. and both representative trade unions established that the company showed growth of benefit per employee and net profit in 2013 and 2014. On these bases, social partners signed an agreement pursuant to which all company's employees are entitled to a supplement on their salaries.
- Luka Koper d.d. completed its half-yearly presidency of the North Adriatic Ports Association (NAPA) and handed it over in the first half-year of 2015 to the administration of the Port of Trieste.
- From 2015, it will be able to perform pre-clearance on ships in the Port of Koper. Pre-clearance allows for sending import declaration and communication on submitting goods when the goods are still aboard a ship, on their way to Koper. This novelty will make the Port of Koper more competitive and friendlier to its customers, especially for those for which the transport time element is of key importance.

FEBRUARY 2015

- Pursuant to the provisions of Ljubljana Stock Exchange Rules and valid laws, Luka Koper d.d. published information on 20 February 2015 on the operations of the Luka Koper Group and Luka Koper d.d., for the period between January-December 2014.
- The company's Supervisory Board of Luka Koper, at its session of 20 February 2015, received a clean text of the business plan of the Luka Koper Group for 2015 which includes an agreement between the Management Board of Luka Koper d.d. and the social partners concerning the supplement on salary and was published on 20 January 2015. Summary of the business plan, published on 9 January 2015, mostly respected this agreement.

9 FEATURES OF THE ECONOMIC ENVIRONMENT

The year 2014 was marked with weak international economic activity recuperation which should continue in 2015 even though the forecasts by international institutions for economic growth in our main trade partner States has been decreasing in the last few months. Gross domestic product (GDP) in the Euro zone increase for 0.2 percent in the third quarter of 2014 when compared to the previous quarter. This year's weak recovery is based on the consumer spending increase and export, while investment spending is relatively weaker.

Growth in the second and third quarter of 2014 was lower than expected in certain important world economies (Euro zone, Japan, China) and by the end of 2014 the world trade growth slowed down as well. Because of falling prices of raw materials, the growth was lower in certain important exporting States for oil and metals (Russia, Brazil). The price for a barrel of oil, expressed in USD, was falling from August to the beginning of December 2014 and fell for almost 40 percent, while the fall in the price in EUR was somewhat lower due to the fall of the EUR value against the USD, and amounted to around 30 percent. [10]

GROWTH OF CONTAINER THROUGHPUT

Global container throughput in 2014 was almost 4% higher than in 2013. Import into Europe grew faster than export, for 5.7 percent against 4.5 percent for growth.

In 2014 global alliances between largest world ship owners were formed such as 2M, constituted by Maersk and MSC and Ocean 3, constituted by CMA, CGM, UASC and CSCL. By joining into alliances, the ship owners are trying to obtain better cost efficiency per unit of transported goods (TEU/tonne) as they are faced with large operative costs and unused cargo space.

The trend of ordering container ships with the capacity exceeding TEU 18,000 is continuing and will further increase the cargo area in the years to come. This means that ships smaller than TEU 14,000 will be redirected to less busy connections (for example Asia - Mediterranean) and will regularly sail to the Port of Koper as well. [11]

GROWTH IN THE VEHICLE SEGMENT

According to the ACEA[12] date, in 2014 we again marked growth in the European Union, after six years of decline in the sale of new vehicles, which was 5.7 percent when compared to 2013. In West European States, the growth is somewhat lower, at 4.8 percent.

Among the States with whom Luka Koper d.d. works the most, the growth in sales according to the volume was: Croatia (22.3 percent), Greece(22 percent), Hungary (20.2 percent), Czech (16.7 percent), Poland (12.9 percent), Slovakia (9.5 percent), Slovenia (4.8 percent), Italy (4.2 percent) and Germany (2.9 percent), while Austria marked a fall (– 4.9 percent).

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[10] Source: 7 Ekonomsko ogledalo. January 2015. Ljubljana, Institute for Microeconomic analysis and development of the Republic of Slovenia.
Source: Review of the realisation of the Autumn Forecast of Economic Trends 2014. December 2014, Ljubljana, Institute for Microeconomic analysis and development of the Republic of Slovenia.

[11] Source: Global Container Volumes Rise. February 2015. World Maritime News. URL: http://worldmaritimenews.com/archives/152644/global-container-volumes-rise/.

[12] Source: ACEA – European Automobile Manufacturers Association. URL: http://www.acea.be/.

Every vehicle manufacturer present on the European market, except for Chevrolet who withdraw from European sales, marked growth in sales, VW group 7.2 percent, the group PSA 3.7 percent, the group Renault 13.3 percent, the group BMW 4.6 percent, Daimler 3.5 percent, the group Toyota 3 percent, Kia 4 percent and Hyundai 0.7 percent.

10 PERFORMANCE ANALYSIS IN 2014

10.1 PERFORMANCE ANALYSIS OF LUKA KOPER D.D.

In 2014, the Luka Koper d.d. generated EUR 154.5 million in revenue, which is for EUR 17.7 million or 13 percent more than in 2013. The controlling company of Luka Koper d.d. generated 94.4 percent of revenue in 2014 from sales of the Luka Koper Group.

Operating expenses of Luka Koper d.d. stood at EUR 126.2 million in 2014, which reduced for EUR 1.5. million or 1 percent when compared to 2013. The highest reduction was in other operating expenditure because the impairments of real estate property that were carried out in 2013 and because the provisions for damages and compensations were reduced.

In 2014, the operating result was EUR 30.5 million which was for EUR 19.9 million or 189 percent higher than the achieved operating result in 2013.

In 2014, the operating result before amortisation (EBITDA) was EUR 56.3 million which is for EUR 19.1 million or 51 percent higher than in 2013.

In 2014, the Luka Koper d.d. generated EUR 26.4 million in net profit, which was for EUR 21.8 million or 473 percent higher than in 2013.

As of 31 December 2014, the balance sheet total of the Luka Koper Group totalled EUR 437.3 million and was for EUR 6.3 million or 1 percent higher than on 31 December 2013.

Considering the balance on 31 December 2013, non-current assets increased for EUR 9.8 million. Non-current assets represent 93 percent of the balance sheet total on 31 December 2014. Investment real estate increased for EUR 6.6 million as some buildings were leased and certain real estate, devices and equipment were reclassified from assets (group for disposal) for sale into investment real estate. Shares and stocks also increased, for EUR 3.6 million due to the transfer of investments from assets (group for disposal) for sale and due to increased market value of non-current financial investments into shares and stocks of others, which are shown by their fair value.

Current assets, as of 31 December 2013, were reduced for EUR 3.5 million due to lower assets (group for disposal) for sales, resulting from the transfer of investments onto non-current financial investments and by the transfer onto investment real estate. Operating receivables were also reduced, for EUR 1.2 million.

In 2014, the company Luka Koper d.d. started to keep records of stocks of materials and spare parts, which was EUR 0.5 million as of 31 December 2014.

The equity of Luka Koper d.d., as of 31 December 2013, stood at EUR 266.1 million, accounting for 61 percent of the balance sheet total.

When compared to the balance as of 31 December 2014 the financial obligations were lowered for EUR 25.7 million, resulting from having reduced banking loans due to the repayment of such loans.

In 2014, the company Luka Koper d.d. generated cash flow from operating activities, in the amount of EUR 60.7 million which was for EUR 13.8 million more than in 2013.

Cash flows from investment activities were negative, in the amount of EUR 24.9 million. Investments into property, plant and equipment, investment property and intangible assets in 2014 were EUR 28.5 million which is EUR 14 million more than in 2013.

Negative cash flow from financing in 2014 affected the repayment of loans.

Cash flow in 2014 stood at EUR 3.1 million; in 2013 it was EUR 0.3 million.

10.2 PERFORMANCE ANALYSIS OF THE LUKA KOPER GROUP

In 2014, the maritime throughput of the Luka Koper Group reached 19 million tones and thereby met the planned maritime throughput, while exceeding the maritime throughput of 2013 by 5 percent. When compared to 2013 the maritime throughput increased for the container, vehicle and liquid cargo groups of goods while it slightly fell for other cargo groups. On the last day of 2014, a record container throughput was generated by having a throughput of TEU 674 thousand.

In 2014, net operating profit from sales of the Luka Koper Group was EUR 163.6 million and thereby exceeded the planned net operating profit from sales for EUR 12.4 million or 8 percent and the generated net operating profit from sales was for EUR 19.4 million higher than in 2013, representing 13 percent.

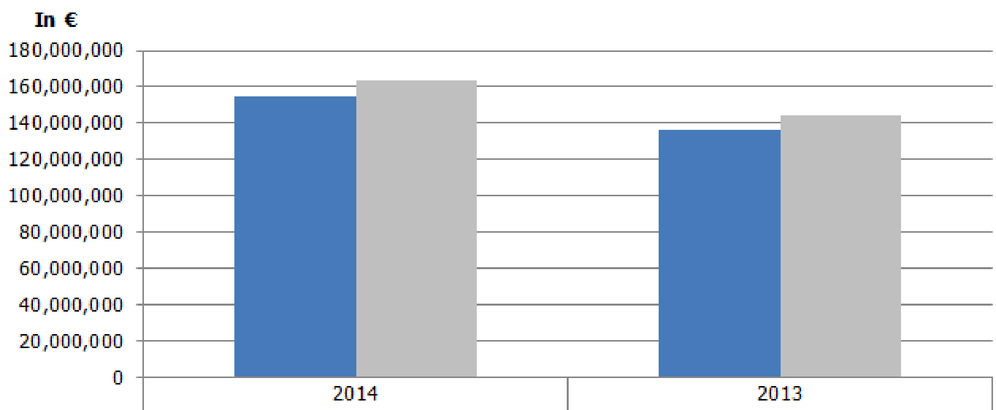
In 2014, the Luka Koper Group generated EUR 33.4 million in operating profit, which is for EUR 6.1 million or 22 percent more than planned and for EUR 21.2 million or 174 percent higher when compared to 2013. Higher operating profit for 2014, when compared to 2013, was a result of having increased net operating profit from sales while the operating profit for 2013 was lower due to impairment in the value of real estate in the amount of EUR 9 million.

In 2014, the Luka Koper Group generated EUR 29.1 million in operating profit, which is for EUR 8.3 million or 40 percent more than planned and for EUR 21.3 million or 275 percent higher when compared to 2013.

10.2.1 REVENUE

The Luka Koper Group generated EUR 163.6 million of revenue in 2014. Planned revenue was exceeded by EUR 12.4 million or 8 percent while the revenue balance of 2013 was exceeded by EUR 19.4 million or 13 percent.

Net revenue from sales of Luka Koper d.d. and the Luka Koper Group



	2014	2013
Luka Koper, d. d.	154,464,507	136,808,792
The Luka Koper Group	163,601,560	144,235,477

In 2014, the Luka Koper Group increased its net revenue from sales in all groups of goods. The highest increase of revenue was marked in its primary activity of loading and unloading, and warehousing of goods.

Details review of transhipped quantities by individual groups of goods is presented in the chapter MARKETING: CARGO TYPES AND MARKETS.

10.2.2 OPERATING EXPENSES

The Luka Koper Group's operating expenses in 2014 amounted to EUR 134.7 million, representing a reduction for EUR 1.2 million or 1 percent when compared to 2013. When comparing to 2013, the operating expenses increased for materials, services and labour, and fell for the depreciation and other operating expenses. The most significant reduction was for other operating expenses. In 2013, under operating expenses, the revaluation operating expenses were significantly higher than those in 2014 due to the impairment of properties, which were recognised in the last quarter of 2013.

The share of operating expenses in the net operating revenue was 82.4 percent, which is for 11.9 percentage points lower than in 2013. The share of all types of costs in net operating expenses, excluding the costs for materials, was lower when compared to 2013. The highest reduction share was for other operating expenses, representing 6.3 percentage points.

Costs of materials

Costs for materials were EUR 13.9 million in 2014, and were higher for EUR 2.7 million or 24 percent when compared to 2013. Costs for auxiliary materials, spare parts and energy increased. Higher costs for auxiliary materials and spare parts were a result of changes in the method of recording maintenance costs. Because the costs for materials for maintenance increased, the costs for maintenance services were reduced. The costs for energy increased by 2 percent, mainly due to higher costs for fuel in the company Luka Koper INPO d.o.o. as the excavator for dredging the navigation channel increased the use of fuel.

Costs of services

In 2014, the costs for services were EUR 41.5 million, 3 percent more than in 2013. Concurrently with the increase of the maritime throughput, the costs for port services increase, for EUR 0.9 million or 5 percent. Costs for other services also increased, for EUR 1.4 million or 14 percent. As a result of higher operating revenue, there were higher concession costs and costs for services, which are mostly re-invoiced.

Costs for maintenance services were lower due to changes to the method of their recording.

Costs of labour

In 2014, the Luka Koper Group's cost of labour were EUR 43.8 million, EUR 3.9 million or 10 percent more than in 2013. These increased is mainly for the month of December 2014 when a supplement on the salary was made, amounting to 230 EUR monthly gross payment per every employee in the company Luka Koper d.d., in a period from 1 June to 31 December 2014. Higher costs for labour were the result of higher payments for over time, higher payments for work success, higher number of employees and the increase of the basic salary, carried out in accordance with the Corporate Collective Agreement, executed in February 2013 for 0.8 percent and in August 2013 for 1.9 percent. The number of employees in the company Luka Koper Group was 1,009 on 31 December 2014, which represents 27 more employees or 3 percent when comparing with the situation on 31 December 2013. More information on the number and the structure of employees is presented in the chapter HUMAN RESOURCE MANAGEMENT.

Depreciation

In 2014, the depreciation costs were EUR 27.4 million and were reduced by EUR 0.8 million when compared to 2013.

Other operating expenses

In 2014, other operating expenses amounted to EUR 8.1 million or 50 percent less than in 2013. Operating expenses from revaluation were EUR 1 million while they were EUR 9.3 million in the previous year which included the impairment of the value of real estate in the amount of EUR 9 million. In 2014, the costs for provisions for compensation were also lower.

10.2.3 OPERATING PROFIT

Operating profit of the Luka Koper Group was EUR 33.4 million in 2014, which is for EUR 21.2 million or 174 percent more than in 2013. The increase was affected by the 13 percent increase in revenue and the impairment of the value of properties, which was recognised in the amount of EUR 9 million in the last quarter of 2013 and was reducing the operating profit of 2013.

EBITDA was EUR 60.8 million in 2014, which is for EUR 20.4 million or 51 percent more than in 2013. Hence, the EBITDA exceeded the planned figures by EUR 6.1 million or 11 percent.

10.2.4 FINANCE INCOME AND FINANCE EXPENSES

In 2014, the Luka Koper Group recorded finance income at EUR 1.9 million, which is EUR 1 million or 100 percent more than in 2013. Income on shares and interests in other companies increased primarily as a result of selling the 33.33% equity interest in the company Railport Arad S.R.L.

Operating expenses were recorded at EUR 4 million in 2014, indicating a decline of EUR 3.1. million or 44 percent over 2013. Finance expenses for financial liabilities were lower by EUR 469 thousand due to the lower reference interest rate (EURIBOR) and lower borrowing. Finance income from impairments and write-off of financial investments was EUR 63 thousand in 2014 if compared to EUR 2.6 million in 2013.

10.2.5 PROFIT BEFORE TAX AND PROFIT FOR THE PERIOD

Profit before tax of the Luka Koper Group was EUR 32 million in 2014, which exceeded the profit of 2013 by EUR 25.3 million or 381 percent.

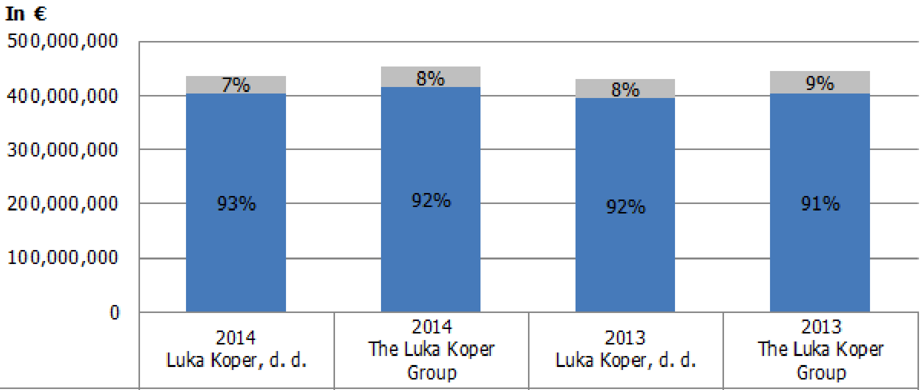
Operating profit of 2014 was EUR 29.1 million, which is EUR 21.3 million or 275 percent more than in 2013.

Income tax and deferred tax of 2014 reduced the profit for the period by EUR 2.9 million, and increased the operating profit for 2013 by EUR 1.1 million.

10.2.6 FINANCIAL POSITION

As of 31 December 2014, the balance sheet total of the Luka Koper Group was EUR 472.6 million, indicating an increase of EUR 9 million or 2 percent over the 2013 balance.

Asset structure of Luka Koper d.d. and the Luka Koper Group



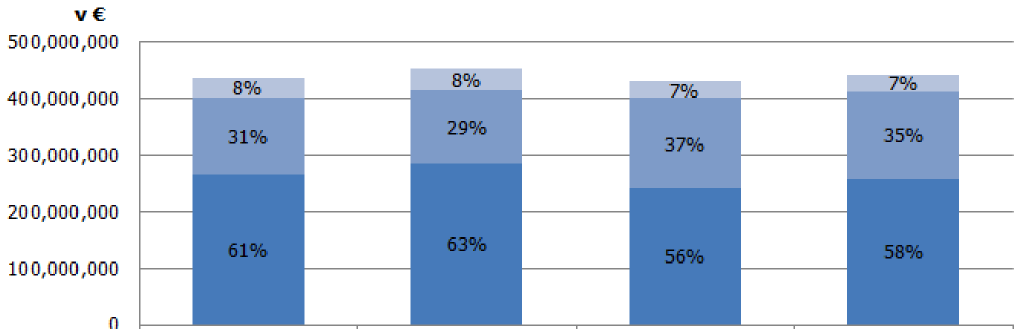
	2014 Luka Koper, d. d.	2014 The Luka Koper Group	2013 Luka Koper, d. d.	2013 The Luka Koper Group
Short-term assets and short-term accrued and deferred items	32,018,000	38,173,504	35,498,607	39,033,533
Non-current assets	405,240,457	414,412,047	395,411,533	404,525,029

As at the year-end balance of 2014, non-current assets were EUR 414.4 million and show an increase of EUR 9,9 million if compared to the year-end balance of 2013, which is 92% of the balance sheet total on 31 December 2014. Property, plant and equipment grew by EUR 1.5 million due to the increase in assets being acquired. Investment property increased for EUR 3.6 million as some buildings were leased and certain property, plant and equipment were reclassified from 'assets (group for disposal) held for sale' into 'investment property'. Shares and interests increased by EUR 4.2 million due to the transfer of investments from 'assets (group for disposal) held for sale' and due to increased market value of non-current financial investments into shares and interests of others, which are disclosed at their fair value.

Current assets were EUR 38.2 million on 31 December 2014 and show a decline of EUR 860 thousand when compared to the year-end balance of 2013. The assets (group for disposal) held for sale were reduced by EUR 6.2 million, whereof by EUR 3.6 million as a result of transferring investments to non-current investments and by EUR 2.8 million due to the transfer to investment property. In 2014, the controlling company Luka Koper d.d. started to keep records of inventory of material and spare parts, which was EUR 0.5 million as of 31 December 2014. Loans given increased by EUR 3.4 million as a result of deposits at banks, and by EUR 2.8 million due to cash and cash equivalents. The balance of operating receivables as at 31 December 2014 equalled the one recorded at the end of 2013.

On 31 December 2014, the equity of the Luka Koper Group was EUR 286.3 million, representing 63 percent of the balance sheet total. Non-current liabilities with provisions and long-term accrued costs and deferred income account for 28.6 percent of liabilities and amount to EUR 129.3 million, which is EUR 23.7 million less than on 31 December 2013. Non-current financial liabilities declined primarily as a result of transferring the non-current portion in the amount of EUR 15.9 million to current financial liabilities and due to repayment of loans. Current liabilities amounted to EUR 36.9 million as at 31 December 2014 and show a growth of EUR 5.6 million if compared to the year-end balance of 2013. Tax liabilities and payables to employees account for the largest increase within the liabilities structure. Financial liabilities of the Luka Koper Group amounted as at the reporting date to EUR 128.1 million, which is for EUR 25.6 million less than in 2013. Borrowings from banks declined by EUR 26.3 million due to repayment. The Luka Koper Group enhances its financial strength since the share of financial liabilities within equity accounted for 44.7 percent on the reporting date and shows a decrease of 14.6 percentage over the 2013 balance. Further details on the Group's financial liabilities are provided in the consolidated financial statements under Notes 30 'Loans and borrowings', 31 'Non-current financial liabilities', and 33 'Loans and borrowings'.

Liabilities structure of Luka Koper d.d. and the Luka Koper Group



	2014 Luka Koper, d. d.	2014 The Luka Koper Group	2013 Luka Koper, d. d.	2013 The Luka Koper Group
Short-term liabilities	35,612,914	36,943,395	30,263,419	31,360,853
Non-current liabilities	135,554,271	129,318,586	158,626,005	152,993,570
Equity	266,091,272	286,323,570	242,020,716	259,204,139

10.2.7 STATEMENT OF CASH FLOWS

Cash flow structure of Luka Koper d.d. and the Luka Koper Group

	Luka Koper d.d.		Luka Koper Group	
(in EUR)	**2014**	**2013**	**2014**	**2013**
Cash flows from operating activities	60,653,699	46,817,933	64,269,988	49,400,430
Cash flows from investment activities	-24,889,064	-7,588,454	-29,261,473	-9,000,557
Cash flows from financing activities	-32,675,667	-38,963,233	-32,230,565	-38,845,377
Net cash flow in the period	**3,088,968**	**266,246**	**2,777,950**	**1,554,496**

In 2014, the Luka Koper Group generated a positive cash flow from its operating activities in the amount of EUR 64.3 million which was for EUR 14.9 million more than in 2013. Operating profit before the change in net current assets and before tax was by EUR 11.7 million higher than in 2013. Changes in net current assets increased the cash flow from operating activities by EUR 3 million in 2014, while in 2013 it reduced it by EUR 0.2 million.

Cash flows from investment activities were negative in 2014 and amounted to EUR 29.3 million.

In 2014, total expenses for investments recorded by the Luka Koper Group increased over the 2013 balance by EUR 20.3 million. Investments into property, plant and equipment, investment property and intangible assets amounted in 2014 to EUR 30 million, which shows an increase of EUR 15.1 EUR if compared to 2013. In 2014, Group’s expenses for investments and an increase in loans granted by the Group amounted to EUR 4 million, indicating a growth of EUR 3.1 million. Income on Group's investments were EUR 4.6 million in 2014, which is EUR 1.3 million less than in 2013.
In 2014, the Luka Koper Group generated a negative cash flow from financing activities in the amount of EUR 32.2 million. Repayment of borrowings was in 2014 recorded at EUR 26.3 million or EUR 41.6 million less than in 2013. EUR 2.2 million was earmarked for the dividend payout compared to EUR 2.4 million in 2013. Group’s interest payment under borrowings amounted to EUR 4 million in 2014, which is EUR 0.5 million less than in 2013.

In 2014, the Group’s net cash flow result amounted to EUR 2.8 million compared to EUR 1.2 million in the previous year. Long-term liquidity of the Luka Koper Group is ensured through carefully planning and monitoring of generated cash flows on a weekly, monthly and yearly level (details on cash flow management are provided in the consolidated accounting report under the section Risk Management and within the Note 38 ‘Financial instruments and financial risk management’.

11 MARKETING: CARGO TYPES AND MARKETS

11.1 MARKETING STRATEGY

Satisfied customer

Excellent relationships with customers ensure long-term success of a company. For this reason, through regular surveys were check the satisfaction of our customers. In 2014, the survey showed we are on the right path in developing relationships with the customers and the survey directed us towards areas in which we can still improve.

Key cargo groups

On the basis of conducted analyses, we conclude that Luka Koper d.d. has most market abilities and opportunities in the container, vehicle and fast-perishable goods segments. We contributed in our company's ecological directions by promoting multi-modality and by transporting a larger share of goods to and from the Port of Koper by rail.

At the same time, we would like to keep multi-purpose Slovenian port and increase the throughput of other good types and groups. We did not experience grave stress and difficulties in our operations in the last years of crises especially because, except for raw oil and gas, we unload and perform services for all goods groups, including passengers and can justifiably present ourselves as a universal port.

Aside from growth in transport, our key marketing goals are developing additional services, increasing the market share, proactive attitude and customer satisfaction, harmonised workings of the Port community, cooperating and connecting with all the players in the transporting chain and monitoring the development of our competition.

Supporting markets

Luka Koper is increasing the throughput on the traditional and most important markets, which are Slovenia, Austria, Hungry, Czech, Slovakia, German, Bavaria, Italy, Poland and Serbia. In 2014, we started with more active marketing of macro-distribution services which is marking its first success and we will continue such marketing in 2015. Adapting to new market opportunities, especially niche markets, will be a very important activity in 2015. It is important to notice it in time and use the opportunity. Each delay in implementing market and development projects represents untimely adjustments to the market needs and loss of customers.

In 2014, we gave a lot of attention, energy and time to the trans-marine market of the Far East and Mediterranean. We promoted Luka Koper as the best entry and exit point for these markets that work with the European market.

Trans-marine countries

In 2014, together with the network of representatives for Austria, Romania, the Czech Republic, Slovakia and Poland, we prepared for and participated in many promotional events. We organised traditional port days in the supporting markets. Additionally, we actively participated in many conferences, fairs, business delegations and meetings with existing and potential customers for trans-maritime markets in South Korea, Japan, India, Israel, Italy, Egypt, Morocco, Iran and Turkey.

Within NAPA association, we participated in logistic-transport fairs and conferences in China, Qatar and South Africa. In the second half of 2014, Luka Koper d.d. held the presidency of the NAPA association which was taken over by the Port of Trieste in January 2015. Within NAPA association, we together promoted the Northern Adriatic and South European transport path, especially on the markets outside Europe.

11.2 MARITIME THROUGHPUT

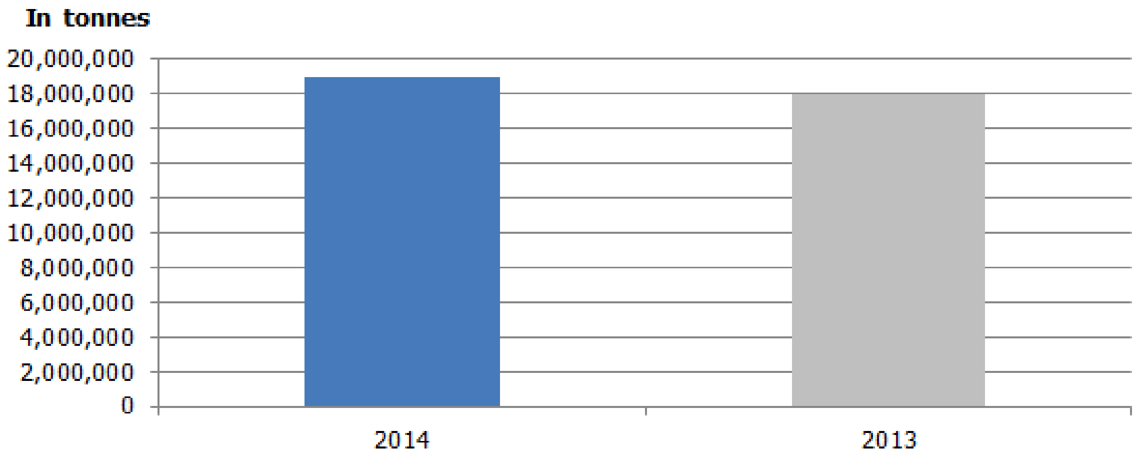
Generated throughput in 2014 was 19 million tonnes which is for almost 1 million more than in 2013 and we reached a new milestone in the history of the Port of Koper.

We generated record TEU 674 thousand of throughput on the container terminal. By transhipping 518,9 thousand of vehicles we successfully returned to the volume of vehicle throughput we generated before the economic crises.

The growth of throughput, when compared to 2013, was generated in the groups of goods in the container, automotive and liquid cargo while the generated throughput quantities were somewhat lower for the groups of goods for the general, dry bulk cargos. The Luka Koper Group received 58,970 passengers at the Passenger Terminal in 2014, which is 10 percent less than in 2013.

In 2014, when compared to 2013, the Luka Koper Group generated 4 percent increase of loaded and 6 percent increase of unloaded goods onto and from the ships. The largest increase was for the container group of goods on the Asia-Europe-Asia route.

Maritime throughput



11.3 MARITIME THROUGHPUT AT OTHER PORTS

North Adriatic ports are increasingly investing in container terminals. Despite fiercer competition, no port is at loss in terms of this as ship owners do not arrive at the Adriatic area for one port only; they are looking for best alternatives throughout the destination to optimise their operations.

Maritime throughput in tonnes by ports [13]

	2014	2013	Index 2014/2013
Venice	21,800,000	24,411,377	89
Trieste	56,113,694	56,585,708	99
Ravenna	24,460,154	22,486,318	109
Rijeka	9,025,081	8,687,220	104
Koper	**18,965,351**	**17,999,663**	**105**
Rotterdam	444,733,000	440,464,000	101
Hamburg	145,700,000	139,026,717	105

Maritime container throughput in TEU by ports [14]

	2014	2013	Index 2014/2013
Venice	456,068	438,829	104
Trieste	476,507	458,497	104
Ravenna	222,548	226,879	98
Rijeka	149,838	131,310	114
Koper	**674,029**	**600,440**	**112**
Rotterdam	12,297,570	11,621,046	106
Hamburg	9,700,000	9,229,305	105

In 2013, the Port of Ravenna increased its maritime throughput for 9 percent when compared to 2013 despite lower container throughput since they transhipped TEU 222,548, which was for 2 percent less than in the previous year.

The Port of Venice and the Port of Trieste closed their business year 2014 with a fall in throughput when compared to 2013. In Venice, they marked 11 percent lower throughput when compared to 2013 due to lower throughput of liquid cargo. Larger quantities were marked for other groups of goods and the container throughput increased for 4 percent. Throughput of passengers dropped by 6 percent.

Similar situation was marked in Trieste where lower throughput was marked by a percent, resulting in 56.1 million tonnes of throughput in 2014. Container throughput increased for 4 percent to TEU 476,507.

The Port of Rijeka gained 4 percent higher total throughput in 2014 when compared to 2013. The throughput of all groups of goods increased except for liquid cargo (JANAF). They had a throughput of TEU 149,838 representing 14 percent increase when compared to 2013.

The Port of Rotterdam ended the year 2014 with 1 percent increase in throughput when compared to 2013. Their throughput of liquid cargo and dry bulk cargo was a bit lower but the throughput of

[13] Source: Websites of the listed ports
[14] Source: Websites of the listed ports

general cargo and containers increased. Rotterdam continuous to keep its leading position among the European container ports. In 2014 12.3 million TEU were transhipped, which is 6 percent higher than in 2013.

The Port of Hamburg ended 2014 with a 5 percent increase in maritime throughput, reaching 145.7 million tonnes. The general cargo throughput saw a 6% increase and the bulk cargo throughput a 7% increase. In 2014, TEU 9.7 million were transhipped, which is 5 percent higher than in 2013.

11.4 THROUGHPUT STRUCTURE BY CARGO GROUPS

The prevailing groups in the total structure of throughput were dry bulk cargoes whose share decreased by 3 percentage points when compared to 2013. The share of throughput for the container group of goods increased by 3 percentage points.

Throughput by cargo groups in tonnes

	2014	2013	Index 2014/2013
General cargoes	1,643,552	1,659,405	99
Containers	6,760,204	5,849,694	116
Vehicles	763,621	662,169	115
Liquid cargoes	3,073,620	2,840,588	108
Dry bulk cargoes	6,724,354	6,987,806	96
TOTAL	**18,965,351**	**17,999,662**	**105**

GENERAL CARGOES

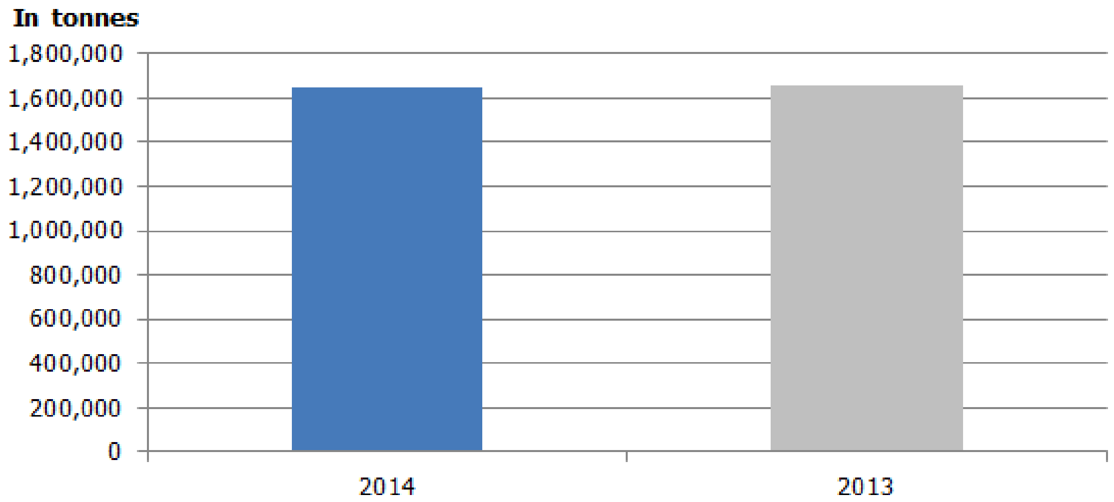
The Luka Koper Group ended 2014 with 1 percent lower maritime throughput for the general cargo goods when compared to 2013.

Within the general group of goods, the general cargo that marked the highest growth was the throughput of steel and steel products. We also increased the throughput of aluminium and live animals.

The throughput of the wood cargo group of goods marked a 6 percent fall in 2014 when compared to 2013 that is a result of conditions in the countries of Northern Africa.

For the throughput of fruits and vegetables many significant changes in the flow of goods were marked on the world market in this past year, not only due to the Russian prohibition of importing EU goods that also had an effect on lower quantities of throughput in the Port of Koper. Additionally, the throughput of bananas by conventional ships is slowly and successfully moving into container shipment.

Changes in maritime throughput of general cargoes



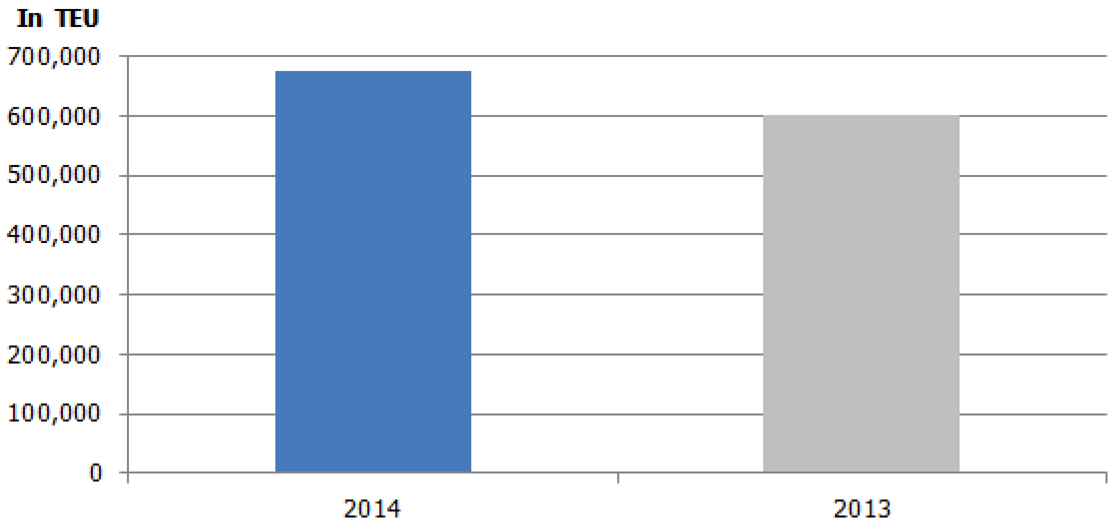
CONTAINERS

Exceptional operating results in the cargo terminal show that we throughput by 12 percent when compared to 2013, reaching a record TEU 674,033. We transhipped TEU 578,520 full and 95,513 empty.

By dredging the first basin to -14 meters, we satisfied the wishes of larger ship owners and enabled the arrival of larger and more loaded ships. At the same time, this allows ships on direct lanes with the Far East to make the first call in Koper instead of in Trieste and for clients, who are sensitive to transit times. We will be able to direct their packages to our port.

The largest ship owners formed new alliances 2M and Ocean 3 whose ships started sailing from the Far East in mid-January 2015. The third alliance service CKYHE was established in April 2015. By establishing new alliances, we have three weekly direct lanes from the Port of Koper going towards the Far East.

Changes in maritime container throughput

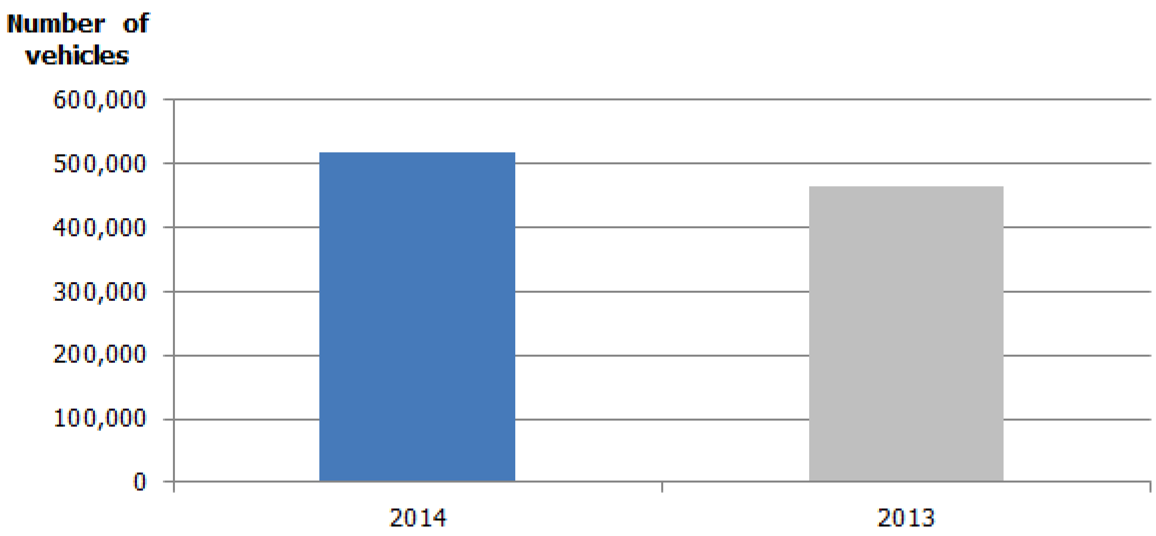


VEHICLES

In 2014, 519 thousand vehicles were transhipped, which is 12 percent higher than in 2013. The growth in vehicle throughput was achieved despite the fall in the throughput of used vehicles and the withdrawal of the Chevrolet trademark from the European market.

In the European Union, the year 2014 marked growth in the sale of new vehicles for the first time after six years of decline. When compared to 2013, the sale on the European market increased by 5.7 percent. The trend of exporting to the Asian, North African and Turkish markets is continuing which is being utilised in the Port of Koper since we kept a share of vehicle throughput in loading and unloading from ships. We unloaded 211 thousand vehicles and uploaded 308 thousand vehicles.

Changes in maritime throughput of vehicles

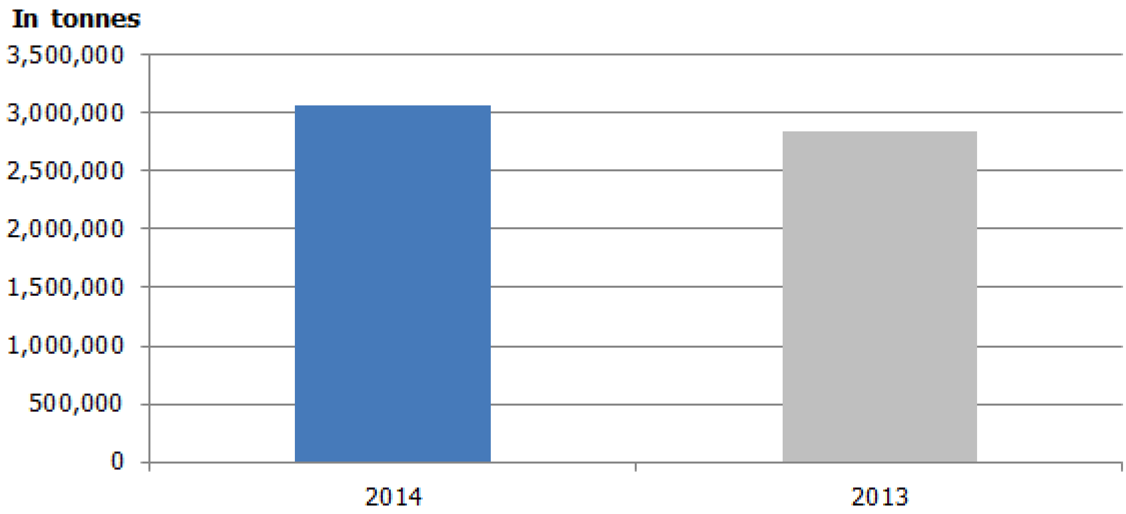


LIQUID CARGOES

On the liquid cargo terminal, we transhipped for 2 percent more cargo in 2014 than in the previous year. The throughput of energy products was somewhat lower, while the throughput of chemicals and vegetable oil increased.

In the throughput of oil derivatives, we generated a 10 percent growth when compared to 2013 and again attained the level of the previous year after the fall in throughput in 2013.

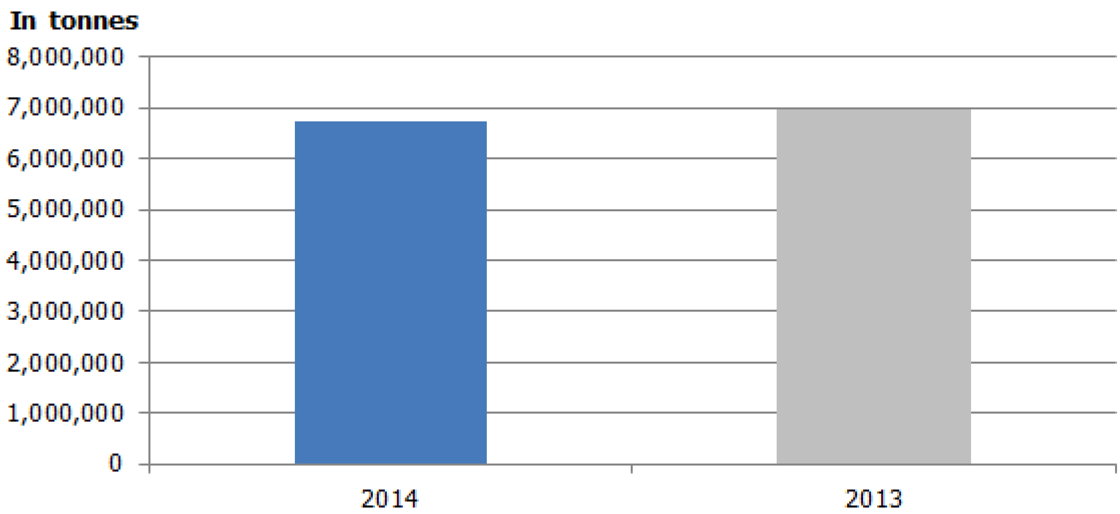
Changes in maritime throughput of liquid cargoes



DRY BULK CARGOES

In comparison with 2013, the Luka Koper Group generated 4 percent lower throughput of dry bulk cargoes. Lower levels are a result of lower dry bulk cargo use on the Italian markets. We loaded 24 percent less goods onto ship, amounting to 979 thousand tonnes of goods in 2014. Lower throughput was a result of temporary operating closure of one of Italian thermo central stations, which supplies the Port of Koper. We unloaded 5.7 million tonnes of goods, 1 percent more than in 2013.

Changes in maritime throughput of dry bulk cargo



11.5 CUSTOMERS

In the company Luka Koper d.d. we are aware that without continuous investment into relationship with customers, based building of existing and searching for potential new business relationship, there can no long-term successful business. In our marketing, we follow the principle: 'If we are not sitting with customers then our competition is sitting with them.' For this reason, we strive to maintain and develop good partnership relationships, with frequent personal exchange of positions, in all segments and at different levels. Our representatives abroad play an important role in this.

The competition between ports with developed infrastructure is increasingly larger as customers of port services have greater bargaining power and opportunity to select transport paths for their goods. The whole transport path and no only individual links in the chain are important for the customer. For this reason, we strive in Luka Koper d.d. to connect and develop all participants in the logistic chain. We know that we can keep the competitive edge only with a joint response and fast adjustment to the wishes and the needs of the customer.

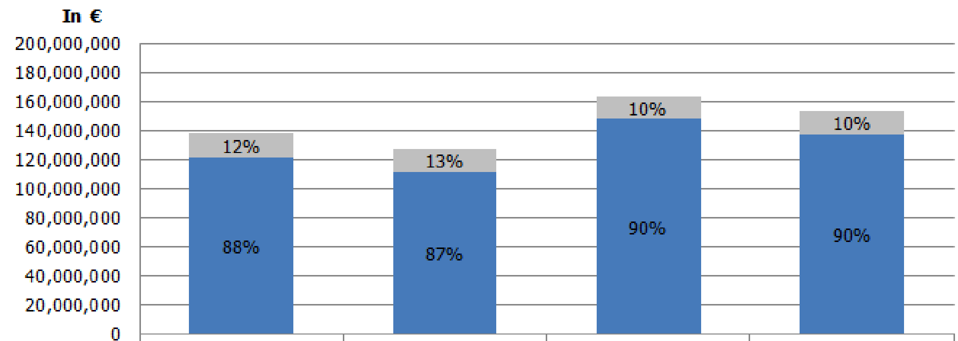
12 FINANCIAL MANAGEMENT

The dominant influence of the parent company in the Luka Koper Group is also shown in the area of liabilities. All financial liabilities of the Group are concurrently also financial liabilities of the parent company.

12.1 MATURITY OF LIABILITIES

The achieved restructuring of current financial liabilities into non-current liabilities is a result of the Luka Koper Group's endeavours of the last few years. Repayment of borrowings was conducted by the Luka Koper Group with the aim to reduce its indebtedness. Accordingly, the Group's borrowing was in 2014 reduced by 17 percent i.e. from EUR 153.8 million to EUR 128.1 million. As at the reporting date, the share of non-current liabilities among total of financial liabilities accounted for 87%.

Liabilities structure of Luka Koper d.d. and the Luka Koper Group as at 31 December (by maturity)



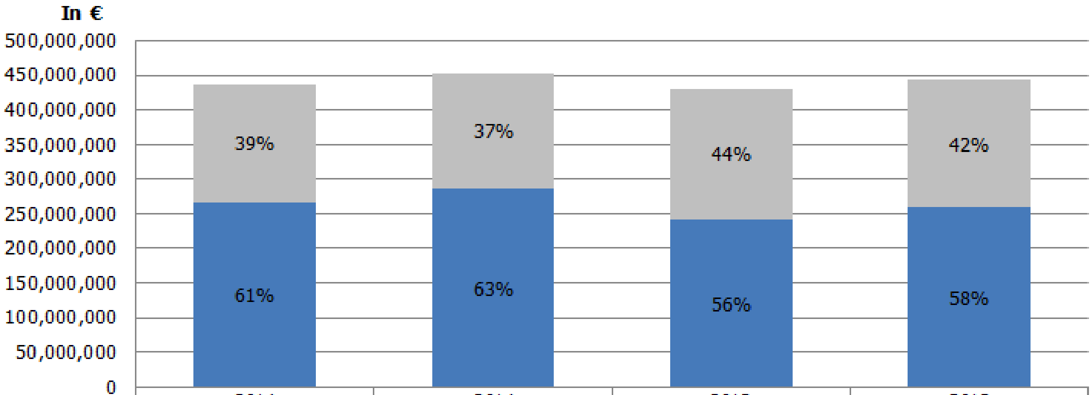
	2014 Luka Koper, d. d.	2014 The Luka Koper Group	2013 Luka Koper, d. d.	2013 The Luka Koper Group
Current financial liabilities	16,369,109	16,369,481	15,678,125	15,678,678
Non-current financial liabilities	121,833,655	111,777,075	148,211,647	138,071,974

12.2 STRUCTURE OF LIABILITIES

Financial liabilities to banks are tied to the variable interest rate. As of the last day in 2014, the share of loans with a variable interest rate reached 99.6 percent. 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 recent years, the Group has set up an interest rate hedge for managing interest rate risks for selected non-current borrowings. The interest rate hedge is recognised within hedge accounting. Thus, EUR 65 million of Group's non-current borrowings are hedged against interests rate risk, which consequently reduces the percentage of loans and borrowings exposed to interest rate risk to 48.2 percent.

The process of restructuring financial liabilities with non-current sources of financing has already shown results in the share of non-current financial liabilities among the total financial liabilities, significantly reducing the risk of operations in the area of refinancing overdue financial liabilities. Sound performance and lower volume of financial liabilities resulted in a higher share of equity in the overall balance sheet total.

Liabilities structure of Luka Koper d.d. and the Luka Koper Group as at 31 December



	2014 Luka Koper, d. d.	2014 The Luka Koper Group	2013 Luka Koper, d. d.	2013 The Luka Koper Group
Income	171,167,185	166,261,981	188,889,424	184,354,423
Capital	266,091,272	286,323,570	242,020,716	259,204,139

13 INVESTMENTS IN NON-FINANCIAL ASSETS

The year 2014 was significantly marked by investments in the Port infrastructure, which are the key for maintaining the competitiveness of Luka Koper d.d. We gained additional warehousing areas, we build two disposal sites for dumping the excavated material, we carried out the dredging of the Northern part of the first basin within the aquatorium and replaced or upgraded worn-out equipment.

All investments planned for 2014 were previously thought-out from the economic view as well as from the view of eligibility, energy savings, the level of necessity and legal obligations. Decisions about major investments were based on investment studies and analyses of their impact on the return on equity.

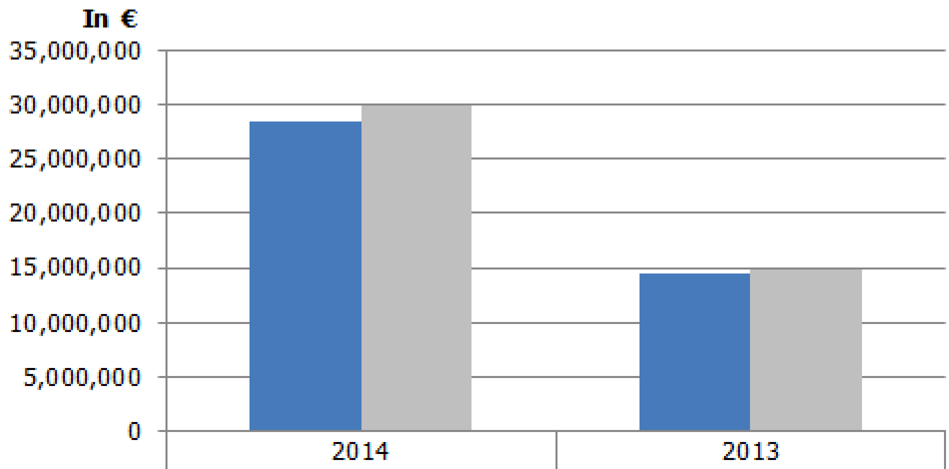
In 2014, the Luka Koper allocated EUR 30 million for investments in non-financial assets; EUR 28.5 million of this was invested by the parent company Luka Koper d.d.

The most significant investments made by the Luka Koper Group in 2014 were as follows:

- in order to increase the storage areas at the container terminal and to ensure direct connection between the coast 7C and the hinterland, we started building the 7A disposal site 7C on Pier I;
- because of increased container traffic on Pier I we completed the first phase of dredging the navigation channel in the Northern part of the first basin, to the debt of -14 meters;
- on the container terminal we made 6,480 m2 large warehousing area which will allow for around TEU 600 additional warehousing places;
- for dumping of the dugout material from the Northern part of the first basin, we built two disposal sites in the area of Ankaran' s Bonifika, the disposal area 7A, on the parcel no. 799/39 of the Cadastral Municipality Ankaran;
- we purchased 12 new fork-lifts for the general cargo terminal as the old ones were worn out;
- we started to upgrade the analogue and video control system with the IP technology;
- we purchases new equipment for the transhipment of dry goods cargoes, renovated warehousing areas, purchased technological equipment for reducing dust emission during loading;
- we started to renovate the critical part of the rail track in order to prevent rail accidents;
- we installed anti-wearing ceramic covering on the combined machine for unloading the iron ore in the dumping area;
- we laid asphalt in the warehousing areas, for the warehousing of vehicles, in the size of 24,000 m2, because of increasing demands of customers to warehouse vehicles on asphalt surfaces;
- we renovated warehousing areas and purchased a new lift for the container terminal, for the transfer of persons on the container lift;
- we arranged lighting on the multi-purpose terminal;
- we laid asphalt and reinforces the dumping area for coal;
- we build a new road-rail bridge across Rižana due to the widening of the existing rail capacity in the supporting area of the Pier II;
- we purchased a new rail scale for weighing rail carriages for the transport of iron ore;

- we replaced worn out rail moving vehicle by purchasing a new one Voosloh, with the intention to provide uninterrupted performance of service of rail carriages conveyance to and from the Port and for moving rail vehicles in the Port.

Investments in property, plant and equipment, investment property and intangible assets (according to statement of cash flows)



	2014	2013
Luka Koper, d. d.	28,485,811	14,522,369
The Luka Koper Group	29,958,975	14,825,864

13.1 INVESTMENTS IN ECOLOGY – ENSURING SUSTAINABLE DEVELOPMENT

Monitoring and managing environmental impacts have remained an important part of regular activities of the Port. In order to keep the environment in harmony, we assigned part of funds in 2014 for ecology in accordance with our strategic policies.

In 2014, we made the following ecology-related improvement activities:

- on 11 tugs we upgraded the electronics in order to reduce the use of fuel;
- in the boiler room for the central cloakrooms we replaced the boiler for having changed from heating by oil to heating by wood biomass;
- because of reduced dusting we reinforced and laid asphalt additional dumping grounds in the coal dumping area;
- in order to prevent dusting we extended anti-dusting fence on the South-East part of the dumping area in the coal terminal;
- because of strong corrosion from spraying and to prevent dusting, we renovated the coal terminal and protected rail transporters and the sifting station:
- we build new internal faecal network by the outflow of municipal waste and water from buildings, until the public faecal network, running across the Port area and thereby replaced previous flow cesspit in the Port area which had to be abandoned in accordance with the legislative requirements.

14 DEVELOPMENTAL ACTIVITY

In 2014, many initiatives on development activities were carried, in terms of examining long-term expected traffic and specifics of individual groups of goods as well as the need for developing the Port capacity and its position in the umbrella European and national plans. In terms of port development, two initiatives were without doubt of key importance:

- coordination for faster development of the container terminal, involving many activities in parallel, in order to increase the efficiency and safety of processes and to provide additional new capacity;
- managing the integrated port development until 2020 by bearing in mind the fact that phase planning is necessary and especially, timely realisation of complementary infrastructural projects. Proposal for changing and supplementing the Port development programme for 2011-2014 were re-submitted.

The development-research activity in 2014 was directed towards preparing different analysis and studies to support market activities, to study the accessibility of the Port by sea and by supporting side, energy efficiency, environmental themes, information support and other current issues, with an objective to increase the Port's competitiveness and to ensure effective port processes. We systematically monitor the demand and offer in the sector. Just like in the past years, in 2014 we also gave the most attention to the container transport, and activities were additionally directed to:

- integrated study on the examination of ports' competitiveness, with emphasis on specialisation, throughput quantities and capacity;
- special study on the examination of market potentials for fast perishable goods since we have modern but unoccupied capacity;
- analysis of potentials on the Bavarian market in terms of the container transport;
- analysis of multi-application effects of passenger transport on the development of the region in terms of passenger spending;
- traffic study on identifying the road traffic course in the Port area, the bottlenecks and the optimisation of access to new entries;
- seaworthiness of the first basin upon simultaneous arrival of larger container ships and larger passenger ships;
- sailing sustainability in the second basin, especially concerning tanker berthing;
- possibility to restructure existing warehouse to attain better capacity;
- conceptual design for a berthing place for live-stock ships, extending the Pier 1 and upgrading the container berth 7 in the corner of the first basin and RO-RO berth in the third basin;
- solutions for rail tracks inside the Port area;
- many initiatives on the need for the second rail track Koper-Divača.

14.1 EUROPEAN PROJECTS

We began 2014 with 16 active projects, completed 9 during the year and started 2 new 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. To this end, we completed the projects SETA and EMPIRIC under the Central European and South-Eastern European programmes and by the end of the year, we also completed the projects LOGICAL, INWAPO and GIFT. We also completed the activities for both projects on cross-border cooperation between Slovenia and Italy, ADRIA A and SAFEPORT, as well as the project GREENCRANES under the TEN-T programme. Additionally, we successfully realised the co-financing for renovating the existing main boiler room. We were also active on the projects MEDNET and EASYCONNECTING for which we were selected as external contractors of the Slovenian partners. In 2015, we will continue with projects which gave important achievements already in 2014:

- programme TEN-T: NAPADRAG, NAPAPROG, B2MOS, NAPASTUDIES, POSEIDON MED,
- territorial cooperation under the programme Mediterranean: GREEBERTH, INTETRANSIT, iFREIGHT MED,
- structural funds: logistic competence centre, holding number of educational programmes for training staff working in logistics.

In 2014, we applied for additional projects which are being evaluated and we are preparing new tendering proposals. We are especially focused on the Connecting Europe Facility programme, ending on 26 February 2015 and within which we would like to obtain co-financing for the Port's infrastructural upgrade.

Important development activities of the past year also referred to institutional initiatives. From April 2014 onwards we presided the North Adriatic Port Association (NAPA) and in July we hosted a meeting of the executive board of the ESPO which gave us the first prize for an innovative and environmentally advanced port.

14.2 INTRODUCTION OF NEW IT SOLUTIONS

The most important project in 2014 was introducing the e-invoicing system which supports full electronic exchange of invoices, without intermediaries, with partners or customer companies, including with the Administration of the Republic of Slovenia for Public Payments.

We introduced a modern firewall system and activated additional computer centres at a different location, so called Cold DRC Centre. Both these solutions are increasing the immunity of the company and our IT systems.

A system for managing incidents with mobile devices was also introduced by which we can draw a record of the event at the actual location. The system also allows for generating suitable messages.

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. At the end of 2014, the shares of Luka Koper d.d., identified as LKPG, ended its trading with 128% higher value than at the end of 2013. The stock exchange turnover with the LKPG share was twice as higher in 2014 than in 2013. The closing exchange for the LKPG share was EUR 22.50 per share on the last trading day of 2014.

The ownership structure of Luka Koper d.d. experienced no major changes in 2014. On the last day of 2014, the Company had 11,936 registered shareholders, which is 416 less than in 2013. The major shareholder of the Company remains the Republic of Slovenia, jointly with its two funds Slovenska odškodninska družba d.d. and Kapitalska družba d.d.

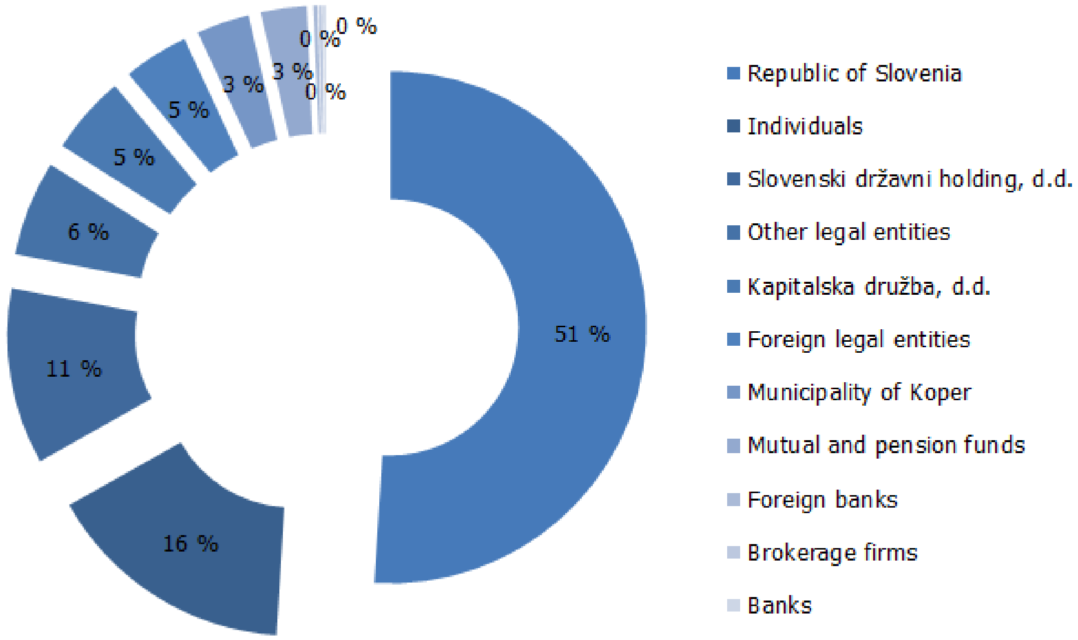
Ten largest shareholders as at 31 December

Shareholder	Number of shares 31 Dec 2014	2014 stake (in %)	Number of shares 31 Dec 2013	Equity holding in 2013 (in %)
Republic of Slovenia	7,140,000	51.00	7,140,000	51.00
Slovenski državni holding, 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
Unicredit Bank Austria AG – fiduciary account	229,100	1.64	246,950	1.76
KD Galileo, flexible investment structure	158,230	1.13	158,230	1.13
KD Balkan, shares	122,600	0.88	123,600	0.88
Eaton Vance Parametric Structured	118,550	0.85	118,550	0.85
Perspektiva DZU d.o.o.	110,000	0.79	0	0.00
Zavarovalnica Triglav, d.d.	104,756	0.75	104,756	0.75
TOTAL	**10,704,614**	**76.46**	**10,613,464**	**75.81**

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

Shareholder	Number of shares 31 Dec 2014	Equity share 2014 (in %)	Number of shares 31 Dec 2013	Equity share 2013 (in %)
Republic of Slovenia	7,140,000	51.00	7,140,000	51.00
Individuals	2,218,114	15.84	2,232,544	15.95
Slovenski državni holding, d.d.	1,557,857	11.13	1,557,857	11.13
Other legal entities	844,000	6.03	754,555	5.39
Kapitalska družba, d.d.	696,579	4.98	696,579	4.98
Foreign legal entities	574,853	4.11	642,369	4.59
Municipality of Koper	466,942	3.34	466,942	3.34
Mutual and pension funds	405,080	2.89	410,549	2.93
Foreign banks	39,159	0.28	46,757	0.33
Brokerage firms	30,661	0.22	29,761	0.21
Banks	26,755	0.19	22,087	0.16
TOTAL	**14,000,000**	**100.00**	**14,000,000**	**100.00**

Ownership structure of Luka Koper d.d. as at 31 December 2014

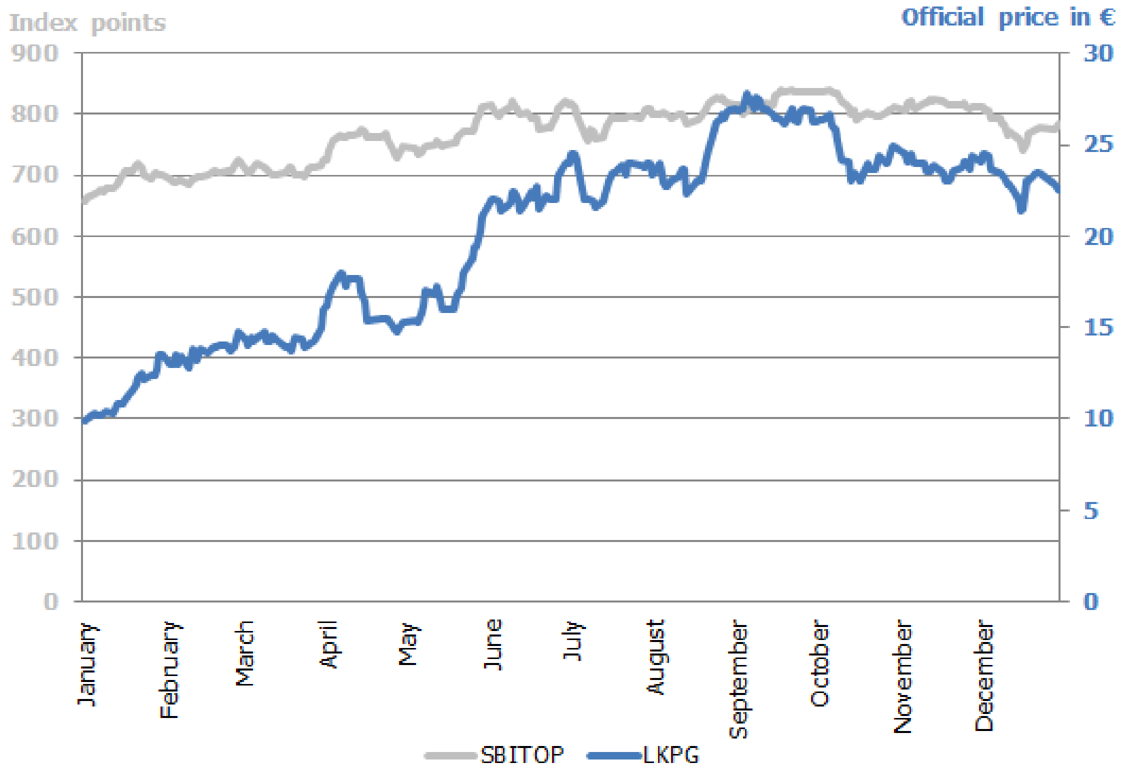


15.1 LKPG SHARE TRADING

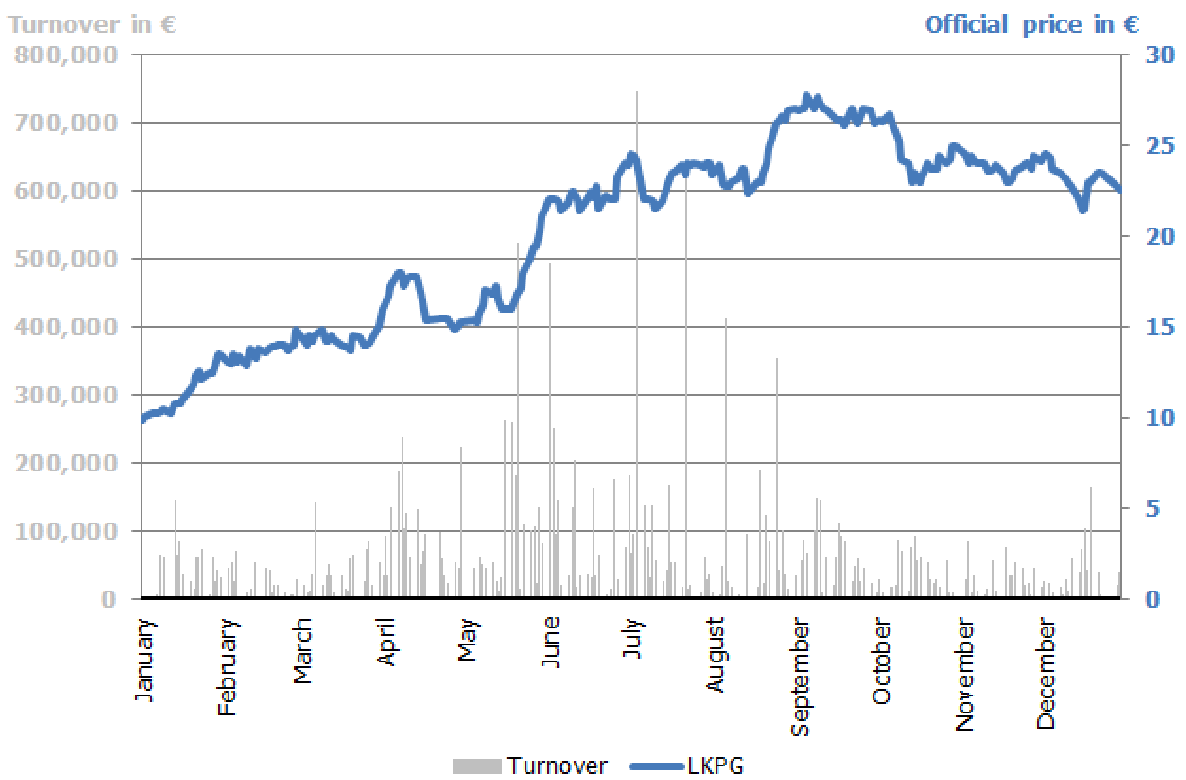
The average daily share price for the Luka Koper d.d. share in 2014 was EUR 20.10, while its value during the year value fluctuated between EUR 9.85 and EUR 27.75. The highest market price of the share was EUR 28.00 and the lowest was EUR 9.37. The market cap of Luka Koper d.d. shares was EUR 315,000,000 as of 31 December 2014.

In 2014, the value of the LKPG share significantly increased in comparison to the Slovenian blue chip index, SBI TOP, with a 19 percent increase of the index and the LKPG share recorded a 128 percent increase. There were 4,363 stock exchange transactions and deals with lots for the share by which owners exchanged 824,086 shares. Total turnover amounted to EUR 16,047,341 which is for 103 percent more than in 2013.

Changes in SBI TOP daily LKPG price in 2014



Changes in the daily LKPG share price and daily turnover in 2014



Key data about the LKPG share

	2014	2013
Number of shares	14,000,000	14,000,000
No. of ordinary no-par-value shares	14,000,000	14,000,000
Share price on the last trading day of the year (in EUR)	22.50	9.40
Share's book value as at 31 Dec (in EUR)	19.01	17.29
Price-Book value ratio (P/B)	1.18	0.54
Average market price (in EUR)[15]	19.47	9.16
Average share book value (in EUR)[16]	18.30	17.38
Average market price/Average share book value ratio	1.06	0.53
Net earnings per share (EPS) (in EUR)	1.89	0.33
Share price/earnings ratio (P/E)	11.91	28.53
Market cap as at the last day of the year (in EUR million)	315.00	131.60
Total share turnover (in EUR million)	16.05	7.92
Dividend per share (in EUR)	0.16	0.17

15.2 DIVIDEND POLICY

The Company's dividend policy represents a harmonised combination for dividend yields of the owners and the tendency to use the net profit for financing investment plans. Policy of the company, by taking into account-planned investments into the Port infrastructure and equipment, means about one-third of generated net operating profit for the period is assigned for dividends.

In 2014, the Company generated net profit of EUR 26,448,414.59. Based on the resolution of the Management Board regarding the formation of other profit reserves in the amount of a half of the net profit of 2014, Luka Koper d.d. created other profit reserves of EUR 13,224,207.30 at the end of 2014 in accordance with Article 230(3) of the Companies Act.

The Management and Supervisory Boards propose to the Shareholders' Meeting that the accumulated profit, totalling EUR 14,598,947.31 as of 31 December 2014, be used as follows:

- part of the accumulated profit in the amount of EUR 8,540,000.00 is to be paid as dividends in gross value of EUR 0.61 per ordinary share;
- residual amount of the accumulated profit in the amount of EUR 6,058,947.31 will be allocated to other revenue reserves.

We plan for the company to continue to respect the investment plans into the Port infrastructure and equipment in the coming years and assigning for the dividends one-third of the generated net operating profit of the period.

[15] Average market share is calculated as the ratio between total turnover in the period, arising from ordinary (stock exchange) transactions and the quantity of LKPG shares traded in ordinary (stock exchange) transactions.
[16] Average share book value is calculated on the bases of the average monthly ratio between capital and the total number of ordinary shares.

15.3 CROSS-LINKAGES WITH OTHER COMPANIES

As of 31 December 2014, Luka Koper d.d. did not hold more than 5 percent equity share in any company which owns shares of 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 SHARES OWNED BY MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

	Shareholder	Shares owned as at 31 Dec 2014
Supervisory Board	Nebojša Topić Msc, Member of the Supervisory Board	9

	Shareholder	Shares owned as at 31 Dec 2014
Management Board	Dragomir Matić, President of the Management Board	1,238

As of 31 December 2014, other members of the Supervisory Board and of the Management Board of Luka Koper d.d. did not own any shares of the Company.

15.5 TREASURY STOCK, AUTHORISED CAPITAL, CONDITIONAL CAPITAL INCREASE

As of 31 December 2013, Luka Koper d.d. held no treasury shares. 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. The Company also had no basis for conditional increase in the share capital.

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

In accordance with the Ljubljana Stock Exchange recommendations, Luka Koper d.d. adopted the Rules on trading with issuer's shares. These Rules represent additional assurance on equal information to all interested public on important business events in the company and are important in strengthening the trust of investors and respect of Luka Koper d.d The purpose of the Rules is to enable persons to trade 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 the SEOnet. For communicating with shareholders and investors, we also use other communication channels.

- Web page:

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

- E-newspaper notices

In 2014, after each quarterly period, we issued E-newspaper notices in which we published quarterly and annually preliminary results on throughput and operating revenue by groups of goods.

- Events

Furthermore, investors are informed of the Port's operations and innovations at the events organised by the Ljubljana Stock Exchange. In May 2014, we participated in the investment conference in Zagreb. In November, we presented ourselves at Slovenian capital market days in Ljubljana where individual meetings with investors were held.

Information for investors is available at the email address http://www.luka-kp.si/eng/investors .

Contact person:
Rok Štemberger
Public relations:
Tel.: 05 66 56 140
Email: rok.stemberger@luka-kp.si

15.8 CALENDAR OF MAJOR PUBLICATIONS IN 2015

Scheduled date of announcement/event	Type of announcement/event
22 January 2015	• Publication of preliminary results: revenue of the parent company and maritime throughput for 2014
22.01 to 20.02.2015 – quiet period	
20 February 2015	• Publication of unaudited annual report of the Luka Koper Group and Luka Koper d.d. for the period January–December 2014
19.03 to 17.04.2015 – quiet period	
16 April 2015	• Publication of preliminary results: revenue of the parent company and maritime throughput for the period January - March 2015
17 April 2015	• Publication of the Statement of Compliance with the provisions of the Corporate Governance Code • Publication of the 2014 Annual Report
23.04 to 22.05.2015 – quiet period	
22 May 2015	• Unaudited interim report of the Luka Koper Group and Luka Koper d.d. for the period January – March 2015
16 July 2015	• Publication of preliminary results: revenue of the parent company and maritime throughput for the period January - March 2015
July 2015	• Meeting of Shareholders
Second working day after Shareholders' Meeting	• Ex-dividend day
23.07 to 21.08.2015 – quiet period	
21 August 2015	• Unaudited interim report of the Luka Koper Group and Luka Koper d.d. for the period January – June 2015
15 October 2015	• Publication of preliminary results: revenue of the parent company and maritime throughput for the period January - March 2015
October 2015	• Distribution of dividends
22.10 to 20.11.2015 – quiet period	
20 November 2015	• Unaudited interim report of the Luka Koper Group and Luka Koper d.d. for the period January – September 2015
18 December 2015	• Publication of the Summary of the 2016 business plan and the estimate for 2015 business performance

Periodic publications and other price sensitive information are published on the website of the Ljubljana Stock Exchange system SEOnet (http://seonet.ljse.si/) and on the website of Luke Koper d.d. (http://www.luka-kp.si/eng/investors). Any changes to estimated date of individual publications will be regularly published on our website.

16 RISK MANAGEMENT

In Luka Koper d.d. managing risks through their management system, which is a comprehensive and a repeating process, aimed at increasing the probability of achieving strategic and tactical objectives.

Determining of goals is a precondition to be able to recognise, assess and manage risks and for this reason, starting the annual planning process is concurrent with the regular annual risk analysis cycle, which encompasses the existing risks as well as identifying new ones.

An important role in the risk management process holds the Committee for managing risks, an advisory body of the Management Board. One of the Committee's key tasks is discussing the analysis of risks, examining the methods of managing risks and confirming the register of key risks.

In the continuation, risks regarded as vital for the achievement of defined goals are presented. The risk assessment defines risks as important or very important. Risks estimated as moderate or less important, financial risks are and the methods to control such risks are also explained.

16.1 STRATEGIC RISKS

Strategic risks are 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, the ownership structure, and the general economic situation.

Risk	How it is being controlled	Estimate
Risk of the Port's unsuitable involvement in the logistics chain, and of insufficient provision of infrastructural connections 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 light of transportation liberalisation.	The risk is being controlled with comprehensive communication and by informing the public, partners and institutions on developmental projects and needs. We take a neutral approach to all railway transporters.	**Very important**
Risk of strategy realisation and goals achievement: ▪ lack of harmonisation in the operations of different institutions at a local and national level which makes the procedure for obtaining documentation for implementing strategic-development projects difficult;	We work with State bodies and institutions in defining national development projects and participate in the Port's development programme. We are decreasing the risk by adapting communications plans in accordance with the results of public opinion surveys and the performance of activities.	**Very important**

▪ lack of harmonisation for national development strategic at different levels (individual ministries and State bodies); ▪ individual attempts by local communities on restricting the Port activity and its further development.	We devote special attention to expressing our responsibility to the social environment by promoting cultural, sports, environmental, humanitarian and other activities with sponsorships and donations within the framework of the Living with the Port Fund.	
Risks of frequent changing of the Management Board and the Supervisory Board ▪ due to frequent replacements at top positions, achieving the strategic objectives is threatened and it is also a negative presentation of the stability and the reputation of the company.	-	**Important**

16.2 OPERATIONAL RISKS

Operational risks affect the implementation of processes at all levels. They include a very wide and varied range of risks, which most commonly originate from incomplete or inconsistent actions of participants in processes. The realisation of these risks usually reflects in unsuccessful, ineffective or inconsistent implementation of processes and services, which can be affected by external or internal factors.

Risk	How it is being controlled	Estimate
Risk of providing services to our key partners because: ▪ the suspension of operations by partners involved in the logistics chain, and by port service performers.	The risk is being controlled by strengthening partnerships in the entire logistics chain and by updating the strategy of assurance and management of HR.	**Very important**
Risk of unsuitable reliability and availability of the key equipment, which is presented as: ▪ the unavailability of key equipment for the performance of transhipment services due to machinery breakdown, damage/injuries or bad weather conditions;	Such risks are managed with quality preventive maintenance and informatisation of the maintenance process in the SAP information system. We take actions to protect the assets and prevent incidents. We decrease risk exposure by transferring the key asset risks to	**Important**
market risks are related to: ▪ lower throughput of certain traditional groups of cargo	We manage risks by better involving our representation offices in the events on the most important	

(perishable goods and fruit); ▪ changes of market routes due to political changes around the world; ▪ increasing negotiation power of certain larger buyers.	supporting markets, by developing and offering new services and by carrying our promotional activities on overseas markets with the aim to increase the recognisability of the transport route through the Port of Koper, for the goods intended the Central and South-Eastern Europe markets.	**Important**
Risks related to the quality performance of services: ▪ ensuring proper open and closed storage areas that are affected by extreme weather events; ▪ ensuring a quality performance of throughput services and other goods-related services.	We manage these risks by carrying out preventive measures to ensure suitable storage conditions and by considering the characteristics of cargo. We take actions to protect the assets and prevent incidents. Exposures to risks are being decreased by transferring certain types of risks to insurance companies.	**Important**
Risks connected with safe performance of throughput services: ▪ risks connected with occupational accidents that leave severe consequences on the health of people.	We manage these risks by ensuring comprehensive arrangement of working sites and roads, through continuous periodic trainings of employees and outsourcers for safe work and by retaining port-specific jobs in order to keep and transfer knowledge and skills among employees. At the same time, we regularly implement controls over the use of personal protection equipment and compliance with the safety at work regulations. Exposures to risks are being decreased by transferring certain types of risks to insurance companies.	**Important**
Investment projects risks which include: ▪ risks in planning investments, realising works and term plans, arising especially from long-lasting and delayed procedures in obtaining environmental-protection and other permits, building rights and suitable consents; ▪ risks include delays due to appeals in the public procurement procedures.	Risks are reduced through timely planning and project preparation. We include relevant departments in every procedure to contribute to faster implementation of procedures from legal and other perspectives. We manage risks by applying our system of selecting performers of works and by regularly evaluating them. Participants in the concession agreement are actively informed and convinced on the achievement of set goals. We also cooperate with State	**Important**

	bodies and institutions.	
Environmental risks: ▪ risks of uncontrolled emission of heat or substances into the environment, which have negative consequences on the health and lives of people or negative material consequences.	We reduce these risks by introducing modern technologies such as cellulose protection of bulk cargoes, installing filtering devices to throughput devices, performing preventive checks and maintaining equipment, as well as ensuring continuous trainings of our employees working with dangerous cargoes.	**Important**
Information protection risks arising from: ▪ vulnerability of individual segments of information and communication technology; ▪ leaking of business secrets.	We manage these risks by consistently complying with internal regulations on IT security and on the protection of business secrets. We take measures for physical and technical protections, and use systems for the prevention of hacking and website filtering, systems for the prevention of access to the Luka Koper's business network by unauthorised devices, systems for tracking changes of user rights, code tables and documents.	**Important**

16.3 FINANCIAL RISKS

Financial risks affect the realisation of the planned financial categories, particularly planned future cash flows. Such risks are usually managed in the process of managing financial assets and liabilities.

Risk	How it is being controlled	Estimate
Fair value of investments risk	The risk is controlled by decreasing the volume of invested assets at the fair value and redirecting them the investments into the main activity.	**Very important**
Interest rate risk	The risk is controlled through continuous monitoring of financial markets and using derivatives for interest rate hedging.	**Important**

Other financial risks, including liquidity risks, risks in exchange rate fluctuations and credit risks, evaluated as low or acceptable, and are explained in detail in the Accounting Report of Luka Koper d.d., in the Explanation No. 38: Financial instruments and financial risk management.

SUSTAINABLE DEVELOPMENT

In Luka Koper d.d. we will remember 2014 for receiving the prestigious environmental award, given each year by the European Sea Ports Association in Brussels. The theme of the 2014 competition was on innovative environmental projects, involving 20 ports, while Luke Koper d.d. won the award. During the competition we presented to Europe the concept of port's treatment with waste 'No waste, just resources!' and showed that waste can help reduce emissions and effect of a port. In Luka Koper we recycle waste into raw materials whenever possible and make it usable for us. To prevent dust, we introduced a process of laying paper mill sludge on piles of goal and iron ore that are warehoused in the Port. This solution showed to be very effective because the paper mill sludge creates a durable crust. The mixture of paper mill sludge and water is laid daily. Additional advantage of this process is that it does not affect the equality of coal or iron ore. We are generally very successful in separating waste. Since we have a lot of waste clean wood at the Port, generated during woodcutting, we decide use the Port's biomass for heating the Port's administration building and the building Pristan that is next to the administration building and thereby reduce the use of fossil fuel. In the competition, as a last solution, we also described the activity in manufacturing bricks from the Port's sea sediment. We continue to be active in this area and continue to strive to find a sustainable solution for sustainable production of bricks from the sea sediment.

The public is regularly informed of events at the Port on the web page www.zivetispristaniscem.com. On the web portal, we report on activities and work results in the area of social responsibility and environmental treatment. Data on noise measurements, level of dust particles, sea quality and weather is also available and is updated every hour.

17 NATURAL ENVIRONMENT

Luka Koper d.d. respects the environmental aspects of its operations and development. We have decided to become a "green port" many years ago. We are the only port in the Northern Adriatic with operating quality system for the protection of the environment. We also have in place systems for safety and health at work and for food safety and we continue to introduce an efficient system for energy management. Our goal is to remain an environmentally friendly port, with clean sea, and to become globally recognised for it. With the help from and control by competent expert institutions, we regularly measure emissions into the environment and report the results to competent State institutions. We take care of effective management of waste and energy products, and are greening the Port's environment to improve the visual image of the Port.

The most important achievements in the area of natural environment in 2014:

- we renewed the EMAS certificate;
- we received a prestigious environmental award ESPO 2014;
- we made a brick from the sea sediment;
- we upgraded one part of the anti-dust fence at the dumping area for coal and iron ore;
- we partly laid asphalt in the dumping area for coal and iron ore, in order to reduce dusting;
- we prepared expert foundations for purchasing electricity transformers for the container terminal which will significantly reduce the level of noise, emissions and use of fossil fuel;

- the boiler room operating of the Port's biomass started functioning.

The most important goals in the area of natural environment in 2015:

- we will successfully carry out the audit in accordance with EMAS requirements;
- we will keep emissions of dust at all port's locations below 250 mg/m2 a day;
- we will retain the value of PM10 (the size up to 10 μm) emissions below 30 μg/m3 in the entire Port's area (in the direction towards Ankaran, Koper and Bertoki);
- we will keep the percentage of separately collected waste above 84;
- we will decrease night-time noise level to 48 dBA in the direction towards Koper;
- we will strengthen the activities on energy efficiency by reducing specific use of energy, fuel and water for at least 1 percent annually when compared to the base year of 2012;
- we will decrease lighting pollution by regulating 95 percent of outdoor lighting;
- we will carry out activities affecting the environment without inspection and internal measures;
- we will carry out the activities outside the Port's aquatorium without pollution.

17.1 THE EMAS CERTIFICATE

Luka Koper d.d. was awarded the most prominent environmental certificate EMAS (SI 00004) already in 2010 which we renew annually. In 2014, we prepared the Environmental Report for 2013 which is published on the web page www.zivetispristaniscem.si.

17.2 CARE FOR ENVIRONMENT

We have endeavoured to decrease emissions into the atmosphere that are generated during the Port's activity. The most important measures to decrease dusting were the introduction of technology to apply paper mill sludge to the coal and iron ore dumping area. Paper mill sludge forms a layer that prevents dusting.

At the liquid cargo terminal, we took measurements of substance emissions from the device for collecting vapours that are generated while wagons and cargo vehicles are being loaded. These were in accordance with the legislation.

At the dry cargo terminal and the energy terminal we measured dust emissions at key points. The values were in accordance with the legislation.

17.2.1 Total volume of dust at the Port

Control measurements of the total volume of dust are carried out monthly on ten measuring points in the Port. There are no legal restrictions on the quantity of dust deposits in Slovenia; nevertheless, we have set ourselves a goal not to exceed the average annual level 250 mg/m2 per day on any of the measuring points. In 2014, six samples of the 120 samples taken exceeded the limit we have set but nonetheless the average of the measured values from all measuring points was within the limits, amounting to 153 mg/m2 a day. This is for 9 percent more than in 2013. Total average values were higher due to certain high results in December, the cause for which we have not identified. For the future, we decided to inspect the sampling containers when collecting dust deposits in order to prevent intentional or unintentional interferences.

17.2.2 Quantity of health hazardous dust particles (PM10)

Statutory prescribed measurements of fine dust particles (PM10) are carried out by authorised organisation and are continuously monitoring on three points within the Port. The measurements taken in 2014 were below the target value of 30 µg/m3 and below the statutory set volume of 40 µg/m3. The results from the two measurement devices are shown automatically every hour on the Port's web pages www.zivetispristaniscem.si.

Comparison of mean values of PM10 measurements in 2013 and 2014

	2014	2013	Index 2014/2013
Ankaran – Rožnik	19 $\mu g/m^3$	19 $\mu g/m^3$	100
Bertoki	22 $\mu g/m^3$	23 $\mu g/m^3$	96
Koper – passenger terminal	20 $\mu g/m^3$	20 $\mu g/m^3$	100

17.2.3 Emissions of dust particles on key sources

Since the permitted values of dust particle emissions of key sources are stipulated by law, we perform measurements in the direct vicinity of the dust-generating sources (e.g. at loading/unloading of wagons, lorries and ships). The threshold permitted value of emissions is 20 mg/m3. All measured results were in accordance with the law.

17.3 WASTE

the Port produces various types of waste. In terms of our commitment for the environment, we regularly separate waste, recycle and process it. Separating waste is carried out at all the terminals, by the users of the economic zone and on ships. Separate collection of waste is performed by authorised collectors, while organic waste is processed at the composting facility. In waste processing we also cooperate with companies other than without our company.

In 2014, we achieved 90% waste separation. We exceeded the goal of 84 percent in separating the Port’s waste.

In 2014, we took care to remove used tires and scrap iron.

Percent of separately collected waste in 2013 and 2014

	2014	2013	Index 2014/2013
Percent of separately collected waste	90.0%	89.0%	101

17.4 NOISE

At three border points of the Port, we continuously measure the noise level, the results of which are published on the Portal www.zivetispristaniscem.si.

Comparison of mean noise measurements (in dB) in 2013 and 2014

Year 2014			Year 2013			Limit 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 = 54	L_D = 57	L_D =62	L_D = 54	L_D = 58	L_D =62	L_D = 73
L_N = 50	L_N = 52	L_N =59	L_N = 51	L_N = 53	L_N =59	L_N = 63
L_{DVN} = 57	L_{DVN} = 60	L_{DVN} =66	L_{DVN} = 58	L_{DVN} = 60	L_{DVN} =66	L_{DVN} = 73

Legend: L_D – daily noise level , L_N – night noise level, L_{DVN} – daily noise level -day - night

Level of noise in 2014 did not significantly change inside the Port's area when compared to 2013. Values towards the direction of Koper were the same while towards the direction of Bertoki and Ankaran were slightly lower.

The following measures were implemented as part of the company's noise abatement action plan:

- resurfacing works on transportation routes;
- confirmation of the Management Board concerning the electrification of the container terminal and changing to the electric bridge lift which will significantly contribute in reducing the noise in the direction of Koper.

17.5 ENERGY

The control over the consumption of energy is a big unused potential, both in terms of decreasing emissions as well as in creating market competitiveness and the recognisability in an urban environment. We need to emphasise the environmental views, which largely reflect the quality and the actual functioning of the energy management.

The energy review of the container terminal, which is the largest consumer of energy, was completed in the second quarter of 2013. In 2014, we carried out the energy review of the general cargo profit centre and in 2015 we will carry out the energy review of the European energy terminal.

In 2015, we will carry out an upgrade of the energy-control information system and continue with the installation of measurement devices on the use of energy. Due to high financial investment, the number of the equipment and the number of machinery, installing measurement devices and the transfer of data into the energy-control information system will be carried out gradually, expected to last until 2018.

Based on measures on energy assessment and the upgrade of the energy-control information system, we can expect a further fall in energy consumption and the realisation of the set goals.

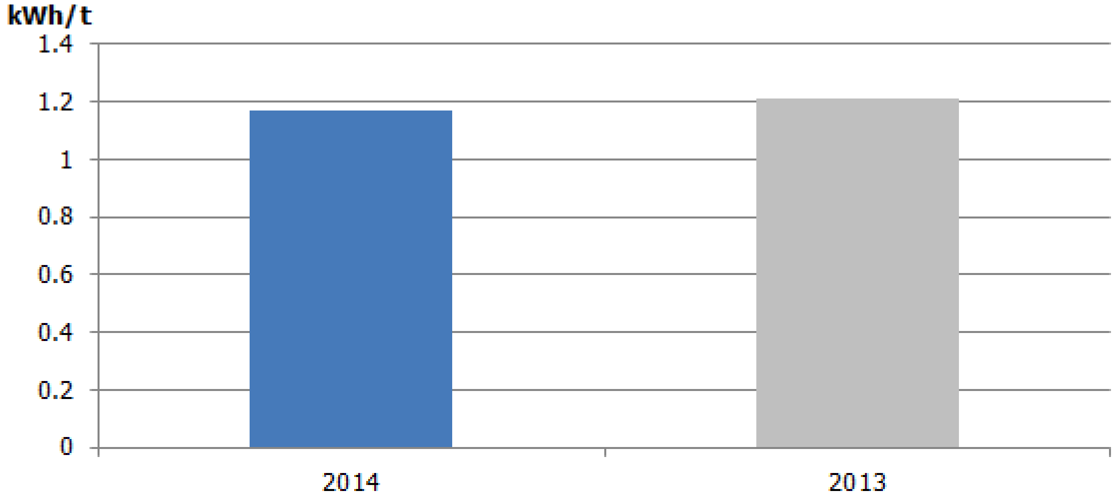
Water consumption is not directly related to cargo handling but it is to a greater degree a consequence of water leakage, which makes it more difficult to manage it. By reconstructing old parts of the water network and continuous fixing of leaks, we are reducing the water consumption.

17.5.1 Electricity consumption

The Port activity is carried out using mechanism and equipment with high nominal power, resulting in high electricity consumption. Berth cranes, engine rooms for cooling food in the fruit terminal, the lighting and the supply of cooling containers consume particularly high levels of energy.

Compared to 2013, electricity consumption per throughput tonne was reduced from 1.208 kWh/t to 1.17 kWh/t in 2014, when compared to 2013, representing 3 percent reduction.

Consumption of electricity per tonne of the total throughput[17]



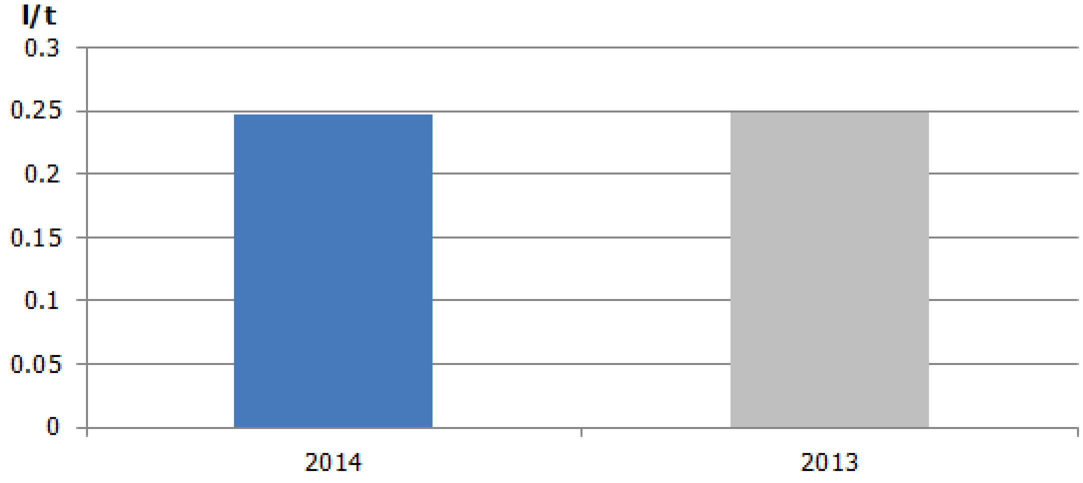
17.5.2 Motor fuel consumption

Working processes at the Port require a lot of floor mechanisation, which is fossil fuel driven (diesel). The major consumers are transtainers, terminal tugs, manipulators, railway articulate vehicles and tractors.

Comparing to 2013, the fuel consumption per tonne of throughput decreased by 0.4 percent, from 0.248 l/t to 0.247 l/t.

[17] The total throughput includes maritime throughput, loading/unloading of containers and land throughput.

Motor fuel consumption per tonne of the total throughput



17.6 WATER

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

17.6.1 Drinking water

Consumption of drinking water is not directly dependent on throughput. In 2014, the use of water was for 10 percent lower when compared to 2013. Through constant reconstruction of old parts of the water network with continuous fixing of leaks, we are reducing the occurrence of new leaks and the use of drinking water.

We also made annual measurements on the quality of drinking water in the entire port water supply network and additionally also monthly measurements of the quality of drinking water at the passenger terminal. All results show compliance with the laws.

17.6.2 Waste water

The Port mostly generates municipal wastewater and to small extent, technological waste water as well. The generated technological wastewater is suitably cleaned in our own purification plant before it is discharged. The municipal wastewater is generally cleaned at the Koper's central purification plant.

In 2014, we measured technological wastewater produced inside the Port. The results were compliant with the legislation. Due to increase in the throughput of livestock at the livestock terminal, we will have to somewhat upgrade the purification plant for this area.

17.7 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.

Therefore, we have been adjusting and changing lights on the basis of the performed Study for Comprehensive Coordination of the Port's Existing Outdoor Lighting, ensuring the light is not directed upwards. The deadline specified by law for 100 percent compliance is by the end of 2016. In 2014, we replaced lighting at the life-stock terminal, at the berth for tankers and on the lighting tower by the wheat silos. We replaced the old lights with new LED lights on the round around the dumping ground in the European energy terminal. In 2014 we intend to renovate the lighting inside the dumping ground in the European energy terminal and start replacing the lightning at the container terminal and therefore fix the lighting all together.

17.8 MARINE PROTECTION

Pursuant to the provisions of the Concession Agreement for the performance of port activity, management, development and regular maintenance of port infrastructure in the Koper's cargo port area, in Luka Koper d.d we regularly take care to prevent and remove the consequences of sea pollution. To carry out such activities we need special equipment and vessels and suitable staff that is of significant importance. We therefore regularly train staff, provide trainings and drills. In 2014, we organized special training for actions taken in the event of sea pollution for certain employees, in accordance with standards of the International Maritime Organization. Each participant of the training received a certificate that is valid for 36 months.

In 2014, we marked 24 exceptional events. Six cases involved oil pollution, 11 cases coal dust, three cases deposits and drift wood, two iron ore pollution and one cargo pollution. In one case, there was a suspicion the pollution occurred outside the concession area but in fact it did not occur. In all cases, we took actions in accordance with the activation scheme of force and assets for minor accident, and we successfully dealt with the consequences of pollutions. We managed to trace the polluters and had them refund the cost of cleaning.

Statistical data on interventions at sea

	2014	2013
Number of incidents at sea	24	12
Number of interventions in the Port's aquatorium	22	12
Number of incidents not requiring intervention	2	0
Number of pollution incidents outside the Port's aquatorium	0	0

All incidents were noted in time and their consequences were removed within the concession area.

The results of measurements from the modern measuring station for monitoring the sea quality, which is installed at the entrance into the third Port's basin, are published on the web page http://www.zivetispristaniscem.si/.

17.9 CONSTRUCTION WORKS

Among important works in 2014 are the construction of new warehouses for service workshops, the completion of extending Pier 1 and the construction of dumping grounds for sea silt.

17.10 INTERVENTIONS IN ENVIRONMENT

All major planned interventions in environment are reviewed in terms of their environmental impact. In 2014, we did not carry out any intervention that would require by law a review of its environmental impact.

17.11 SEA SEDIMENTS

In order to ensure the safe navigation of vessels in the Port's basins and approach channels have to be dredged to the prescribed depth. To this end, we deepen the basins, which generate sea sediment. The sediment is deposited within the area of the Port. As the company's disposal areas are limited, studies have commenced into alternative uses of the excavated materials.

As an experiment, we manufactured a brick from the sea sediment and a real brick from a mixture of sea sediment and marl. The properties of the manufactures brick complied with the requirements for construction material. In 2014, we will build a promotional building from the brick.

18 HUMAN RESOURCE MANAGEMENT

18.1 EMPLOYMENT

After two years of reducing the number of employees in the Luka Koper Group, this trend reversed in 2014. On the last day of 2014, there were 1,009 employees in the Luka Koper Group, which is for 3 percent more than on the last day of 2013.

In 2014 there were 59 new employments in the Luka Koper Group of which 54 were in Luka Koper d.d., a significantly higher number than in 2013.

Number of employees by companies in the Luka Koper Group as at 31 Dec

	2014	2013	Index 2014/2013
Luka Koper d.d.	824	784	105
Luka Koper INPO d.o.o.	157	168	93
Luka Koper Pristan d.o.o.	4	4	100
Adria Terminali d.o.o.	21	24	88
TOC d.o.o.	3	2	150
Luka Koper Group	**1,009**	**982**	**103**

Intensive recruitment in 2014 was mostly for working positions in the primary process of unloading and warehousing in Luka Koper d.d. A larger number of new recruitment was for port transportation workers and for drivers of port machinery. The objective for new recruitment was to cover the needs for additional staff in light of expected higher throughput, to retain the knowledge among the employees, including on the least valued and least demanding employment positions.

In 2014, the employment and selection of staff improved as it was carried out in a team and at many levels.

The number of employees leaving the Luka Koper Group was a bit lower in 2014 than in 2013. The highest numbers of terminations were in the disability company Luka Koper INPO d.o.o. for reasons of old-age pension.

Higher recruitment and lower termination in 2014 was also affected by a lower staff turnover level which was 3.1 percent at the Luka Koper Group level and 1.7 percent at the Luka Koper d.d. level.

Comparison between recruitment, termination and the turnover rate

	Number of new recruitments		**Number of departures**		**TURNOVER RATE (in %)**[18]	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Luka Koper d.d.	54	16	14	17	1.7	2.1
Luka Koper Group	59	20	32	37	3.1	3.7

[18] Method for calculating turnover rate = number of terminations /(initial number of employees + new recruitments) x 100

18.2 ORGANISATIONAL CHANGES AND EFFICIENT MANAGEMENT OF WORKING TIME

In 2014, internal reorganisation of expert areas was carried out in Luka Koper d.d., with an objective to optimise supporting business processes. Previous 19 expert departments were reorganised into 11 expert areas and a new profit centre for passenger terminal was set up. Certain expert employment positions were re-organised.

In Luka Koper INPO d.o.o., a revaluation of half of employment positions was carried out.

Despite new recruitment, the number of hours performed during re-assigned working time (compensation hours, balance hours, overtime) increased for 9 percent.

The use of annual leave was 86 percent and fell by 3 percent when compared to 2013.

Employee sick-leave absence is slowly increasing. Luka Koper Group is implementing measures to promote healthy employees. A share of absent employees due to accidents at work was low and in most cases concerned absences due to illness or accident outside work.

18.3 OCCUPATIONAL SAFETY AND HEALTH

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's activities. All cases of injuries are carefully analysed to determine their causes, prepare reports and necessary measured to decrease the recurrence of injuries.

In 2014, we attended to 75 exception events resulting in accident at work of 79 persons. One incident involved a group damage. In 2013, there were 71 recorded accidents at work. We are implementing measures through which we strive to reduce the number of accidents. Among most important activities is the workshop training for specific employee profile, performed within the framework of obtaining a permit for performing expert tasks on safety at work. We are continuing with the project 'Comprehensive Occupational Health and Safety Project', aiming at promoting healthy working attitude, good working conditions as well as the physical and mental welfare of employees. The project 'Measurements of tension in the lower back area', carried out within the science-research centre at the University of Primorska was completed in 2014, during the expert conference in Portorož. We will continue working in this direction, by evaluating and establishing minimal agronomic requirements for different employment positions. Regular tasks are also daily control over the implementation of regulations on safety at work at the working sites of external contractors.

Health-related absence (in %)[19]

	2014	2013
Luka Koper d.d.	4.4	4.1
Luka Koper Group	4.8	4.6

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

18.4 EDUCATION AND DEVELOPMENT OF EMPLOYEES

The Luka Koper Group provides employee training and in 2014, it carried out continued, targeted training of employees for work requirements, as well as through career development of employees and improvements in the educational structure. We reached 19 hours of education per employee in the Luka Koper Group and 23 hours in Luka Koper d.d., and thereby exceeded the plan of 16 hours. 71 percent of all training was carried out internally, by identifying problems at work, adjusting training problems, by own staff acting as internal lecturers and instructors. The training included 89 percent of employees.

Changes to the training process in 2014 include training before recruitment whereby a group of candidates were trained for operating machinery.

In the Luka Koper Group we financed 25 employee's studies while working of which 19 are employed in Luka Koper d.d. Everyone who successfully finished the part-time study, including those who enrolled on their own initiative, was publicly promoted.

We improved the realisation of financial services, which constitutes cooperation and utilisation of non-refundable financial sources from public procurement, namely:

- mentorship for young, financed during work training upon new recruitment;
- co-financing of employer stimulations for practical training of high-school and university students whereby the practice of high-school students is co-financed;
- competence centres for staff development 2012-2015 where co-finances the training for typical profiles in logistics.

In 2014, the Luka Koper Group set aside EUR 144,000 for education of which EUR 120,000 were for Luka Koper d.d. Pursuant to the inclusion of the competence centre for the development of staff in logistics, it received EUR 49,000.

Educational structure of employees as at 31 Dec

	Luka Koper d.d.				Luka Koper Group			
Level of education	**Number of employees in 2014**	**Share (in %) 2014**	**Number of employees in 2013**	**Share (in %) 2013**	**Number of employees in 2014**	**Share (in %) 2014**	**Number of employees in 2013**	**Share (in %) 2013**
VIII/2	2	0.24	1	0.13	2	0.20	1	0.10
VIII/1	18	2.18	19	2.42	19	1.88	20	2.04
VII	105	12.74	100	12.76	112	11.10	107	10.90
VI/2	125	15.17	123	15.69	132	13.08	129	13.14
VI/1	63	7.65	62	7.91	72	7.14	72	7.33
V	245	29.73	229	29.21	271	26.86	256	26.07
IV	206	25.00	195	24.87	264	26.16	253	25.76
III	13	1.58	12	1.53	19	1.88	18	1.83
I–II	47	5.70	43	5.48	118	11.69	126	12.83
TOTAL	**824**	**100.00**	**784**	**100.00**	**1,009**	**100.00**	**982**	**100.00**

18.5 ENSURING PERSONAL AND PROFESSIONAL GROWTH OF EMPLOYEES

In 2014, every third employee in the Luka Koper Group received one form of career development through the vertical advancement to higher working position system, the horizontal changes within the same level of work or ranking to a higher level of competence and the flexibility in the work position.

We improved the procedure for recognising staff potential by implementing development discussions with employees, psycho-diagnostic testing of management potential, feedback information and preparation for educational development plans.

The improvements represent the adoption of the competence model in Luka Koper d.d.

Career development of employees

	Vertical and horizontal development		Ranking to a higher degree of competence and flexibility		Total internal mobility of employees	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Luka Koper d.d.	112	35	183	175	295	210
Share (% of employees)	14	4	22	22	36	27
Luka Koper Group	127	46	219	230	346	276
Share (% of employees)	13	5	22	23	34	28

18.6 ENSURING JOB AND SOCIAL SECURITY TO EMPLOYEES

The Luka Koper Group provides high level of employment security to its employees. At the end of 2014, 95 percent of employees had a permanent employment relationship. Temporary employment agreements were concluded especially with employees in Luka Koper d.d. due to training and job coaching.

In 2014, the employees received regular monthly salary payments, which exceeded the national average. The average gross monthly salary per employee in the Luka Koper Group was EUR 2,728.60 which is for 77 percent higher than the national average and the average gross monthly salary per employee in Luka Koper d.d. was EUR 2,956.20 which is for 92 percent higher than the national average. The employees received holiday pay and the 13th pay based on job performance. A majority of employees are included in the voluntary pension insurance fund.

In accordance with the provisions of the Collective Agreement, eleven solidarity money payments were made in 2014 in the Luka Koper Group, which is higher than in 2013. In Luka Koper d.d. we prepared and adopted Rules for the fund for solidarity help.

Temporary employment agreements, with shorter working time, were concluded with 2.1 percent of all the employees of which four were for parenting reasons and 18 for disability among which 11 were in the company Luka Koper d.o.o.

We tried to resolve disability problems by satisfying the full quota of working disabled employees inside the Luka Koper Group, the disability company Luka Koper INPO d.o.o. The procedure for determining retained working ability was examined eight times before the disability committee of which one procedure has been going on since 2013. Both proceedings resulted in a disability pension, two for Category III disability, three times the disability was not found and one proceedings have not yet completed. In Luka Koper INPO d.o.o. the share of employees with a working disability employee fell to 53 percent. At the Luka Koper level, we noted a decrease in the share of employees with a disability status, especially due to old-age pension in the company Luka Koper INPO d.o.o.

Disability activity – number and share of employees with disability status

	2014	2013
Luka Koper d.d.		
Number of employees with disability status	17	16
Share (in %)	2.0	2.0
Luka Koper Group		
Number of employees with disability status	103	117
Share (in %)	10.2	11.9

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 23%.

Structure of employees by gender

	2014	2013
Luka Koper d.d.		
Number of women	105	105
Share of women in the employee structure (in %)	12.7	13.4
Luka Koper Group		
Number of women	120	119
Share of women in the employee structure (in %)	11.9	12.1

Average age of employees in the Luka Koper Group is increasing, an expression of low turnover rate

Average age of employees

	Average age of employees	
	2014	**2013**
Luka Koper d.d.	42.6	42.2
Luka Koper Group	45.1	43.6

18.7 COOPERATION WITH EDUCATIONAL INSTITUTIONS

Luka Koper d.d. operates as a socially responsible company in terms of the development and education in the local and wider area. Cooperation with many educational institutions for the provision of mentorship in seminar and graduation thesis, mandatory working experience of high school pupils and students and expert excursions. In 2014, we carried out joint raining with the Technical High School Koper on operating machinery and many times we presented examples of good practice of the company to expert and other interested public. We also had one scholarship employee.

18.8 MONITORING HR MANAGEMENT EFFICIENCY AND ENSURING MOTIVATION OF EMPLOYEES

In the Luka Koper Group, we regularly monitor the success in the management of staff and take care to motivate employees as this is important for our long-term success.

Our successful HR management is confirmed by the achieved indicators or goals of the business process of HR assurance and development.

We promote the motivation of our employees by giving public awards to the best employees in the Luka Koper Group, by organising social events for employees (New Year party, New Year presents to children, Women’s Day), organising meetings and by promoting employees who, parallel to work, successfully completed studies, as well as those who retired in the current year. Our employees are given the opportunity to attend several informal sports meetings, cultural and sports events, and to use our holiday capacities.

19 SOCIAL ENVIRONMENT

Luka Koper d.d. is one of the most important driving forces of the economic development in the local and wider area. We are a successful company that is aware of its responsibility to the environment in which we work. For many years we take care to improve the quality of life, we work together with educational and research institutions and we support sports, humanitarian, cultural and environmental-protection activities.

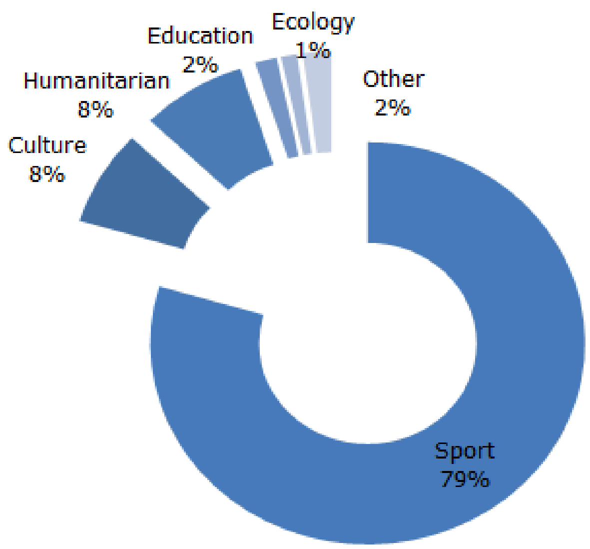
We inform the public of our activities through our company's website www.luka-kp.si and on the web page www.zivetispristaniscem.si, on Facebook and LinkedIn, by publishing videos on YouTube and through open communication with the media. We publish information of a public nature in accordance with the laws on the website of our company.

In 2014, we were actively involved in removing ice damage that affected the majority of Slovenia in February 2014. The Port was cut off from the railway network for six days due to the ice damage and we wanted to reciprocate to all who helped with their efforts to normalise the situation relatively quickly. In mid-February, we organised a voluntary community work campaign of construction companies who cleaned 40 km of roads in the Notranjska in a single day. We donated 10,000 to the Fire Association of Slovenia. In March, in cooperation with sport, cultural and educational society 'Jaz sem najboljši' (I am the best) we organised humanitarian run 'Vsi za enega, eden za vse' (All for one, one for all) where we collected voluntary contributions to help remove the consequences of natural disasters. A humanitarian note also ran in the art colony 'Živeti s pristaniščem' (Living with the Port) where we organised a humanitarian auction of art work and collected EUR 7,440. We gave this money and the money collected at the humanitarian run to the Red Cross which was hosting children from Planina at the Debeli rtič. This place was last year first affected by ice damage and then by floods.

19.1 SPONSORSHIPS AND DONATIONS

In 2014, use used EUR 1 million for sponsorships and donations. The largest portion went for the obligations under multi-year agreements and 50 thousand were disbursed from the fund 'Živeti s pristaniščem' (Living with the Port).

Allocation of donation and sponsorship funds by segments in 2014



19.2 INTERACTION WITH THE LOCAL ENVIRONMENT

We actively collaborate with the local community. With the desire to reinvigorate the city centre of Koper, Luka Koper d.d. became a member of the institute for sustainable development of Koper called 'Koper Otok' (Koper Island) which brings together and connects traders, caterers and other entrepreneurs in the city. We also joined the project Koper Card which offers visitors to Koper who purchase the special card to visit many tourist sites in the city and on Saturday the Port of Koper as well. Every day, from Monday to Saturday, the Port of Koper is open for organised group visits and last year we hosted more than 13,000 visitors. Every year the wider public can visit the Port on the open day of Luka Koper d.d, which we named 'Pristaniški dan' (Port day). In May of last year, prepared for the eighth consecutive year, almost 3,200 people visited the Port over two days.

Luka Koper d.d. supports the development of tourism in the city and in the country as a whole through its passenger terminal project. The study on the effects of tourist cruises on the local community and the wider Slovenian economy, which we prepared within the framework of the project Adria A, showed that every guest on a tourist ship spends on average EUR 78 in Slovenia, giving the Slovenian tourist economy earnings of EUR 3.7 million.

Luka Koper d.d. was already twice among the finalist for the award of the European Sea Ports Organisation (EPSO). In 2014, we were the winners among the ports that prepared environmentally innovative projects. The care for the environment is being more and more recognised by local residents who, in the last regular annual public opinion survey, assessed Luka Koper d.d. as a successful and respectful company and 76 percent of interviewees support the Port's environmental development plans.

20 SUPPLIERS

The Luka Koper Group has a permanent task of ensuring a high level of fulfilled orders at competitive conditions, with minimum supply costs and the lowest possible amount of fund committed. We are making every effort to find capable suppliers and develop long-term partnerships with them.

A supplier is not just a source for purchasing products, technical services or investments. Partnerships with suppliers help us improve technological processes of the Port and find innovative solutions. From our suppliers we demand strict adherence to delivery terms, as delays or early deliveries incur additional expenses to the company. We endeavour to decrease the number of suppliers for individual materials and to cooperate with the same suppliers at the level of the entire Luka Koper Group.

We assess suppliers on annual basis to ensure good partnerships. The assessments are focused on the quality of their products/technical solutions, price criteria, delivery terms, frequency of claims and environmental policies.

The top-rated suppliers by categories (products and technical services) receive awards by the Management of the Company.

In 2014, we searched among the suppliers for the best combination between the quality and price. At the same time, we found equal suppliers to the existing suppliers, on the basis of market research and sample testing. This was found to be a good practice for key supplies for the unloading of goods since we were able to negotiate better business conditions and reduce purchase risks.

In 2014, we set a goal to decrease the number of suppliers by joining the same products and services of individual profit centres and other organisational units. By introducing centralised purchasing department, we made a big step towards achieving this goal. We will pursue these objectives in 2015 as well.

The best suppliers of the Luka Koper Group in 2014 were:

- for investments, the company Adriaing d.o.o.;
- for technical services, the company Volkat d.o.o.;
- for products, the company R-Group d.o.o.;
- for port services, the company Eurodvig d.o.o.

21 THE MANAGEMENT SYSTEM

The key requirements for the management system are the provision of:

- added value for customers, by realising their requirements concerning the quality of services, and
- responsible behaviour by our employees and towards the natural and social environment of the Port.

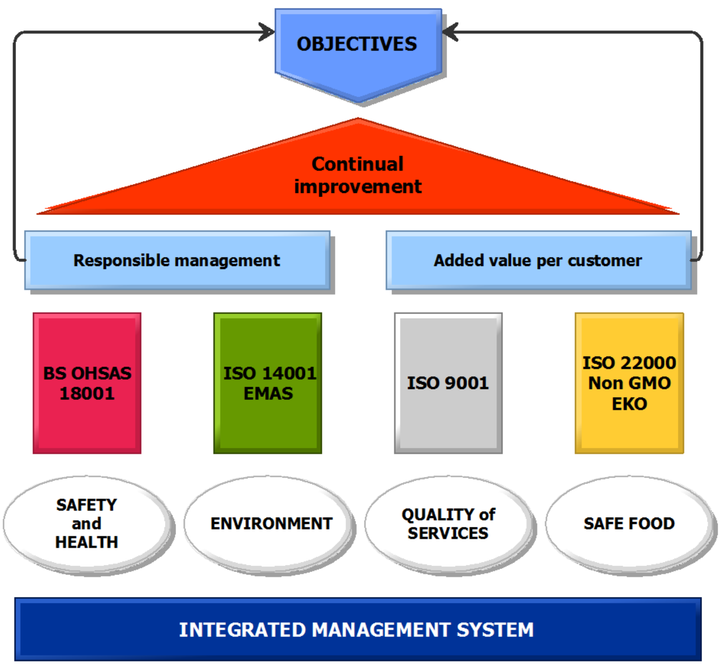
Companies decide on different methods and paths in introducing system, legal and customer requirements as well as those of the wider environment. From continuing stricter legal requirements and increasing customer expectations, focus on a single issue, this being the standard of quality, has not been sufficient for a long time.

In Luka Koper d.d. we gradually introduced and ensure the operating compliance with different international standards:

- quality management system in accordance with ISO 9001;
- environmental management system in accordance with ISO 14001 and the EMAS scheme;
- occupational health and safety system in accordance with BS OHSAS;
- provision of food safety in accordance with HAACP and ISO 22000;
- non-GMO certificate 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;
- safety management system in accordance with the SEVESO directive.

When a company builds its system systematically, an integrated management system is the only logical and sensible solution.

Integrated management system



Provision of quality processes

In the management system development, we apply the following concepts:

- identification and management of processes;
- documenting system requirements;
- continuous assessment and improvements with the help of the PDCA circle.

With an objective to realise the key concepts, we developed certain procedures on quality in accordance with the management system standard ISO 9001. These procedures are:

- managing management system documents;
- performing internal assessments;
- implementing measures for improvements;
- managing non-compliance;
- managing team support environment;
- managing innovative activities (suggestions for improvements);
- taking care of the project portfolio on improving business processes.

In order to ensure system credibility as a whole and to strengthen the trust of our customers and partners, the external assessment of the authorised certification body annually assesses the operating system.

We introduce more demanding recommendations and findings of regular internal and external control as well as the initiatives of the Management Board and other competent co-workers into the practice within the framework of systematically conducted projects of development and improvements in business processes.

All material systems in the area of quality assurance are supported through a unified information portal which has user-friendly solutions that enable effective control over the introduction of various process improvements.

More important improvements made in 2014 were:

- changes or improvement of the information support environment on the basis of five requirements;
- renewing and acquiring safety certificate for the internal rail transport of Luka Koper d.d. and of the rail transport by the company Adria Transport d.o.o.;
- adjusting ownership processes in accordance with the new company organisation of Luka Koper d.d.

ACCOUNTING REPORT

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CONSOLIDATED FINANCIAL STATEMENTS OF THE LUKA KOPER GROUP 2014

1 CONSOLIDATED INCOME STATEMENT

(in EUR)	Note	2014	2013
Revenue	1	163,601,560	144,235,477
Other income	2	4,518,874	3,887,272
Cost of material	3	-13,903,600	-11,233,214
Cost of services	4	-41,518,173	-40,294,532
Employee benefits expense	5	-43,758,410	-39,907,233
Amortisation and depreciation expense	6	-27,411,852	-28,183,312
Other operating expenses	7	-8,147,373	-16,302,745
Operating profit		**33,381,026**	**12,201,713**
Finance income		1,920,883	960,228
Finance expenses		-3,960,476	-7,062,898
Loss from financing activities	8	**-2,039,593**	**-6,102,670**
Profit or loss of associates	16	**615,896**	**539,180**
Profit before tax	9	**31,957,329**	**6,638,223**
Income tax expense	10	-2,721,508	-368,300
Deferred taxes	11	-137,479	1,479,577
Net profit for the period	**12**	**29,098,342**	**7,749,500**
Net profit attributable to owners of the company		**29,092,600**	**7,740,458**
Net profit attributable to non-controlling interests		**5,742**	**9,042**
Net earnings per share – basic and diluted	**12**	**2.08**	**0.55**

Notes to the consolidated financial statements are a constituent part thereof and must be read in conjunction therewith.

2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in EUR)	2014	2013
Profit for the period	**29,098,342**	**7,749,500**
Change in revaluation surplus of available-for-sale financial assets	1,745,173	4,294,107
Deferred tax on revaluation of available-for-sale financial assets	-296,680	-703,964
Change in fair value of hedging instruments	-758,091	798,914
Deferred tax on change in value of hedging instruments	128,875	118,586
Total comprehensive income that may be reclassified subsequently to profit or loss	819,277	4,507,643
Unrealised actuarial gains or losses on post-employment benefits	-563,457	-36,247
Deferred tax on unrealised actuarial gains or losses	47,894	3,081
Total comprehensive income that will not be reclassified subsequently to profit or loss	-515,563	-33,166
Other comprehensive income	**303,714**	**4,474,477**
Total comprehensive income for the period	**29,402,056**	**12,223,977**
Total comprehensive income of owners of the company	**29,396,314**	**12,214,935**
Total comprehensive income of non-controlling interests	**5,742**	**9,042**

3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in EUR)	Note	31 Dec 2014	31 Dec 2013*
ASSETS			
Property, plant and equipment	13	332,361,327	330,890,205
Investment property	14	18,168,835	14,381,228
Intangible assets	15	5,068,037	5,591,405
Investments in jointly controlled entities	16	10,846,601	11,435,706
Non-current investments	17	38,064,548	33,261,899
Loans given	18	598,314	1,548,089
Non-current operating receivables	19	5,681	6,088
Deferred tax assets	20	9,298,704	7,410,409
Non-current assets		**414,412,047**	**404,525,029**
Assets held for sale	21	1,783,637	8,021,355
Inventories	22	463,957	-
Loans given	23	4,175,082	735,800
Trade and other receivables	24	25,788,483	25,796,760
Deferred tax assets	25	21,554	1,316,777
Cash and cash equivalents	26	5,940,791	3,162,841
Current assets		**38,173,504**	**39,033,533**
TOTAL ASSETS		**452,585,551**	**443,558,562**
EQIUTY AND LIABILITIES			
Share capital		58,420,965	58,420,965
Capital surplus (share premium)		89,562,703	89,562,703
Revenue reserves		94,322,559	81,098,351
Revaluation surplus		9,528,750	9,225,036
Retained earnings		18,456,704	15,325,515
Profit for the period		15,868,393	5,434,335
Equity of owners of the parent		**286,160,074**	**259,066,905**
Non-controlling interests		**163,496**	**137,234**
Equity	27	**286,323,570**	**259,204,139**
Deferred income	28	10,859,503	10,727,815
Provisions	29	4,383,592	4,095,775
Loans and borrowings	30	110,321,422	136,972,581
Other financial liabilities	31	1,455,653	1,099,393
Non-current operating liabilities	32	149,512	98,006
Deferred tax liabilities	20	2,148,904	-
Non-current liabilities		**129,318,586**	**152,993,570**
Loans and borrowings	33	15,927,780	15,211,280
Other financial liabilities	34	441,701	467,398
Income tax liabilities	35	2,371,563	368,300
Trade and other payables	36	18,202,351	15,313,875
Current liabilities		**36,943,395**	**31,360,853**
TOTAL EQUITY AND LIABILITIES		**452,585,551**	**443,558,562**

*Values of individual items for 2013 are adjusted due to reclassification of the subsidiary Luka Koper Pristan, d.o.o., from the item »assets held for sale«.

4 CONSOLIDATED STATEMENT OF CASH FLOWS

(in EUR)	2014	2013*
Cash flows from operating activities		
Profit for the period	29,098,342	7,749,500
Adjustments for:		
Amortisation/Depreciation	27,411,852	28,183,312
Reversal and impairment losses on property, plant and equipment, and intangible assets	371,661	9,197,251
Gain on sale of property, plant and equipment, and investment property	-9,040	-19,806
Allowances for receivables	932,347	18,787
Reversal of provisions	-789,128	-
Finance income	-1,920,883	-960,228
Finance expenses	3,960,476	7,062,898
Recognised results of associates under the equity method	-615,896	-539,180
Income tax expense and income (expenses) from deferred taxes	2,858,987	-1,111,277
Operating profit before change in net current assets and taxes	**61,298,718**	**49,581,257**
Change in net current assets and provisions		
Change in trade receivables	-1,089,487	-1,923,765
Change in inventories	-463,957	-
Change in trade payables	3,070,887	-1,217,139
Change in provisions and deferred income	693,070	2,770,509
Income tax	760,758	189,568
Net cash from operating activities	**64,269,988**	**49,400,430**
Cash flows from investing activities		
Interest received	316,760	250,438
Dividends received	1,158,651	1,310,725
Proceeds from sale of property, plant and equipment, and intangible assets	81,889	828,120
Proceeds from sale, less investments and loans given	3,155,457	4,361,472
Acquisition of property, plant and equipment, and intangible assets	-29,958,975	-14,825,864
Acquisition of investments and increase in loans given	-4,015,255	-925,448
Net cash used in investing activities	**-29,261,473**	**-9,000,557**
Cash flows from financing activities		
Interest paid	-3,961,143	-4,439,040
Proceeds from non-current borrowings	-	20,165,000
Proceeds from current borrowings	280,000	15,586,803
Repayment of non-current borrowings	-10,750,000	-3,243,917
Repayment of current borrowings	-15,516,796	-64,591,379
Change in equity	-42,626	31,843
Dividends paid	-2,240,000	-2,354,687
Net cash used in financing activities	**-32,230,565**	**-38,845,377**
Opening balance of cash and cash equivalents	**3,162,841**	**1,608,345**
Net decrease/increase in cash and cash equivalents	**2,777,950**	**1,554,496**
Closing balance of cash and cash equivalents	**5,940,791**	**3,162,841**

* Values of individual items for 2013 are adjusted due to reclassification of the subsidiary Luka Koper Pristan, d.o.o., from the item »assets held for sale«.

5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Financial year 2014

(in EUR)	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings or losses	Profit or loss for the period	Revaluation surplus	Total equity of owners of the parent company	Non-controlling interests	Total equity
Balance at 31 Dec 2013	**58,420,965**	**89,562,703**	**18,765,117**	**62,333,234**	**15,325,515**	**5,434,336**	**9,225,036**	**259,066,906**	**137,234**	**259,204,140**
Balance at 1 Jan 2014	**58,420,965**	**89,562,703**	**18,765,117**	**62,333,234**	**15,325,515**	**5,434,336**	**9,225,036**	**259,066,906**	**137,234**	**259,204,140**
Changes of equity – transactions with owners										
Dividends	-	-	-	-	-2,240,000	-	-	-2,240,000	-	-2,240,000
Other changes of equity	-	-		-	-63,146	-	-	-63,146	20,520	-42,626
	-	-	-	-	-2,303,146	-	-	-2,303,146	20,520	-2,282,626
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	29,092,600	-	29,092,600	5,742	29,098,342
Change in revaluation surplus of financial assets, less tax	-	-	-	-	-	-	1,448,493	1,448,493	-	1,448,493
Change in fair value of hedging instruments, less tax	-	-	-	-			-629,216	-629,216	-	-629,216
Unrealised actuarial gains or losses, less tax	-	-	-	-	-	-	-515,563	-515,563	-	-515,563
	-	**-**	**-**	**-**	**-**	**29,092,600**	**303,714**	**29,396,314**	**5,742**	**29,402,056**
Changes within equity										
Allocation of part of profit for the period to other equity components pursuant to resolution of the Management and Supervisory Board	-	-	-	13,224,208		-13,224,208	-	-	-	-
Allocation of residual part of profit from previous period to other equity components	-	-	-		5,434,335	-5,434,335	-	-	-	-
	-	**-**	**-**	**13,224,208**	**5,434,335**	**-18,658,543**	**-**	**-**	**-**	**-**
Balance at 31 Dec 2014	**58,420,965**	**89,562,703**	**18,765,117**	**75,557,442**	**18,456,704**	**15,868,393**	**9,528,750**	**286,160,074**	**163,496**	**286,323,570**

Financial year 2013

(in EUR)	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings or losses	Profit or loss for the period	Revaluation surplus	Total equity of owners of the parent company	Non-controlling interests	Total equity
Balance at 31 Dec 2012	**58,420,965**	**89,562,703**	**18,877,761**	**60,027,111**	**10,845,942**	**6,715,086**	**4,750,559**	**249,200,127**	**128,192**	**249,328,319**
Balance at 1 Jan 2013	**58,420,965**	**89,562,703**	**18,877,761**	**60,027,111**	**10,845,942**	**6,715,086**	**4,750,559**	**249,200,127**	**128,192**	**249,328,319**
Changes of equity – transactions with owners										
Dividends	-	-	-	-	-2,380,000	-	-	-2,380,000	-	-2,380,000
Other changes of equity	-	-		-	31,843	-	-	31,843	-	31,843
	-	-	-	-	-2,348,157	-	-	-2,348,157	-	-2,348,157
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	7,740,458	-	7,740,458	9,042	7,749,500
Change in revaluation surplus of financial assets, less tax	-	-	-	-	-	-	3,590,143	3,590,143	-	3,590,143
Change in fair value of hedging instruments, less tax	-	-	-	-	-	-	917,500	917,500	-	917,500
Unrealised actuarial gains or losses, less tax	-	-	-	-	-	-	-33,166	-33,166	-	-33,166
	-	**-**	**-**	**-**	**-**	**7,740,458**	**4,474,477**	**12,214,935**	**9,042**	**12,223,977**
Changes within equity										
Allocation of residual part of profit from previous period to other equity components	-	-	-	-	6,715,086	-6,715,086	-	-	-	-
Allocation of part of profit for the period to other equity components pursuant to resolution of the Management and Supervisory Board	-	-	-	2,306,123	-	-2,306,123	-	-	-	-
Other changes in equity	-	-	-112,644	-	112,644	-	-	-	-	-
	-	**-**	**-112,644**	**2,306,123**	**6,827,730**	**-9,021,209**	**-**	**-**	**-**	**-**
Balance at 31 Dec 2013	**58,420,965**	**89,562,703**	**18,765,117**	**62,333,234**	**15,325,515**	**5,434,335**	**9,225,036**	**259,066,905**	**137,234**	**259,204,139**

6 COMPOSITION OF THE LUKA KOPER GROUP

The consolidated financial statements of the Luka Koper Group for the year ended 31 December 2014 consist of the financial statements of the controlling company Luka Koper d.d., its subsidiaries, as well as attributable profits or losses of associates and jointly controlled entities.

Subsidiaries included in the consolidated financial statements:

- Luka Koper INPO, d.o.o. (100%)
- Adria Terminali, d.o.o. (100%)
- Luka Koper Pristan, d.o.o. (100%)
- TOC, d.o.o. (68.13%)

Jointly controlled entities included in the consolidated financial statements:

- Adria Transport, d.o.o. (50%)
- Adria – Tow, d.o.o. (50%)
- Adriafin, d.o.o. (50%)
- Avtoservis, d.o.o. (49%)

Companies excluded from the consolidated financial statements as at 31 December 2014:

- Logis Nova, d.o.o. (100%)
- Adria Investicije, d.o.o. (100%)
- Golf Istra, d.o.o. (20%); in bankruptcy proceedings since 9 October 2014
- Adriasole, d.o.o. (98%); in bankruptcy proceedings since 28 February 2014

Investments in companies Luka Koper Pristan, d.o.o., Adria Investicije, d.o.o., and Logis Nova, d.o.o., were in the statement of financial position of Luka Koper, d.d. for 2014 reclassified from the item »assets held for sale« to »non-current investments« as a result of failing to meet the criteria for being classified among assets held for sale. Due to the respective reclassification, the comparable data in the statement of financial position of the Luka Koper Group as at 31 December 2013 have been adjusted. The company Luka Koper Pristan, d.o.o. is subject to the full consolidation method. The companies Adria Investicije, d.o.o. and Logis Nova, d.o.o. were not included in the consolidated financial statements as they operate in a limited scope and are not considered significant for the fair presentation of the Group's financial position.

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

a) Basis for preparation of financial statements

Reporting entity

Luka Koper, d.d., pristaniški in logistični sistem (hereinafter referred to also as 'Company') with its registered office at Vojkovo nabrežje 38 in Koper, Slovenia, is the controlling company of the Luka Koper Group. Consolidated financial statements for the year ended 31 December 2014 refer to the Luka Koper Group, which contains the controlling company and its subsidiaries, jointly controlled entities and associates.

The port's core activity is the cargo handling and warehousing of all types of goods, which the controlling company supplements with diverse goods-related services and other services and thereby secures an overall logistics support. Given the concessions agreement, Luka Koper, d.d. maintains the port infrastructure and provides for the port's development.

Consolidated financial statements of the Luka Koper Group have been compiled for the financial year ended 31 December 2014.

Statement of compliance

The consolidated financial statements of the Luka Koper Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the European Union, and in accordance with provisions of the Slovenian Companies Act.

The Management Board of Luka Koper, d.d. approved the consolidated financial statements on 31 March 2015.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for derivatives and available-for-sale financial assets that were measured at fair value. Methods applied for fair value measurement are clarified within the note »fair value«.

Functional and presentation currency

Consolidated financial statements are presented in EUR (exclusive of cents), which is the functional currency of the controlling company.

Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates are formed with respect to experience and expectations in the accounting period. Actual results may differ from these estimates, hence estimates and underlying assumptions are reviewed on an ongoing basis.

Impairment of financial instruments and non-financial assets

Information on significant estimates about uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, was applied in assessment of the value of property, plant and equipment and investment property, in the valuation of investments in subsidiaries and associates, and in the recognition of deferred tax assets.

Deferred taxes

Based on the estimate that sufficient profit will be available in the future, the Group created deferred tax assets provided under following:

- provisions for jubilee premiums and retirement benefits,
- impairment of investments,
- impairment of receivables, and
- tax losses.

Deferred tax assets recognised, under the formation of provisions for jubilee premiums and retirement benefits, are reduced by the relevant amounts of provisions utilised or increased by the amounts of newly formed provisions.

Deferred tax assets were recognised in the relevant amount of impairment loss on investments and receivables as impairment losses are not recognised as tax expenditure until the investments' derecognition. Deferred tax 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 were recognised at the tax rate of 17 percent, which equals the rate applied in 2013.

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.

At 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 formed for:

- jubilee premiums and retirement benefits on the basis of actuarial calculation,
- for legal disputes and damages on the basis of recognition-related criteria.

8 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

Accounting policies applied

The accounting policies detailed below were consistently applied in all the periods presented in the consolidated financial statements.

Luka Koper Group companies apply uniform accounting policies that were changed and adjusted to Group's policies where necessary.

Basis for consolidation

Subsidiaries

Subsidiaries are entities controlled by the parent or controlling company. Control exists when the controlling company has the ability to make decisions on the company's financial and business policies in order to obtain benefits from its operations. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Jointly controlled entities and associates

Associates are those entities in which the Group has significant influence but not control over the financial and operating policies. Jointly controlled entities are companies whose operations are under joint control of the Group and were established on the basis of a contract that requires consensual financial and operational decisions. Investments in associates and jointly controlled entities are initially recognised at cost and thereupon accounted for under the equity method. The consolidated financial statements of the Luka Koper Group comprise the Group's share in profits and losses of jointly controlled entities, accounted for under the equity method, upon the adjustment of accounting policies from the date when significant influence begins until the date when it ends. If Group's share in the losses of associates or jointly controlled entities exceeds their share, the book value of the Group's share is reduced to zero, whereas the share in further losses is no longer recognised.

Transactions eliminated on consolidation

Balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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 expressed in foreign currency are translated at the reference exchange rate of the ECB at the reporting date. All differences resulting from foreign currency translation are recognised in profit or loss.

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 subject to depreciation.

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.

Subsequent expenditure

Subsequent expenditure incurred to replace a component of an item of property, plant and equipment increases its cost. The replaced component is no longer subject to recognition. 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 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 classified to disposal groups (held for sale) and works of art are not depreciated.

Asset	**2014**	**2013**
Buildings	1.5% – 6%	1.5% – 6%
Transport and transhipment equipment	5.6% – 20%	5.6% – 20%
- locomotives	10% - 15%	10% - 15%
- forklifts, shippers	12.5%	12.5%
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 revenue from disposal and the carrying amount and are included in profit or loss.

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 carrying amount of an item of intangible assets with final 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 10 years (average amortisation rates used are presented below).

Intangible assets	2014	2013
Long-term property rights (concessions, patents, licences, trademarks and similar rights)	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 their estimated useful lives. Following depreciation rates are in average used for investment property:

Investment property	2014	2013
Buildings	1.5% – 6%	1.5% – 6%

Investments in related entities

Investments in subsidiaries, associates and jointly controlled entities are measured at their cost. On each balance sheet date, the company assesses whether there is any indication that the investment is to be impaired. Any impairment of investment is disclosed in the income statement.

Financial instruments

Financial instruments are classified into 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.

Loans and receivables

Loans and receivables are recognised on the settlement date and measured at amortised cost using the effective interest rate method.

Trade receivables

Non-current and current receivables are carried separately in books of account. Interest arising on stated receivables are recorded among off balance sheet items. Current and non-current trade receivables are initially recognised at amounts agreed in the contracts or recorded in the relevant accounting documents.

Allowances for trade receivables

Allowances are created for all trade receivables and interest receivables that are due and outstanding for more than 180 days. Allowances for specific types of receivables are made individually based on relevant judgements. Allowances for receivables due from companies, which are in bankruptcy or liquidation procedure, are formed in the total amount (100 percent) immediately after the commencement of such procedure has been determined.

Impairment loss is charged against revaluation operating expenses associated with receivables.

Loans given

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 fair value and thereupon at 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 year are reclassified to current financial liabilities. Borrowings are insured with bills of exchange and certain loan covenants, whereby one borrowing is collateralised with receivables.

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 quotation value of securities or published daily value of a unit of a mutual fund's assets. Fair value changes are recognised in other comprehensive income within equity. 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.

Assets (disposal group) 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 it is consistently pursuing its plans to dispose the asset.

After the assets' reclassification to »Assets (disposal group) 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.

Inventories

Inventories of material are valued at the lower of cost or net realisable value. An item of inventories of materials is initially recognised at cost, comprising its purchase price, import duties and other non-refundable purchase taxes, and directly attributable costs of acquisition. Non-refundable purchase taxes include also the non-refundable VAT. The cost is lower by discounts and rebates obtained. The weighted average price method is used for lowering the inventories of material. Small tools put in use are immediately transferred among costs. Inventories are not subject to revaluation due to impairment.

Cash

Cash comprises cash on hand and sight deposits, deposits redeemable at notice or deposits with maturities of up to three months.

Derivative financial instruments (derivatives)

The Group does not enter into 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 on the type of hedging and whether hedge accounting has been applied or not. The Group applies derivatives only for hedge accounting. When hedge accounting has been applied, gains or losses arising from the change in fair value are recognised by recognising the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge, in other 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 recognised in profit or loss.

Equity

<u>Share capital</u>

The share capital of Luka Koper, d.d. is divided into 14,000,000 ordinary, freely transferable, registered, no par value shares.

<u>Dividends</u>

Dividends are recognised in the parent company's financial statements once the decision on the distribution of dividends is adopted by the Shareholders' Meeting.

<u>Redemption of treasury shares</u>

In 2014, the Group did not trade in treasury shares.

Authorised capital

At Balance at 31 December 2014, the Group recorded no authorised capital.

Provisions

Provisions for legal disputes and damages

The Group formed 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 recognised if the probability is high,
- a reliable estimate can be made of the amount of the obligation.

Provisions for retirement benefits and jubilee premiums

In accordance with statutory requirements and the collective agreement, the Group is obligated to pay jubilee premiums and termination benefits on retirement. These payments are measured using the 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.

Unrealised actuarial gains or losses of the current year from termination benefits are recognised in other comprehensive income under equity, whereas unrealised actuarial gains or losses based on the actuarial calculation of current employee benefits and interest are recognised in profit or loss. Current employee benefit costs and interest expense associated with jubilee premiums are recognised in profit or loss as actuarial gains or losses.

Calculation of provisions for jubilee premiums and retirement benefits is based on the actuarial calculation as of 31 December 2014, which took into account following assumptions:

- currently applicable amount of termination benefits upon retirement and jubilee premiums,
- 0.72 percent increase in wages and salaries,
- average inflation in the period from November 2013 to October 2014,
- mortality rate that is based on Slovenia's mortality tables from 2007,
- 1.9 percent discount rate,
- staff fluctuation: 1 percent.

Maintenance of port infrastructure

In accordance with the Concession Agreement concluded with the Government of the Republic of Slovenia, and criteria approved by the latter, the controlling company Luka Koper, d.d. recognises long-term deferred income 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 event of a surplus of costs over income from dock dues, the long-term deferred income is eliminated in the amount of surplus.

Financial liabilities

On initial recognition, Group's borrowings are carried at their fair value less attributable transaction costs. The difference between historical cost and amortised cost is reported in profit or loss over the loan repayment period, using the effective interest rate method.

Operating liabilities

Non-current operating liabilities include collaterals received for rented business premises. Trade liabilities and payables to the state and employees are shown separately. Other operating liabilities include short-term deferred costs or expenses and short-term accrued not invoiced income.

Income tax expense

Income tax is accounted for in compliance with provisions of the Corporate Income Tax Act. The basis for the income tax calculation is the gross profit increased by the amount of non-deductible expenditure and reduced by the amount of statutory tax relief. Such basis is used for accounting the corporate income tax liability. As for 2014 and the comparative 2013, income tax liability was calculated at the rate of 17 percent.

Deferred taxes

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. Temporary differences were 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.

Deferred tax assets are offset against deferred tax liabilities when an entity has a legal right to offset current assets and liabilities, and deferred tax assets and liabilities relate to the same taxable entity and the same tax authority.

Earnings per share

The basic and diluted earnings per share were calculated by dividing the net profit for the period with the weighted average number of ordinary shares in issue.

Revenue

Operating income

Income from services rendered

Operating income 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.

Income from services rendered is recognised using the stage of completion method on the reporting date. Under the method, income 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. Income generated on the local market refers to Slovenia, while income referring to foreign markets was generated in EU countries and third countries.

Rental income

Rental income comprises primarily income from investment property i.e. income generated from facilities and land that are leased out under operating lease. Rental income is recognised within operating income.

Other income

Other operating income comprises revaluation operating income from the sale of property, plant and equipment, subsidies, donations, insurance proceeds and other income. Government grants and other subsidies received to compensate for expenses incurred are recognised as income in the same periods in which the costs are incurred. Other income is recognised when it can be justifiably expected that the related receipts will flow to the Group.

Finance income and finance expenses

Finance income comprises interest income from loans, dividend income, 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. Dividend income is recognised in profit or loss when a shareholder's right to payment is established.

Finance expenses comprise interest costs on borrowings, foreign exchange losses and impairment losses on financial assets recognised through profit or loss. Costs of borrowings and approval of these are recognised in the profit or loss over the entire maturity of the borrowings.

Costs - expenses

Costs and expenses are recognised in the accounting period in which they are incurred. They are classified according to their nature. Costs are carried and disclosed by types. 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 assets

Impairment of non-financial assets

If there is any indication that an asset may be impaired, the asset's recoverable amount is assessed in accordance with IAS 36. 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 profit or loss.

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 financial asset's 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 profit or loss. 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 profit or loss.

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 in profit or loss as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows (or other assessed value) discounted at the current market rate of return for similar financial assets.

Statement of comprehensive income

The statement of comprehensive income outlines the net profit or loss for the period as well as other comprehensive income inclusive of items that will be reclassified to profit and loss at a future date and those that will never be reclassified to profit or loss in accordance with the provisions and requirements of other IFRSs.

Statement of cash flows

The Group's statement of cash flows is presented by applying the indirect method, on the basis of items reported in the statement of financial position as at 31 December 2014 and 31 December 2013, as well as items in the income statement for the financial year 2014, inclusive of any necessary adjustments of the cash flow.

Statement of changes in equity

The statement of changes in equity outlines changes in individual equity components during the financial year (total income and expenses, in addition to transactions with stakeholders that act as owners), inclusive of the net profit or loss distribution. The 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.

Risk management

Group companies monitor and strive to manage risks at all levels of their business. In the assessment of risks, various risk factors are considered. Efficient risk management is ensured by timely identification and management of risks and by 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 largely depend on market laws and thereby require active monitoring. Procedures for risk identification are described in the business report's 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 38: Risk management of the Luka Koper Group.

Segments

The Group does not disclose operations by individual segments as its core segment of port activity accounts for 94% of Group's total operating income.

Newly adopted standards and interpretations

The following new standards and interpretations are not yet effective for the annual period ended 31 December 2014 and have not been applied in preparing the financial statements hereunder:

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

Effective for annual periods beginning on or after 1 February 2015. The amendments apply retrospectively. Earlier application is permitted.

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The Group does not expect the amendment to have any impact on the financial statements as contributions paid for employees or third parties are recognised as decrease of service costs in the period, when the relevant service was rendered, and are not included in the accounting of current service costs or payable defined benefits.

IFRIC 21 - Levies

Effective for annual periods beginning on or after 17 June 2014. It is to be applied retrospectively. Earlier application is permitted.

The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by government.

In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached.

The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

It is expected that the Interpretation, when initially applied, will not have a material impact on the financial statements, since it does not results in a change in the Group's accounting policy regarding levies imposed by governments.

IFRS 3 – Business Combinations

The amendment to IFRS 3 *Business Combinations* (with consequential amendments to other standards) clarifies business combinations that when contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to IAS 32, rather than to any other standard. It also clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.

The Group records no contingent considerations in connection with acquiring subsidiaries.

Fair value

Fair value is used with available-for-sale financial assets and hedging instruments, whereas all other financial statement items are presented at cost or amortised cost Fair value is used with available-for-sale financial assets and hedging instruments, whereas all other financial statement items are presented at cost or amortised cost.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - valuation techniques for which the lowest level input is directly or indirectly observable

Level 3 - valuation techniques for which the lowest level input is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the reporting period.
The fair value measurement hierarchy of the controlling company's assets and liabilities is presented in Note 38.

9 ADDITIONAL NOTES TO THE CONSOLIDATED INCOME STATEMENT

Note 1 Revenue

(in EUR)	2014	2013
Revenue generated in Slovenia through sale of		
- services	52,360,456	46,948,783
- goods and material	19,312	57,558
- rentals	1,241,821	1,265,721
Revenue generated on foreign markets through sale of		
- services	109,811,013	95,767,731
- goods and material	-	-
- rentals	162,774	195,684
Revenue	**163,595,376**	**144,235,477**
Capitalised own products and services	6,184	-
Total revenue	**163,601,560**	**144,235,477**

Note 2 Other income

(in EUR)	2014	2013
Other operating income	**3,112,300**	**2,503,663**
Reversal of provisions	750,219	493
Subsidies, grants and similar income	2,263,857	2,372,408
Revaluation operating income	**98,224**	**130,762**
Revaluation operating income	61,287	19,806
Collected receivables and liabilities written off	36,937	110,956
Other income	**1,406,574**	**1,383,609**
Compensations and damages	516,881	376,328
Subsidies and other income not related to services	686,717	1,002,253
Other income	202,976	5,028
Total other income	**4,518,874**	**3,887,272**

In 2014, provisions formed were reversed due to the favourable outcome of a legal dispute filed against the parent company in the amount of EUR 750,219. Subsidies, grants and similar income in the amount of EUR 2,263,857 fully relate to the company Luka Koper INPO, d.o.o. and income generated through the use of assets from withheld contributions in the amount of EUR 2,156,443.

Note 3 Cost of material

(in EUR)	2014	2013
Cost of material	1,300	11,995
Cost of auxiliary material	2,411,522	3,837,386
Cost of spare parts	4,009,900	2,576
Cost of energy	6,993,042	6,845,301
Cost of office stationary	136,935	150,491
Other cost of material	350,901	385,465
Total	**13,903,600**	**11,233,214**

Note 4 Cost of services

(in EUR)	2014	2013
Cost of services rendered in connection with the core activity	20,274,065	19,350,191
Cost of transportation	291,150	160,289
Cost of maintenance	5,473,217	6,916,196
Rentals	696,855	751,637
Reimbursement of labour-related costs	362,446	367,631
Costs of payment processing, bank charges and insurance premiums	582,405	521,904
Cost of intellectual and personal services	1,168,195	1,054,910
Advertising, trade fairs and hospitality	1,181,103	1,143,427
Costs of services provided by individuals not performing business activities	345,388	277,637
Cost of other services	11,143,349	9,750,710
Total	**41,518,173**	**40,294,532**

Costs of port services account for the largest share within the cost of services structure, which comprise port services rendered by contractors and services relating to the Group's core activity. Most of costs of other services refer to concession charges in the amount of EUR 5,248,716 (2013: EUR 4,578,513), cost of IT support in the amount of EUR 2,947,573 (2013: EUR 2,945,189), and cost of utility services in the amount of EUR 983,683 (2013: EUR 1,004,112).

Note 5 Employee benefits expense

(in EUR)	2014	2013
Wages and salaries	28,662,755	25,578,546
Wage compensations	4,670,548	4,638,553
Costs of additional pension insurance	1,324,769	1,222,326
Employer's contributions on employee benefits	5,488,858	5,120,254
Annual holiday pay, reimbursements and other costs	3,611,480	3,347,554
Total	**43,758,410**	**39,907,233**

In December 2014, all employees employed in Luka Koper, d.d., Luka Koper INPO, d.o.o., Luka Koper Terminali, d.o.o., and TOC, d.o.o., except for the members of the Management Board and staff with individual contracts of employment, received an additional salary (13th salary) equal to each employee's average salary, for having reached the planned added value. Based on provisions and criteria of the applicable collective agreement and the income statements, the parent company's Management and both representatives of the trade union signed an agreement under which each employee is entitled to a bonus for contributing to added value per employee in the past two years. On the basis of the relevant agreement, wages and salaries were reconciled for the period from 1 July 2014 to 31 December 2014.

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 13th consecutive year.

The annual holiday pay amounted to EUR 789 per employee in 2014 (2013: EUR 788).

In 2014, the Group extended no loans to employees under individual contracts and.

Further, members of Group companies' Management Boards or members of the Supervisory Board were not extended any loans.

Average number of employees within the Luka Koper Group by education in 2014 and 2013

Level of education	**Headcount in 2014**	**Headcount in 2013**
VIII/2	2	1
VIII/1	19	20
VII	112	107
VI/2	132	129
VI/1	72	72
V	271	256
IV	264	253
III	19	18
I–II	118	126
Total	**1,009**	**982**

Note 6 Amortisation and depreciation expense

(in EUR)	**2014**	**2013**
Depreciation of buildings	12,001,758	11,951,690
Depreciation of equipment and spare parts	14,678,061	15,423,935
Depreciation of small tools	25,571	129,617
Depreciation of investment property	88,053	84,255
Amortisation of intangible assets	618,409	593,815
Total	**27,411,852**	**28,183,312**

The rates of amortisation and depreciation used in 2014 remained unchanged if compared to 2013, except those applied with the ship assets of Luka Koper INPO d.o.o., where the depreciation rate was shortened; the latter resulted in higher amortisation and depreciation expense in the amount of EUR 138,902.

Note 7 Other operating expenses

(in EUR)	2014	2013
Revaluation operating expenses associated with current operating assets	932,347	148,307
Revaluation operating expenses associated with property, plant and equipment and investment property	107,447	9,197,251
Provisions	744,073	1,146,602
Levies that are not contingent upon employee benefits expense and other types of cost	5,357,176	5,302,733
Donations	159,609	96,870
Environmental levies	38,124	59,383
Awards and scholarship to students inclusive of tax	7,368	6,453
Awards and scholarship to students	2,100	2,100
Other costs and expenses	799,129	343,046
Total	**8,147,373**	**16,302,745**

In 2014, allowances for receivables were formed pursuant to the accounting policy in the amount of EUR 932,347.

The most significant item among levies refers to the use of building plot, which was recorded at EUR 5,249,042 in the reporting period (2013: EUR 5,198,779). The Group spent EUR 159,609 on donations (2013: EUR 96,870). The item of provisions relates to long-term provisions formed for legal disputes and damages.

Note 8 Finance income and finance expenses

(in EUR)	2014	2013
Finance income from shares and interests		
Finance income from shares and interests in Group companies	1,603,651	709,790
Finance income from loans		
Finance income from loans to others	125,779	150,722
Finance income from operating receivables		
Finance income from operating receivables due from others	113,875	99,716
Net exchange differences	77,578	-
Total finance income	**1,920,883**	**960,228**
Finance expenses for investments	-62,577	-2,623,858
Finance expenses for financial liabilities		
Finance expenses for borrowings from associates	-8,894	-9,490
Finance expenses for borrowings from banks	-3,874,097	-4,342,250
Finance expenses for operating liabilities		
Finance expenses for trade payables	-303	-27,599
Finance expenses for other operating liabilities	-14,605	-59,701
Total finance expenses	**-3,960,476**	**-7,062,898**
Net financial result	**-2,039,593**	**-6,102,670**

Finance income from shares and interests in other entities refers to dividends received and capital gains arising on the sale of the 33.3% equity interest in the company RP Arad S.r.l. Romania in the amount of EUR 670,000.

Finance expenses for financial liabilities declined in 2014 mostly as a result of impaired investments in 2013, lower scope of parent company's borrowing and lower variable EURIBOR interest rate. A detailed analysis of the interest rate risk and the sensibility of financial liabilities in terms of variable interest rate fluctuation is outlined in Note 38 'Financial risk management'.

Note 9 Profit or loss before tax

In 2014, the Group generated operating profit in the amount of EUR 33,381,026 compared to EUR 12,201,713 in 2013. The lower operating profit in 2013 is primarily attributable to the impairment of properties, plant and equipment, investment properties and assets held for sale in the total amount of EUR 9,041,868. With respect to the loss from financing activities that amounted to EUR -2,039,593 in the reporting period (2013: EUR -6,102,670), and the results generated by associates and jointly controlled entities in the amount of EUR 615,896 (2013: EUR 539,180), the Group's profit before tax is recorded at EUR 31,957,329 (2013: EUR 6,638,223).

Note 10 Taxes and effective tax rate

(in EUR)	2014	2013
Current tax	2,721,508	368,300
Deferred tax	137,479	-1,479,577
Profit before tax	**31,957,329**	**6,638,223**
Income tax	**5,432,746**	**1,128,498**
Non-taxable income and increase in expenditure	-418,955	-1,348,703
Non-taxable dividends received	-282,251	-270,725
Tax incentives	-2,407,460	-164,421
Expenses not recognised for tax purposes	402,009	331,279
Impairment loss not recognised for tax purposes	129,073	-788,563
Other reduction in the tax basis	3,825	1,358
Total tax expense	**2,858,987**	**-1,111,277**
Effective tax rate	**8.95%**	**-**

The corporate income tax liability of the entire Group was accounted for in accordance with the Corporate Income Tax Act.

Note 11 Deferred taxes

Deferred taxes decreased the Group's profit by EUR 137,479, whereas in 2013 deferred taxes increased the profit by EUR 1,479,577. Deferred tax assets were created on account of impairment of investments, formation of provisions, changes in the interest rate hedge, tax losses, and allowances for receivables, none of which are fully tax deductible.

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

(in EUR)	2014	2013
Provisions	-15,796	-1,526
Unutilised tax losses	-104,307	104,307
Non-current investments	-167,550	1,360,990
Allowances for receivables	150,174	10,151
Elimination of fixed assets		5,655
Total	**-137,479**	**1,479,577**

Changes in deferred tax liabilities recognised in the statement of other comprehensive income:

(in EUR)	2014	2013
Deferred tax on changes in fair value of available-for-sale financial assets	-296,680	-703,964
Change in fair value of financial instruments used in hedge accounting	128,875	118,586
Deferred tax on account of actuarial gains and losses on defined employee benefits	47,894	3,081
Total	**-119,911**	**-582,297**

Financial year 2014

(in EUR)	Receivables: Balance at 1 Jan 2014	Receivables: Recognised in profit or loss	Receivables: Recognised in equity	Receivables: Balance at 31 Dec 2014	Liabilities: Balance at 1 Jan 2014	Liabilities: Recognised in equity	Liabilities: Balance at 31 Dec 2014
Deferred tax assets and liabilities relating to:							
impairment of investments and financial instruments	8,799,792	-167,550	-141,077	8,491,165	2,122,178	26,726	2,148,904
provisions for retirement benefits and jubilee premiums, and long-term accrued costs and deferred income from public commercial services	520,506	-15,796	47,895	552,605	-	-	-
allowances for receivables	107,981	150,174	-	254,935	-	-	-
tax losses	104,308	-104,308	-	-	-	-	-
Total	**9,532,587**	**-137,480**	**-93,182**	**9,298,705**	**2,122,178**	**26,726**	**2,148,904**
Off-setting deferred tax assets and liabilities	-2,122,178				-1,310,880		
Deferred tax assets in the statement of financial position	**7,410,409**			**9,298,705**	**811,298**		**2,148,904**

Financial year 2013

(in EUR)	Receivables: Balance at 1 Jan 2013	Receivables: Recognised in profit or loss	Receivables: Recognised in equity	Receivables: Balance at 31 Dec 2013	Liabilities: Balance at 1 Jan 2013	Liabilities: Recognised in equity	Liabilities: Balance at 31 Dec 2013
Deferred tax assets and liabilities relating to:							
impairment of investments and financial instruments	7,212,883	1,360,988	225,920	8,799,791	1,310,880	811,298	2,122,178
provisions for retirement benefits and jubilee premiums, and long-term accrued costs and deferred income from public commercial services	519,011	-1,467	3,081	520,290	-	-	-
allowances for receivables	92,116	15,749	-	79,821	-	-	-
tax losses	-	104,307	-	104,307	-	-	-
Total	**7,824,010**	**1,479,577**	**229,001**	**9,504,209**	**1,310,880**	**811,298**	**2,122,178**
Off-setting deferred tax assets and liabilities	-1,310,880			-2,122,178	-1,310,880		-2,122,178
Deferred tax assets in the statement of financial position	**6,513,130**			**7,382,031**	**-**		**-**

Note 12 Earnings per share

In 2014, the Group reported net profit in the amount of EUR 29,213,160 (2013: EUR 7,740,458), whereof EUR 29,213,160 is attributable to the owner of the parent (2013: EUR 7,740,458) and EUR 5,742 to owners of non-controlling interests (2013: EUR 9,042). The non-controlling interest is attributed to the co-owner of subsidiary TOC, d.o.o.

(in EUR)	31 Dec 2014	31 Dec 2013
Net profit for the period of the owner of the parent company	29,213,160	7,740,458
Total number of shares	14,000,000	14,000,000
Number of ordinary shares	14,000,000	14,000,000
Basic and diluted earnings per share	**2.09**	**0.55**

Net earnings per share for the fiscal year 2014 were calculated by dividing the net operating profit with the weighted average number of ordinary shares in issue during the year.

Following the conversion of all preference shares, the Group's registered capital consists solely of ordinary shares. Accordingly, the diluted earnings per share equal the basic earnings per share.

Net operating profit or loss and equity of subsidiaries, jointly controlled entities and associates

Subsidiaries (in EUR)	Net profit or loss in 2014	Equity at 31 Dec 2014	Net profit or loss in 2013	Equity at 31 Dec 2013
Luka Koper INPO, d.o.o.	**2,329,833**	**16,274,663**	**1,884,063**	**13,610,278**
Net profit or loss for the period	2,831,481	-	2,508,240	-
Pay-out of share of profit from previous year	-501,648	-	-624,177	-
Luka Koper Pristan, d.o.o.	**-152,520**	**2,289,036**	**-179,018**	**2,441,556**
Net profit or loss for the period	-152,520	-	-177,415	-
Pay-out of share of profit from previous year	-	-	-1,603	-
Adria Terminali, d.o.o.	**63,702**	**191,810**	**-238,197**	**128,109**
Net profit or loss for the period	63,702	-	-238,197	-
Pay-out of share of profit from previous year	-	-	-	-
TOC, d.o.o.	**18,019**	**513,034**	**28,372**	**541,525**
Net profit or loss for the period	18,019	-	28,372	-
Pay-out of share of profit from previous year	-	-	-	-
Adria Investicije, d.o.o.	**10,714**	**123,429**	**6,864**	**119,579**
Net profit or loss for the period	10,714	-	6,864	-
Pay-out of share of profit from previous year	-	-	-	-
Logis-Nova, d.o.o.	**-1,460**	**2,141,423**	**6,650**	**2,138,777**
Net profit or loss for the period	-1,460	-	6,650	-
Pay-out of share of profit from previous year	-	-	-	-

Associates (in EUR)	Net profit or loss in 2014	Equity at 31 Dec 2014	Net profit or loss in 2013	Equity at 31 Dec 2013
Avtoservis, d.o.o.	**106,598**	**1,960,532**	**-113,442**	**1,853,835**
Net profit or loss for the period	106,598	-	-113,442	-
Pay-out of share of profit from previous year	-	-	0	-
Golf Istra, d.o.o. – in bankruptcy	-	-	**-30,841**	**360,706**
Net profit or loss for the period	-	-	-30,841	-
Pay-out of share of profit from previous year	-	-	-	-
Railport Arad s. r. l.	-	-	**-655,051**	**5,285,107**
Net profit or loss for the period	-	-	-655,051	-

Jointly controlled entities (in EUR)	Net profit or loss in 2014	Equity at 31 Dec 2014	Net profit or loss in 2013	Equity at 31 Dec 2013
Adria Transport, d.o.o.	**609,281**	**2,526,947**	**797,797**	**2,067,666**
Net profit or loss for the period	759,281	-	919,749	-
Pay-out of share of profit from previous year	-150,000	-	-121,952	-
Adria-Tow, d.o.o.	**413,604**	**8,069,350**	**176,153**	**7,730,746**
Net profit or loss for the period	488,604	-	276,153	-
Pay-out of share of profit from previous year	-75,000	-	-100,000	-
Adriafin, d.o.o.	**-120,560**	**10,148,807**	**5,967**	**10,269,367**
Net profit or loss for the period	-120,560	-	5,967	-
Pay-out of share of profit from previous year	-	-	-	-

10 ADDITIONAL NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note 13 Property, plant and equipment

(in EUR)	31 Dec 2014	31 Dec 2013
Property, plant and equipment		
Land	10,018,102	9,612,708
Buildings	226,216,314	231,355,041
Plant and machinery	60,951,331	65,769,997
Other plant and equipment	3,671,259	2,879,663
Property, plant and equipment being acquired and advances given	31,504,321	21,272,796
Total	**332,361,327**	**330,890,205**

Property, plant and equipment are not pledged as collateral.

The estimated useful lives of Group's property, plant and equipment have not changed in 2014, except in case of the shipping building of the company Luka Koper INPO, d.o.o.

The cost of the property, plant and equipment in use, of which the carrying value as at 31 December 2014 equalled zero, is recorded at EUR 197,974,034 (2013: EUR 186,769,428).

Trade receivables referring to property, plant and equipment amounted to EUR 5,274,443 as at the reporting date (2013: EUR 3,170,233).

In 2014, investments in property, plant and equipment amounted to EUR 29,863,934. Most of them relate to the parent company and include following:

- construction of the new rear area warehouse (zone 7. C) at the first pier,
- the first stage of deepening the ship canal was completed and the northern part of the first pool to the depth –14 metres,
- a new warehouse area of 6,480 square metres at the container terminal was put to use and will provide an additional TEU 600 xof warehouse points,
- for the purpose of disposing dredged material from the northern part of the first pool, two cassettes were constructed in the Bonifika area i.e. 7A cassette and the cassette on the plot no. 799/29 cadastral municipality Ankaran,
- twelve new forklifts were purchased for the general cargo terminal due to wear of the old ones,
- the upgrade of the analogue and video surveillance system with IP technology was started,
- new technological equipment was purchased to reduce dust emissions during loading, and the warehouse area was rebuilt for the purpose of solid bulk goods,
- the critical part of the railway lines was renovated in order to prevent railway accidents,
- a new road-railway bridge over the Rižana was constructed to extend the existing railway lines capacities into the rear area of the second pier,
- a new rail shunting vehicle was acquired.

Movements in property, plant and equipment

Financial year 2014

(in EUR)	Land	Buildings	Plant and equipment	Other plant and equipment	Assets being acquired	Advances for PPE	Total
Cost							
Balance at 31 Dec 2013	9,612,708	416,024,687	230,863,396	15,111,629	20,639,923	632,873	692,885,216
Balance at 1 Jan 2014	9,612,708	416,024,687	230,863,396	15,111,629	20,639,923	632,873	692,885,216
Additions	5,850	134,826	1,030,453	171,949	29,120,624	-599,768	29,863,934
Transfer from investment in progress	-	8,206,536	8,176,551	1,149,408	-17,858,106	-	-325,611
Disposals	-4,055	-22,067	-136,492	-157,150			-319,764
Write-offs	-	-116,652	-505,796	-	-264,214	-	-886,662
Transfer from intangible assets	-	1,148,084	770,381	-	-	-	1,918,465
Transfer to investment property	-	-3,382,497	-	-	-167,011	-	-3,549,508
Transfer from investment property		857,436					857,436
Transfer from assets (disposal group) held for sale	403,599	3,152,422	143,090		-	-	3,699,111
Transfer to assets (disposal group) held for sale			-965,570	-258,393			-1,223,963
Reclassifications within property, plant and equipment		-182,936	246,230	-63,294	-	-	-
Balance at 31 Dec 2014	10,018,102	425,819,839	239,622,243	15,954,149	31,471,216	33,105	722,918,654
Accumulated amortisation							
Balance at 31 Dec 2013	-	184,669,646	165,093,399	12,231,966	-	-	361,995,011
Adjustments							-
Balance at 1 Jan 2014	-	184,669,646	165,093,399	12,231,966	-	-	361,995,011
Depreciation	-	12,001,759	14,136,958	566,673	-	-	26,705,390
Disposals	-	-620	-126,075	-154,888	-	-	-281,583
Write-offs	-	-97,897	-505,796		-	-	-603,693
Transfer from intangible assets	-	1,148,084	770,381	-	-	-	1,918,465
Transfer to investment property	-	-9,907	-	-	-	-	-9,907
Transfer from assets (disposal group) held for sale		1,917,008	140,602				2,057,610
Transfer to assets (disposal group) held for sale	-		-962,289	-261,677	-	-	-1,223,966
Reclassifications within property, plant and equipment	-	-24,548	123,732	-99,184	-	-	-
Balance at 31 Dec 2014	-	199,603,525	178,670,912	12,282,890	-	-	390,557,327
Carrying amount							
Balance at 31 Dec 2013	**9,612,708**	**231,355,041**	**65,769,997**	**2,879,663**	**20,639,923**	**632,873**	**330,890,205**
Balance at 1 Jan 2014	**9,612,708**	**231,355,041**	**65,769,997**	**2,879,663**	**20,639,923**	**632,873**	**330,890,205**
Balance at 31 Dec 2014	**10,018,102**	**226,216,314**	**60,951,331**	**3,671,259**	**31,471,216**	**33,105**	**332,361,327**

Financial year 2013

(in EUR)	Land	Buildings	Plant and equipment	Other plant and equipment	Assets being acquired	Advances for PPE	Total
Cost							
Balance at 31 Dec 2012	11,043,000	413,103,506	241,480,549	521,084	23,923,728	11,700	690,083,567
Adjustments (change of Group)	-	-	-16,176,871	16,176,871	-	-	-
Balance at 1 Jan 2013	11,043,000	413,103,506	225,303,678	16,697,955	23,923,728	11,700	690,083,567
Additions	-	135,168	179,623	103,013	13,455,008	621,173	14,493,985
Transfer from investment in progress	-	6,841,169	6,165,510	178,531	-13,185,210	-	-
Disposals, write-offs	-217,104	-16,569	-380,634	-155,667		-	-769,974
Impairments	-554,976	-2,967,668	-	-	-3,526,433	-	-7,049,077
Transfer from/to intangible assets	-	54,147	244,876	-	-4,980	-	294,043
Transfer from/to investment property	32,257	1,411,898	4,535	-	-20,155	-	1,428,535
Transfer from/to assets (disposal group) held for sale	-231,296	-2,979,179	-883,101	-335,574	-2,035	-	-4,431,185
Reclassifications within property, plant and equipment	-459,173	442,215	228,909	-211,951	-	-	-
Reclassifications within cost and value adjustment	-	-	-	-1,164,678	-	-	-1,164,678
Balance at 31 Dec 2013	9,612,708	416,024,687	230,863,396	15,111,629	20,639,923	632,873	692,885,216
Accumulated amortisation							
Balance at 31 Dec 2012	-	174,324,479	163,390,991	332,610	-	-	338,048,080
Adjustments (change of Group)	-	-	-12,838,465	12,838,465	-	-	-
Balance at 1 Jan 2013	-	174,324,479	150,552,526	13,171,075	-	-	338,048,080
Depreciation	-	11,951,689	14,799,671	753,879	-	-	27,505,239
Disposals, write-offs	-	-8,983	-379,011	-133,511	-	-	-521,505
Transfer from/to intangible assets	-	54,147	244,326	-	-	-	298,473
Transfer from/to investment property	-	220,363	4,535	-	-	-	224,898
Transfer from/to assets (disposal group) held for sale	-	-1,855,131	-357,440	-182,925	-	-	-2,395,496
Reclassifications within property, plant and equipment	-	-16,918	228,792	-211,874	-	-	-
Reclassifications within cost and value adjustment	-	-	-	-1,164,678	-	-	-1,164,678
Balance at 31 Dec 2013	-	184,669,646	165,093,399	12,231,966	-	-	361,995,011
Carrying amount							
Balance at 31 Dec 2012	**11,043,000**	**238,779,027**	**78,089,558**	**188,474**	**23,923,728**	**11,700**	**352,035,487**
Balance at 1 Jan 2013	**11,043,000**	**238,779,027**	**74,751,152**	**3,526,880**	**23,923,728**	**11,700**	**352,035,487**
Balance at 31 Dec 2013	**9,612,708**	**231,355,041**	**65,769,997**	**2,879,663**	**20,639,923**	**632,873**	**330,890,205**

Note 14 Investment property

(in EUR)	31 Dec 2014	31 Dec 2013
Investment property		
Investment property – land	14,670,199	14,135,894
Investment property - buildings	3,498,636	245,334
Total	**18,168,835**	**14,381,228**

The item of investment property comprises buildings that are leased out. Investment property increased by EUR 3,787,607 over the 2013 balance as a result of reclassifying a part of investment property from 'property, plant and equipment' in the amount of EUR 2,682,165 and from 'assets held for sale' in the amount of EUR 1,193,495.

Leased properties

(in EUR)	31 Dec 2014	31 Dec 2013
Rental income on investment property	871,764	761,121
Depreciation of investment property	88,053	84,255

Investment properties are not pledged as collateral.

Fair value of investment property was assessed on the basis of appraisals made in 2013 and exceeded their book value. In 2014, investment property increased by the transfers from properties, which were completed in 2014; it is therefore assessed that the properties' value reflects their fair value.

Movements in investment properties

Financial year 2014

(in EUR)	Land	Buildings	Total
Cost			
Balance at 31 Dec 2013	14,135,894	359,683	14,495,577
Adjustments			-
Balance at 1 Jan 2014	14,135,894	359,683	14,495,577
Transfer from property, plant and equipment	-	3,549,508	3,549,508
Transfer to property, plant and equipment		-857,436	-857,436
Transfer from assets (disposal group) held for sale	534,305	1,879,054	2,413,359
Balance at 31 Dec 2014	14,670,199	4,930,809	19,601,008
Accumulated depreciation			
Balance at 31 Dec 2013	-	114,349	114,349
Adjustments			-
Balance at 1 Jan 2014	-	114,349	114,349
	-		
Depreciation	-	88,053	88,053
Transfer from property, plant and equipment	-	9,907	9,907
Transfer from/to assets (disposal group) held for sale	-	1,219,864	1,219,864
Balance at 31 Dec 2014	-	1,432,173	1,432,173
Carrying amount			
Balance at 31 Dec 2013	**14,135,894**	**245,334**	**14,381,228**
Balance at 1 Jan 2014	**14,135,894**	**245,334**	**14,381,228**
Balance at 31 Dec 2014	**14,670,199**	**3,498,636**	**18,168,835**

Financial year 2013

(in EUR)	Land	Buildings	Total
Cost			
Balance at 31 Dec 2012	16,289,500	5,617,138	21,906,638
Balance at 1 Jan 2012	16,289,500	5,617,138	21,906,638
Impairments	-1,866,187	-707,842	-2,574,029
Transfer from/to property, plant and equipment	-32,257	-1,396,278	-1,428,535
Transfer from/to assets (disposal group) held for sale	-255,162	-3,153,335	-3,408,497
Balance at 31 Dec 2013	14,135,894	359,683	14,495,577
Accumulated depreciation			
Balance at 31 Dec 2012	-	1,596,016	1,596,016
Adjustments			-
Balance at 1 Jan 2012	-	1,596,016	1,596,016
	-		
Depreciation	-	84,255	84,255
Transfer from/to property, plant and equipment	-	-224,898	-224,898
Transfer from/to assets (disposal group) held for sale	-	-1,341,024	-1,341,024
Balance at 31 Dec 2013	-	114,349	114,349
Carrying amount			
Balance at 31 Dec 2012	**16,289,500**	**4,021,122**	**20,310,622**
Balance at 1 Jan 2013	**16,289,500**	**4,021,122**	**20,310,622**
Balance at 31 Dec 2013	**14,135,894**	**245,334**	**14,381,228**

Note 15 Intangible assets

(in EUR)	31 Dec 2014	31 Dec 2013
Intangible assets		
Long-term development costs	312,596	351,671
Long-term property rights (concessions, patents, licences, trademarks and similar rights)	4,755,441	5,239,734
Total	**5,068,037**	**5,591,405**

The cost of intangible assets in use, whose carrying amount as at 31 December 2014 equalled zero, is recorded at EUR 8,408,537 compared to the 2013 balance when it was EUR 10,327,003.

Trade payables relating to intangible assets amounted to EUR 67,200 as at the end of 2014 (2013: EUR 254,088).

Intangible assets were not pledged as collateral in the reporting period.

In addition to long-term property rights that primarily refer to the parent company, the item of Group's intangible assets includes also development costs in the amount of EUR 312,596, which apply to the company TOC, d.o.o. in connection with the CAPSorb project (development of efficient ecological absorbents to control spills all types of hydrophilic and hydrophobic hazardous and non-hazardous substances on hard and on water surfaces).

Movements in intangible assets

Financial year 2014

(in EUR)	Development costs	Long-term property rights	Intangible assets being acquired	Total
Cost				
Balance at 31 Dec 2012	390,746	16,216,231	458,316	17,065,293
Balance at 1 Jan 2013	390,746	16,216,231	458,316	17,065,293
Additions		-	95,041	95,041
Transfer to property, plant and equipment	-	-1,918,465		-1,918,465
Balance at 31 Dec 2013	390,746	14,297,766	553,357	15,241,869
Accumulated amortisation				
Balance at 31 Dec 2012	39,075	11,434,813	-	11,473,888
Adjustments				-
Balance at 1 Jan 2013	39,075	11,434,813	-	11,473,888
Amortisation	39,075	579,334	-	618,409
Transfer to property, plant and equipment	-	-1,918,465	-	-1,918,465
Balance at 31 Dec 2013	78,150	10,095,682	-	10,173,832
Carrying amount				
Balance at 31 Dec 2012	**351,671**	**4,781,418**	**458,316**	**5,591,405**
Balance at 1 Jan 2013	**351,671**	**4,781,418**	**458,316**	**5,591,405**
Balance at 31 Dec 2013	**312,596**	**4,202,084**	**553,357**	**5,068,037**

Financial year 2013

(in EUR)	Development costs	Long-term property rights	Intangible assets being acquired	Total
Cost				
Balance at 31 Dec 2012	390,746	14,919,791	1,750,047	17,060,584
Adjustments				-
Balance at 1 Jan 2013	390,746	14,919,791	1,750,047	17,060,584
Additions		-	340,752	340,752
Transfer to investments in progress	-	1,589,933	-1,589,933	-
Disposals, write-offs	-	-	-42,000	-42,000
Transfer from/to property, plant and equipment	-	-293,493	-550	-294,043
Balance at 31 Dec 2013	390,746	16,216,231	458,316	17,065,293
Accumulated amortisation				
Balance at 31 Dec 2012	-	11,178,546	-	11,178,546
Adjustments				-
Balance at 1 Jan 2013	-	11,178,546	-	11,178,546
Amortisation	39,075	554,740	-	593,815
Transfer from/to property, plant and equipment	-	-298,473	-	-298,473
Balance at 31 Dec 2013	39,075	11,434,813	-	11,473,888
Carrying amount				
Balance at 31 Dec 2012	**390,746**	**3,741,245**	**1,750,047**	**5,882,038**
Balance at 1 Jan 2013	**390,746**	**3,741,245**	**1,750,047**	**5,882,038**
Balance at 31 Dec 2013	**351,671**	**4,781,418**	**458,316**	**5,591,405**

Note 16 Investments in jointly controlled entities

Movement of investments in jointly controlled entities

(in EUR)	2014	2013
Balance at 1 Jan	11,435,706	12,087,827
Increase		
Attributable profits	615,895	539,181
Decrease		
Repayments, disposals	-980,000	
Dividends paid	-225,000	-221,952
Write-off, impairment		-969,350
Balance at 31 Dec	**10,846,601**	**11,435,706**

As at the year-end of 2014, the parent company sold the 33.3 percent equity interest in the company Railport Arad S.r.l. Dividends paid refer to companies Adria Transport d.o.o. and Adria Tow d.o.o.

Significant data on associates and jointly controlled entities

Financial year 2014

(in EUR)	Equity interest (in %)	Assets	Liabilities	Revenue	Profit or loss for the period	Profit or loss attributable to the parent
Associated and jointly controlled entities:						
Adria Transport, d.o.o.	50.0	14,934,548	12,407,601	10,716,879	759,281	379,640
Adria Tow, d.o.o.	50.0	11,425,658	3,356,308	4,870,102	488,604	244,302
Adriafin d.o.o.	50.0	10,555,772	406,965	210,740	-120,560	-60,280
Avtoservis, d.o.o.	49.0	2,074,858	114,426	1,764,286	106,598	52,233

Financial year 2013

(in EUR)	Equity interest (in %)	Assets	Liabilities	Revenue	Profit or loss for the period	Profit or loss attributable to the parent
Associated and jointly controlled entities:						
Adria Transport, d.o.o.	50.0	15,647,444	13,579,778	9,845,356	919,749	459,874
Adria Tow, d.o.o.	50.0	11,982,023	4,251,277	4,599,940	276,153	138,076
Adriafin d.o.o.	50.0	10,676,443	407,076	1,011,009	5,967	2,984
Avtoservis, d.o.o.	49.0	1,969,493	115,659	1,473,397	-113,442	-55,587
Golf Istra – in bankruptcy, d.o.o.	20.0	1,089,380	728,674	0	-30,841	-6,168

Note 17 Non-current investments

(in EUR)	31 Dec 2014	31 Dec 2013
Other investments measured at cost	8,074,163	5,588,388
Other investments measured at fair value through equity	29,990,385	27,673,511
Total non-current investments	**38,064,548**	**33,261,899**

(in EUR)	2014	2013
Balance at 1 Jan	33,261,899	29,294,146
	-	-
Increase	-	-
Transfer from assets (disposal group) held for sale	3,348,400	
Revaluation to fair value through equity	1,745,173	4,662,630
Decrease	-	-
Repayments, disposal	-	-367,008
Write-off, impairment, disposal	-	-250,270
Revaluation to fair value through equity	-290,924	-77,599
	-	-
Balance at 31 Dec	**38,064,548**	**33,261,899**

In 2014, the Group reclassified investments made in companies Adria Investicije, d.o.o. (EUR 1,775,775), Logis Nova, d.o.o. (EUR 710,000), and shares of Intereuropa d.d. in the amount of EUR 862,625 from 'assets held for sale' to 'other investments'.

Note 18 Loans given

(in EUR)	31 Dec 2014	31 Dec 2013
Financial assets held to maturity		
Non-current loans given with purchase of bonds from others	528,976	1,310,222
Loans and deposits		
Non-current housing loans to employees	37,940	37,233
Non-current loans to others	31,398	37,108
Non-current deposits	-	163,526
Total loans given	**598,314**	**1,548,089**

Held-to-maturity investments referring to bonds issued by Slovenian entities amounted to EUR 528,976 as at the reporting date and related in its full amount to the parent company. In 2014, the parent company sold the bonds of the Factor Banka.

Housing loans were approved to employees in accordance with the 1991 Housing Act and later on in compliance with the controlling company's internal housing rules. The longest repayment period is 20 years.

Financial year 2014

(in EUR)	Held-to maturity financial assets	Loans	Total
Gross value			
Balance at 31 Dec 2013	1,310,222	237,867	1,548,089
			-
Increase			-
Interest	-	234	234
Transfer from current investments	-	16,802	16,802
Decrease			-
Repayments, disposal	-781,246	-18,637	-799,883
Transfer to current investments	-	-165,004	-165,004
Write-off, impairment, disposal	-	-1,924	-1,924
			-
Balance at 31 Dec 2014	**528,976**	**69,338**	**598,314**

Financial year 2013

(in EUR)	Held-to maturity financial assets	Loans	Total
Balance at 31 Dec 2012	1,454,471	72,076	1,526,547
			-
Increase			-
New loans, acquisitions	-	155,552	155,552
Interest	-	4,831	4,831
Transfer from current investments	-	62,818	62,818
Decrease			-
Repayments, disposal	-144,249	-41,320	-185,569
Transfer to current investments	-	-16,802	-16,802
Write-off, impairment, disposal	-	712	712
			-
Balance at 31 Dec 2013	**1,310,222**	**237,867**	**1,548,089**

Note 19 Non-current operating receivables

Non-current operating receivables disclosed at EUR 5,681 refer to securities provided for the lease of premises for the parent company's representative offices.

Note 20 Deferred tax assets and liabilities

(in EUR)	Assets		Liabilities		Net deferred taxes	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Deferred tax assets and liabilities relating to:						
- investments and financial instruments	8,491,164	8,799,792	2,148,904	2,122,178	6,342,260	6,677,614
- trade receivables	254,935	107,981	-	-	254,935	107,981
- provisions for retirement benefits	105,000	52,693	-	-	105,000	52,693
- provisions for jubilee premiums	38,513	31,655	-	-	38,513	31,655
- long-term accrued costs and deferred income from public commercial services	409,092	436,158	-	-	409,092	436,158
- tax losses	-	104,308	-	-	-	104,308
					-	-
Total	**9,298,704**	**9,532,587**	**2,148,904**	**2,122,178**	**7,149,800**	**7,410,409**

Group's deferred tax assets are accounted for as temporary differences arising from non-current investments and interest hedging (EUR 8,491,164), deferred income from public commercial services (EUR 409,092), provisions for termination benefits and jubilee premiums in the total amount of EUR 143,513 and impairment of receivables EUR 254,935.

Note 21 Assets (disposal group) held for sale

(in EUR)	31 Dec 2014	31 Dec 2013
Assets held for sale:		
Property, plant and equipment held for sale	1,783,638	4,708,501
Other assets held for sale	-	3,312,854
Total	**1,783,638**	**8,021,355**

Assets held for sale almost entirely refer to parent company's assets.

Following reclassifications from 'assets held for sale' were made in 2014:
- to other investments in companies Adria Investicije, d.o.o. (EUR 1,775,775), Logis Nova, d.o.o. (EUR 710,000), and shares of Intereuropa, d.d. (EUR 862,625),
- the Prisoje building (EUR 1,193,495) and Pristan building (EUR 1,639,014) were reclassified to investment property (EUR 2,832,509).

Financial year 2014

(in EUR)	Property, plant and equipment	Other assets	Total
Balance at 31 Dec 2013	4,708,501	3,312,854	8,021,355
Increase			
Additions		84,374	84,374
Decrease			-
Repayments, disposal	-89,868	-	-89,868
Impairment	-	-48,827	-48,827
Transfer to non-current	-	-3,348,401	-3,348,401
Transfer to property, plant and equipment	-1,641,501		-1,641,501
Transfer to investment property	-1,193,495		-1,193,495
Balance at 31 Dec 2014	1,783,637	-	1,783,637
Balance at 31 Dec 2014	**1,783,637**	**-**	**1,783,637**

Financial year 2013

(in EUR)	Property, plant and equipment	Other assets	Total
Balance at 31 Dec 2012	1,277,968	4,716,519	5,994,487
Increase			
Discontinued operation	-	-	-
Transfer from property, plant and equipment	2,035,689	-	2,035,689
Transfer from investment property	2,067,473	-	2,067,473
Decrease			
Repayments, disposal	-537,395	-233,405	-770,800
Final write-off	-234	-	-234
Revaluation to fair value	-135,000	-1,170,260	-1,305,260
Balance at 31 Dec 2013	4,708,501	3,312,854	8,021,355
Balance at 31 Dec 2013	**4,708,501**	**3,312,854**	**8,021,355**

Note 22 Inventories

As at 31 December 2014, inventories were recorded at EUR 463,957 and fully refer to maintenance material of the parent company.

Note 23 Loans given

(in EUR)	31 Dec 2014	31 Dec 2013
Loans		
Current loans to others	2,302	112,164
Current deposits	4,172,780	623,636
Total loans	**4,175,082**	**735,800**
Total	**4,175,082**	**735,800**

Movement in loans given

(in EUR)	2014	2013
Gross value		
Balance at 1 Jan	735,800	3,278,291
Increase		
New loans, acquisitions	4,015,255	447,836
Interest	36	-
Transfer from non-current investments	165,004	16,802
Collected, written-off investments		31,335
Decrease		
Repayments, disposal	-724,211	-2,974,942
Write-off, impairments	-	-705
Transfer to non-current investments	-16,802	-62,817
Balance at 31 Dec	**4,175,082**	**735,800**

Note 24 Trade and other receivables

(in EUR)	31 Dec 2014	31 Dec 2013
Current trade receivables:		
domestic market	6,349,457	6,564,549
foreign markets	7,892,734	7,495,474
Current operating receivables due from exporters	7,279,538	7,927,117
Current operating receivables due from Group companies	-	-
Current operating receivables due from associates	30,825	29,471
Current trade receivables	**21,552,554**	**22,016,611**
Current receivables due from dividends	200,000	200,000
Advances and collaterals given	43,470	5,873
Interest receivables	27,792	28,263
Receivables due from the state	1,963,108	1,560,341
Other current receivables	400,297	231,601
Total trade receivables	**24,187,221**	**24,042,689**
Short-term deferred costs and expenses	230,499	350,984
Accrued income	1,370,763	1,403,087
Total other receivables	**1,601,262**	**1,754,071**
Total	**25,788,483**	**25,796,760**

With most trade receivables, the Group has an option to enforce a legal lien over the stored goods in its possession.

In 2014, EUR 923,030 of allowances for receivables were formed by the Group.

At 31 December 2014, no receivables were due from members of the Management Board or the Supervisory Board.

The Group records pledged receivables as at 31 December 2014 in connection with collateralising a bank borrowing.

Current accrued income in its full amount refers to costs arising in connection with European projects that are co-financed by European institutions.

Maturity of receivables:

(in EUR)	Balance at 31 Dec 2014	Allowances 2014	Balance at 31 Dec 2013	Allowances 2013
Outstanding trade receivables neither past due nor impaired	18,579,231	-	17,907,169	-
Past due receivables:				
up to 30 days	2,417,118	-	2,414,685	-
31 to 60 days overdue	275,534	-	668,696	-
61 to 90 days overdue	78,731	-	227,722	-
91 to 180 days overdue	190,387	-	305,536	-
more than 180 days overdue	2,593,431	2,554,087	2,258,896	1,755,192
Total	**24,134,433**	**2,554,087**	**23,782,703**	**1,755,192**

Movement of allowances for receivables:

(in EUR)	31 Dec 2014	31 Dec 2013
Balance at 1 Jan	1,755,192	1,746,283
Increase	-	36,352
Allowances for receivables formed	932,347	93,708
Collected receivables written off	-36,937	-108,771
Final write-off of receivables	-96,515	-12,380
Balance at 31 Dec	**2,554,087**	**1,755,192**

Note 25 Deferred tax assets

Deferred tax assets in the amount of EUR 21,554 apply to the company Luka Koper INPO, d.o.o.

Note 26 Cash and cash equivalents

(in EUR)	31 Dec 2014	31 Dec 2013
Cash in hand	6,898	6,246
Bank balances	1,226,895	752,529
Current deposits	4,706,998	2,404,066
Total	**5,940,791**	**3,162,841**

Note 27 Equity and reserves

Share capital

The share capital in the amount of EUR 58,420,965 consists of 14,000,000 registered ordinary no-par value shares of the controlling company Luka Koper, d.d. that are freely transferable. Nominal value of one share is EUR 4.17.

The ownerships structure, the movement of share and the dividend policy are in detail outlined in the business report of the Luka Koper Group within the section 'The LKPG share'.

Reserves

Luka Koper, d.d. records 10 percent of legal reserves. The Group has no statutory reserves, as they are not envisaged under the Articles of Association. Upon the proposal of the Management Board, the parent company formed additional, other revenue reserves as at the year-end of 2014 in the amount of EUR 13,224,207 (half of the profit for the period) in compliance with Article 230, Paragraph 3 of the Companies Act.

(in EUR)	31 Dec 2014	31 Dec 2013
Share premium	89,562,703	89,562,703
Legal reserves	18,765,117	18,765,117
Other revenue reserves	75,219,550	62,333,234
Total	**183,547,370**	**170,661,054**

Revaluation surplus

As at the end of 2014, surplus on revaluation of equity under investments measured at fair value, under revaluation of hedging instruments' fair value, and under provisions for unrealised actuarial gains or losses amounted – upon deducting deferred taxes – to EUR 9,528,750; the latter result indicates an increase over the previous year's balance by EUR 303,714.

Group's equity

(in EUR)	31 Dec 2014	31 Dec 2013
Equity holders of the parent	286,280,634	259,066,905
Non-controlling interests	163,496	137,234
Equity	**286,444,130**	**259,204,139**

Note 28 Deferred income

(in EUR)	31 Dec 2014	31 Dec 2013
Deferred income for regular maintenance	9,151,488	9,388,493
Other long-term deferred income	1,708,015	1,339,322
Total	**10,859,503**	**10,727,815**

In compliance 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 performing commercial services. Any annual surplus of revenue over costs is retained as a provision for costs of ordinary maintenance of port infrastructure in future years.

Long-term accrued income comprises also income from fixed assets acquired free of charge or grants for the acquisition of fixed assets, as well as withheld contributions on the salaries of employees working for the disability firm Luka Koper INPO, d.o.o. These funds have been earmarked for a particular purpose and are mainly used to cover the fixed asset depreciation charge or else they are recognised as income for covering salaries of disabled persons.

Financial year 2014

(in EUR)	Deferred income for regular maintenance	Other long-term deferred income	Total
Balance at 31 Dec 2013	9,388,493	1,339,322	10,727,815
Movement:			
Formation	739,562	1,780,681	2,520,243
Use	-976,567	-1,411,988	-2,388,555
Balance at 31 Dec 2014	**9,151,488**	**1,708,015**	**10,859,503**

Financial year 2013

(in EUR)	Deferred income for regular maintenance	Other long-term deferred income	Total
Balance at 31 Dec 2012	8,619,882	558,393	9,178,275
Movement:			
Formation	1,758,468	2,070,165	3,828,633
Use	-989,857	-1,289,236	-2,279,093
Balance at 31 Dec 2013	**9,388,493**	**1,339,322**	**10,727,815**

Note 29 Provisions

(in EUR)	31 Dec 2014	31 Dec 2013
Provisions for retirement benefits and jubilee premiums	1,708,151	1,018,232
Provisions for legal disputes	2,675,441	3,077,543
Total	**4,383,592**	**4,095,775**

Financial year 2014

(in EUR)	Pensions, jubilee premiums, retirement benefits	Claims and damages	Total
Balance at 31 Dec 2013	1,018,232	3,077,543	4,095,775
Movement:			
Formation	858,576	744,073	1,602,649
Use	-129,748	-395,956	-525,704
Reversal	-38,909	-750,219	-789,128
Balance at 31 Dec 2014	**1,708,151**	**2,675,441**	**4,383,592**

The item of provisions for retirement benefits and jubilee premiums discloses the Group's liability in the present value of expected future expenditure. Provisions for retirement benefits and jubilee premiums were computed based on the actuarial calculation made as at 31 December 2014.

Given the actuarial calculation, the Group recognised unrealised actuarial losses on account of termination benefits in the amount of EUR 563,457 in other comprehensive income, whereas actuarial losses on account of current employee benefits in the amount of EUR 96,411 and EUR 11,745 on account of interest expense were recognised in profit or loss. In addition, current employee benefits and interest expenses associated with jubilee premiums were recognised in profit or loss as actuarial losses in the amount of EUR 148,047.

Provisions for legal disputes in the total amount of EUR 2,675,441 apply entirely to the parent company. Use of provisions created for legal disputes and damages in the amount of EUR 395,956 relates to the payment made to Slovenia's Competition Protection Agency. In 2014, the parent company reversed provisions created for a legal dispute in the amount of EUR 750,219, as the court did not satisfy the claim; additional provisions of EUR 744,073 were also recorded in connection with another legal disputed and a related court settlement (further details under 'Events after the reporting date').

Financial year 2013

(in EUR)	Pensions, jubilee premiums, retirement benefits	Claims and damages	Total
Balance at 31 Dec 2012	1,050,096	1,828,648	2,878,744
Movement:			
Formation	248,768	1,354,902	1,603,670
Transfer from other liabilities	-	197,978	197,978
Use	-183,878	-95,685	-279,563
Reversal	-96,754	-208,300	-305,054
Balance at 31 Dec 2013	**1,018,232**	**3,077,543**	**4,095,775**

Note 30 Loans and borrowings

(in EUR)	31 Dec 2014	31 Dec 2013
Non-current financial liabilities to associates	500,000	500,000
Non-current borrowings from domestic banks	56,897,142	79,559,745
Non-current borrowings from foreign banks	52,924,280	56,912,836
Total	**110,321,422**	**136,972,581**

Financial year 2014

	Lender		
(in EUR)	Associates	Banks	Total
Principal amount at 1 Jan 2014	500,000	136,472,581	136,972,581
Repayments		-10,750,000	-10,750,000
Deferred costs of approval	-	26,621	26,621
Amounts maturing in 2015	-	-15,927,780	-15,927,780
Principal amount at 31 Dec 2014	**500,000**	**109,821,422**	**110,321,422**

Financial year 2013

	Lender		
(in EUR)	Associates	Banks	Total
Principal amount at 1 Jan 2013	550,000	134,712,778	135,262,778
Repayments	165,000	20,000,000	20,165,000
Deferred costs of approval	-215,000	-3,028,917	-3,243,917
Amounts maturing in 2014	-	-15,211,280	-15,211,280
Principal amount at 31 Dec 2013	**500,000**	**136,472,581**	**136,972,581**

Group's non-current borrowings in the amount of EUR 110,321,422 fully apply to borrowings raised by the parent company; they declined over the 2013 balance by EUR 26,651,159.

As at 31 December 2014, non-current borrowings from banks amounted to EUR 109,821,421. The amount of principals (EUR 15,927,780) of non-current borrowings, which falls due in 2015, was re-classified to current liabilities.

All bank loans are tied to the variable interest rate. As at the year-end of 2014, the variable interest rate, calculated as annual nominal interest rate, ranged between 0.788 and 2.983 percent.

Two of the borrowings raised by the parent company in the total amount of EUR 65,000,000 are hedged against interest rate risk by means of interest rate swaps. Accordingly, 40% of borrowings from banks are exposed to interest rate risk.

Interest rate agreed in loan contracts with related entities is the tax recognised rate for transactions with related parties.

All non-current loans are repaid according to a predetermined schedule. For some of the loans the parent company was granted a moratorium on the payment of the principal. All liabilities from non-current borrowings from banks are collateralised with blank bills of exchange and financial covenants, whereby one borrowing by collateralisation of receivables. The Group complies with all financial covenants under the loan agreements.

The Group settles all financial liabilities on an ongoing basis and records no past due payables.

The anticipated repayments of non-current borrowings from banks are presented in the table below.

Balance of non-current and current borrowings from banks (at par value) and their maturity

Financial year 2014

(in EUR)	Principal at 31 Dec 2014	Financial year 2015	Financial year 2016	Financial year 2017	Financial year 2018	Financial year 2019	Period 2020–2031
Principal amount of bank borrowings by maturity	125,947,773	15,927,780	12,856,858	14,428,399	22,310,399	10,504,399	49,919,939
Expected interest		2,427,584	2,062,467	1,768,915	1,391,454	1,034,795	2,794,807
Total	**125,947,773**	**18,355,364**	**14,919,325**	**16,197,314**	**23,701,853**	**11,539,194**	**52,714,746**

Financial year 2013

(in EUR)	Principal at 31 Dec 2013	Financial year 2014	Financial year 2015	Financial year 2016	Financial year 2017	Financial year 2018	Period 2019–2031
Principal amount of bank borrowings by maturity	151,909,053	15,211,280	19,235,780	16,164,857	17,312,399	23,310,399	60,674,338
Expected interest		3,363,165	2,959,000	2,504,438	2,072,681	1,578,115	4,445,383
Total	**151,909,053**	**18,574,445**	**22,194,780**	**18,669,295**	**19,385,080**	**24,888,514**	**65,119,721**

Note 31 Non-current financial liabilities

(in EUR)	31 Dec 2014	31 Dec 2013
Other non-current financial liabilities	1,455,653	1,099,393
Total	**1,455,653**	**1,099,393**

The item of other non-current financial liabilities refers to the fair value of interest rate swaps of the parent company.

Note 32 Non-current operating liabilities

(in EUR)	31 Dec 2014	31 Dec 2013
Non-current advances and securities received	149,512	98,006
Total	**149,512**	**98,006**

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

Note 33 Loans and borrowings

(in EUR)	31 Dec 2014	31 Dec 2013
Non-current borrowings from domestic banks	11,927,780	11,211,280
Non-current borrowings from foreign banks	4,000,000	4,000,000
Total	**15,927,780**	**15,211,280**

Current financial liabilities arising on borrowings from banks entirely refer to the parent company and amounted to EUR 15,927,780 as at 31 December 2014 (2013: EUR 15,211,280). They consists of long-term principal amounts that mature in 2015 according to amortisation schedules. A large portion of current financial liabilities was restructured into non-current liabilities in compliance with the financing policy.

A revolving loan in the amount of EUR 7,000,000 was raised by the parent company in 2014 at a commercial bank but was not drawn during the year.

Financial year 2014

	Lender		
(in EUR)	**Associates**	**Banks**	**Total**
Principal amount at 1 Jan 2014	-	15,211,280	15,211,280
New borrowings	80,000	200,000	280,000
Repayments	-80,000	-15,411,280	-15,491,280
Transfer from non-current borrowings – amount maturing in 2015	-	15,927,780	15,927,780
Principal amount at 31 Dec 2014	**-**	**15,927,780**	**15,927,780**

Financial year 2013

	Lender		
(in EUR)	Associates	Banks	Total
Principal amount at 1 Jan 2013	-	46,586,860	46,586,860
New borrowings	500,000	10,625,000	11,125,000
Repayments	-500,000		-500,000
Transfer from non-current borrowings – amount maturing in 2014	-	15,211,280	15,211,280
Principal amount at 31 Dec 2013	**-**	**15,211,280**	**15,211,280**

Note 34 Other financial liabilities

(in EUR)	31 Dec 2014	31 Dec 2013
Current liabilities from profit sharing	64,718	65,000
Other current financial liabilities	376,983	402,398
Total	**441,701**	**467,398**

Other current financial liabilities include interest payables and liabilities under the interest rate swap, which was entered into with the purpose to manage the interest rate risk to which the parent company is exposed.

Note 35 Trade and other payables

(in EUR)	31 Dec 2014	31 Dec 2013
Operating receivables:		
Current trade payables		
domestic market	9,377,218	9,206,814
foreign markets	751,791	720,833
Current liabilities to associates	61,469	68,064
Current trade receivables	**10,190,478**	**9,995,711**
Current liabilities from advances	98,404	89,088
Current liabilities to employees	4,348,695	2,808,076
Current liabilities to state and other institutions	498,926	212,030
Total operating liabilities	**15,136,503**	**13,104,905**
Current deferred income	30,264	52,762
Accrued costs and expenses	2,911,575	2,086,782
Other operating liabilities	124,009	69,426
Total other operating liabilities	**3,065,848**	**2,208,970**
Total trade and other payables	**18,202,351**	**15,313,875**

As at the year-end of 2014, Group's current trade and other payables are recorded at EUR 18,202,351 and show an increase of EUR 2,888,476 if compared to 2013. Operating liabilities grew as a result of higher payables to employees of the parent company arising from reconciliation of wages for the second half-year of 2014 in compliance with the agreement signed between trade unions and the management.

Accrued costs comprise costs for the collective job performance, accrued interest for loans and borrowings, accrued costs for remunerations and bonuses paid under individual contracts, and accrued costs for unused vacation days.

Note 36 Contingent assets and liabilities

(in EUR)	31 Dec 2014	31 Dec 2013
Securities given	6,218,999	6,309,256
Guarantees received	8,478,473	8,816,473
Contingent assets under legal disputes	37,306,115	37,306,115
Other contingent assets	140,840	126,676
Total contingent assets	**52,144,427**	**52,558,520**
Guarantees given	1,260,000	1,515,000
Securities given	14,861,613	18,097,291
Contingent liabilities under legal disputes	17,960,410	8,330,213
Approved borrowing	36,000,000	
Total contingent liabilities	**70,082,023**	**27,942,504**

As at 31 December 2014, guarantees issued refer to customs operations and amounted to EUR 1,260,000.

Securities given include following:

- in the amount of EUR 6,500,000 for securing a borrowing by assignment of receivables;
- in the amount of EUR 5,632,513 i.e. Luka Koper, d.d. acts as guarantor to the company Adria Transport, d.o.o. in connection with the lease of locomotives;
- in the amount of EUR 2,729,099 i.e. Luka Koper, d.d. acts as guarantor to the company Adria-Tow, d.o.o. in connection with a borrowing raised.

The item of contingent liabilities comprises liabilities for legal disputes that have not met the criteria for being recognised as provisions for legal disputes. In 2014, parent company's contingent liabilities under legal disputes amounted to EUR 11,677,062; the largest part thereof refers to the claim in the amount of EUR 11,588,612 that is reduced by EUR 436,550 as recognised by the signed court settlement. The parent company terminated in 2014 proceedings with court settlements, where not all claimed payments (EUR 1,975,006) were made but solely EUR 14,399 and related court charges of the parent company.

As the end of 2014, the parent company signed a contract on drawing a borrowing extended by the European Investment Bank (EIB) for the project of extending the first pier. The respective borrowing shall be drawn in compliance with provisions on the project's development. Terms and conditions for drawing the first tranche of the borrowing were not met as at 31 December 2014.

Contingent assets include all receivables under legal disputes in the amount of EUR 37,306,115.

Note 37 Related party transactions

Remuneration of members of the Management and Supervisory Board of the controlling company are outlined in Note 32 of its accounting report. Remuneration of groups of persons in the controlling company and subsidiaries are presented in tables below.

Remuneration of Members of the Management Board in 2014

Gross remuneration of groups of persons	Gross salary (fixed and variable part	Annual holiday pay and jubilee premiums	Benefits and other receipts	Total
Members of the controlling company's Management Board	575,592	3,683	10,248	589,523
Employees of the controlling company with individual employment contracts	2,053,329	18,545	106,852	2,178,726
Managing directors of subsidiaries	293,068	3,157	2,064	298,289
Total	**2,346,397**	**21,702**	**108,916**	**2,477,015**

Related party transactions

Income statement items (in EUR)	**Luka Koper, d.d.** **2014**	**2013**	**Luka Koper Group** **2014**	**2013**
Revenue				
Subsidiaries	772,151	825,583	-	-
Associates and jointly controlled entities	119,612	559,002	283,266	743,964
Cost of material				
Subsidiaries	297,119	12,012	-	-
Associates and jointly controlled entities	60,060	-	60,060	-
Cost of services				
Subsidiaries	2,941,165	3,159,850	-	-
Associates and jointly controlled entities	588,448	481,988	599,557	493,420
Employee benefits expense				
Subsidiaries	1,085	1,586	-	-
Associates and jointly controlled entities	-	-	-	-
Other operating expenses				
Subsidiaries	84,845	8,806	-	-
Associates and jointly controlled entities	11,445	22,889	11,445	22,889
Finance income from shares and interests				
Subsidiaries	1,603,651	625,780	-	-
Associates and jointly controlled entities	225,000	221,952	-	-
Finance income from loans				
Subsidiaries	5,442	7,288	-	-
Associates and jointly controlled entities	-	-	-	-
Finance expenses for impairment and write-off of investments				
Subsidiaries	48,827	2,232,390	-	-
Associates and jointly controlled entities	-	969,350	-	1,031,105
Finance expenses for financial liabilities				
Subsidiaries	189,521	190,485	-	-
Associates and jointly controlled entities	8,894	9,490	8,894	9,490
Profits or losses of subsidiaries				
Subsidiaries	-	-	-	-
Associates and jointly controlled entities	-	-	740,457	539,180

Items of statement of financial position (in EUR)	**Luka Koper, d.d.** **31 Dec 2014**	**31 Dec 2013**	**Luka Koper Group** **31 Dec 2014**	**31 Dec 2013**
Non-current investments excluding borrowings				
Subsidiaries	4,533,063	2,047,288	-	-
Associates and jointly controlled entities	6,737,709	7,717,709	10,971,162	11,435,705
Current loans and borrowings				
Subsidiaries	296,819	422,819	-	-
Associates and jointly controlled entities	-	-	-	-
Current operating receivables				
Subsidiaries	93,350	51,496	-	-
Associates and jointly controlled entities	230,825	229,471	230,825	229,471
Non-current financial liabilities				
Subsidiaries	10,056,580	10,250,580	-	-
Associates and jointly controlled entities	500,000	500,000	500,000	500,000
Current financial liabilities				
Subsidiaries	-	-	-	-
Associates and jointly controlled entities	-	-	-	-
Current operating liabilities				
Subsidiaries	465,692	561,088	-	-
Associates and jointly controlled entities	61,469	68,064	61,469	68,064

In addition to transactions under the Concession Agreement concluded with the Government of the Republic of Slovenia, the Group implemented also transactions referring to deepening the entry channel in the Koper cargo port. The subsidiary Luka Koper INPO, d.o.o. has in 2012 signed with the Government of the Republic of Slovenia an agreement on deepening the entry channel into the port beyond the area covered under the concessions, which expired in 2013. As of 3 December 2013, a new agreement was signed on implementing the public procurement for additionally deepening of the respective channel by 15 metres. In 2014, an annex to the said agreement was signed in which the service provider called upon the client to issue its consent for the new sub-contractor i.e. the company Van Oord Dredging and Marine Contractors B.V. from Rotterdam. Based on the relevant agreement, the subsidiary Luka Koper INPO, d.o.o. generated EUR 1,324,993 of revenue in 2014 and EUR 366,489 in 2013. Costs of the sub-contractor amounted in the reporting period to EUR 250,000. As at 31 December 2014, outstanding receivables due from the Slovenian Maritime Administration amounted to EUR 113,553.

Note 38 Financial instruments and financial risk management

The most significant financial risks to which the Luka Koper Group is exposed to, include:

1. risk of change in fair value,
2. interest rate risk,
3. liquidity risk,
4. currency risk,
5. credit risk, and
6. risk of adequate capital structure.

The management of Group's 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 over individual financial categories. Other, mainly non-financial risks of the Luka Koper Group are described in detail in the section Risk Management of the Business Report.

1. Risk of change in fair value

The controlling company accounts for 98% of Group's total investments valued at fair value.

The Group has invested 6.6% of its assets (2013: 6.2%) in investments measured at fair value. The fair value risk associated with these investments is demonstrated through changes in stock market prices that affect the value of these assets and, consequently the potential capital gain on their disposal. This type of risk was identified by the Group in association with investments in market securities of successful Slovenian companies. As at 31 December 2014, the value of current available-for-sale investments at fair value through equity amounted to EUR 29,990,385. This value comprises shares of Slovenian companies and units of mutual fund assets.

Sensitivity analysis of investments at fair value:

Risk of change in fair value of securities as at 31 December 2014

Change of index (in %)	Impact on equity
-10%	-2,999,039
10%	2,999,039

Risk of change in fair value of securities as at 31 December 2013

Change of index (in %)	Impact on equity
-10%	-2,767,351
10%	2,767,351

The sensitivity analysis of investments at fair value is based on the assumption of a 10 percent increase in the value of the index and accordingly such growth would result in an increase in the fair value of the market securities portfolio by EUR 2,999,039. 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 case, the amount of the difference in fair value would be recognised as either an increase or decrease in other comprehensive income within equity.

Fair value hierarchy

			Fair value		
(in EUR)	Note	Carrying amount at 31 Dec 2014	Direct stock market quotation (Level 1)	Value defined on the basis of comparable market inputs (Level 2)	No observable market inputs (Level 3)
Assets measured at fair value					
Other interests and shares	17	29,990,385	29,990,385		
				-	-
Assets measured at cost					
Other interests and shares	17	8,074,163			8,074,163
Loans given	18, 23	4,773,396			4,773,396
Operating receivables	24	24,187,221	-	-	15,413,997
			-	-	-
Liabilities measured at fair value		-			
Interest rate hedging	31	1,455,653	-	-	1,455,653
Liabilities measured at amortised cost					
Other financial liabilities	34	441,701			441,701
Borrowings	30, 33	126,249,202			126,249,202
Operating liabilities	36	15,136,503			15,136,503

			Fair value		
(in EUR)	Note	Carrying amount at 31 Dec 2014	Direct stock market quotation (Level 1)	Value defined on the basis of comparable market inputs (Level 2)	No observable market inputs (Level 3)
Assets measured at fair value					
Other interests and shares	17	27,673,511	27,673,511		
				-	-
Assets measured at cost					
Other interests and shares	17	5,588,388			5,588,388
Loans given	18, 23	2,283,889			2,283,889
Operating receivables	24	24,042,689	-	-	24,042,689
			-	-	-
Liabilities measured at fair value					
Interest rate hedging	31	1,099,393	-	-	1,099,393
Liabilities measured at amortised cost					
Other financial liabilities	34	467,398			467,398
Borrowings	30, 33	152,183,861			152,183,861
Operating liabilities	36	13,104,905			13,104,905

2. Management of interest rate risk

Exposure to interest rate risk is established solely with the controlling company, which records financial liabilities that arise under borrowings bearing variable interest rates.

With respect to its liabilities structure, the significance of interest rest risk is increasing as an unexpected growth in variable interest rates can have an adverse effect on the planned results. In 2014, the Group has succeeded in reducing its financial liabilities by 15.7% over the previous year; as at the reporting date, these liabilities were recorded at EUR 138,202,764.

In previous years, the controlling company entered into an interest rate hedge for two major borrowings in the total amount of EUR 65 million. In this way, the exposure (99.6%) of all borrowings was reduced by 41%. The rest of bank borrowings is exposed to the variable interest rate and is recorded at EUR 60,947,773. The two interest rate swaps are carried in the books of account under the principle of hedge accounting. As at 31 December 2014, the fair value of both interest rate swaps amounted to EUR –1,455,653 and was recognised as a non-current liability of the controlling company.

Sensitivity analysis of borrowings from banks in view of the variable interest rate fluctuations

(in EUR)	**Borrowings from banks under the variable interest rate as at 31 Dec 2014**	**15%**	**50%**	**100%**
1M EURIBOR	-	-	-	-
3M EURIBOR	38,947,773	4,557	15,190	30,379
6M EURIBOR	22,000,000	5,643	18,810	37,620
Total effect	**60,947,773**	**10,200**	**34,000**	**67,999**

(in EUR)	**Borrowings from banks under the variable interest rate as at 31 Dec 2014**	**15%**	**50%**	**100%**
1M EURIBOR	-	-	-	-
3M EURIBOR	38,947,773	4,557	15,190	30,379
6M EURIBOR	22,000,000	5,643	18,810	37,620
Total effect	**60,947,773**	**10,200**	**34,000**	**67,999**

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 would increase in 2015 by 15 percent, the controlling company would incur higher interest expenses by EUR 10,200 (in view of the level of variable interest rate at the end of 2014). If variable interest rates would rise by 50 percent or 100 percent, the interest expense would increase by EUR 34,000 or EUR 67,999, respectively. A possible decline in interest rates by the same percentage would result in a decrease of interest expense by the same amounts.

3. Management of liquidity risk

Liquidity risk is the risk that the company will fail to settle its liabilities at maturity. The Luka Koper Group manages liquidity risk by regular planning of cash flows required to settle liabilities with diverse maturity. Additional measures for preventing delays in receivable collection include regular monitoring of payments and immediate response to any delays and charging penalty interest in accordance with the uniform policy of receivable management. In recent years, the controlling company successfully completed the process of restructuring and converting current financial liabilities into non-current, which additionally reduced its exposure to liquidity risk, and was able to early repay the borrowings based on the surplus of funds.

(in EUR)	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
2014					
Loans and borrowings*	2,299,008	13,620,835	60,600,054	49,927,876	126,447,773
Accrued interest maturing in the next calendar year	54,319	-	-	-	54,319
Expected interest on all borrowings	305,956	2,129,522	6,265,526	2,794,807	11,495,812
Other financial liabilities	441,701	-	1,455,653	-	1,897,354
Payables to suppliers	10,190,478	-		-	10,190,478
Other operating liabilities	4,946,025	-	-	-	4,946,025
2013					
Loans and borrowings*	3,123,298	12,087,982	76,523,435	60,674,338	152,409,053
Accrued interest maturing in the next calendar year	117,382	-	-	-	117,382
Expected interest on all borrowings	513,684	2,857,376	9,130,025	4,445,383	16,946,468
Other financial liabilities	467,398	-	1,099,393	-	1,566,791
Payables to suppliers	9,995,711	-		-	9,995,711
Other operating liabilities	3,109,194	-	-	-	3,109,194

*The item includes also borrowings from subsidiaries and associates

4. Management of currency risk

The risk of changes in foreign exchange rates arises from trade receivables denominated in US dollars (USD). The average monthly balance of outstanding trade receivables amounted to USD 492 thousand at the end of 2014. As at 31 December 2014, outstanding receivables denominated in US dollars amounted to only 1.31 percent of total outstanding trade receivables (2013: 2.61 percent). According to the Group's estimates, the share of receivables denominated in US dollars is insignificant and therefore the Group decided not to hedge this risk item.

5. Management of credit risk

Management of the risk of default on the side of the counterparty or the credit risk has gained in importance in recent years. Customer defaults are being passed on to economic entities, much like a chain reaction, which significantly reduces the assessed probability of timely inflows and increases additional costs of financing the operation. The accelerated debt collection contributes to minimising negative effects of widespread insolvency. The specific structure of our customers (the Group does business with a limited number of major companies i.e. freight forwarders and agents), has a positive effect 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 of the Group's 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.

Assets exposed to credit risk:

(in EUR)	Note	31 Dec 2014	31 Dec 2013
Non-current loans	17	598,314	1,548,089
Non-current operating liabilities	18	5,681	6,088
Assets (disposal group) held for sale	20	-	3,312,854
Current deposits	22	4,172,780	623,636
Current loans	22	2,302	112,164
Current trade receivables	23	21,552,554	22,016,611
Cash and cash equivalents	24	5,940,791	3,162,841
Total		**30,369,402**	**29,302,780**

The management estimates that 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

Equity is the most expensive source of financing, hence, it is vital for the Group's successful performance to identify optimal capital structure and align their existing capital structure with it. In order to reach the optimum capital structure, the Group has been increasing the share of liabilities in past years primarily to finance its organic growth. The Group also in 2014 reduced its overall debt as its financial liabilities declined by good 16% to EUR 128,146,556 if compared to the previous year's balance. Such movement has had a positive impact on the risk of adequate capital structure. Hence, the Group will continuously strive to reduce the share of external sources of funding within its balance sheet total in compliance with its long-term policy.

(in EUR)	31 Dec 2014	31 Dec 2013
Total liabilities	166,261,981	184,354,423
Cash and cash equivalents and current deposits	-10,113,571	-3,786,477
Net debt	**156,148,410**	**180,567,946**
Equity	**286,280,634**	**259,066,905**
Net debt/equity	**0.55**	**0.70**

Note 39 Transactions with the audit firm

The contractual value of audit services render by the company KPMG Slovenija, d.o.o. for the fiscal year 2014 is recorded at EUR 25,000 (exclusive of VAT). The audit firm translated also the annual report by applying the rate EUR 20,00/standard page (exclusive of VAT). The contractual value of providing assurance on financial statements for the commercial public service for the financial year

2014, which was for the controlling company carried out by KPMG Slovenija, d.o.o. amounted to EUR 2,000 (exclusive of VAT).

The company KPMG poslovno svetovanje, d.o.o. was engaged to independently asses the economic elaborate in the amount of EUR 9,600 (exclusive of VAT).

11 EVENTS AFTER THE REPORTING DATE

FEBRUARY 2014

- As of 6 February 2015, the controlling company achieved a court settlement based on which it paid EUR 262,000.00 and thereby finally ended legal proceedings against Luka Koper, d.d. that started back in 2012. The controlling company formed provisions for this legal dispute in the amount of EUR 1,761,966 and reversed them in February 2015.
- As of 19 February 2015, the controlling company has signed a court settlement in several proceedings referring to photovoltaic projects, and a higher number of parties to proceedings. The settlement aims to solve mutual relationships in this project and in this way eliminate the outcome's uncertainty in numerous court proceedings of the controlling company where the complaint totals to EUR 11,588,612, and thus prevents and reduces further court costs. Based on the court settlement the controlling company entered into the commitment to pay EUR 436,550 under the finality of the order under which the bankruptcy court endorsed the respective settlement. The controlling company formed provisions for this legal dispute already at the end of 2014.

12 INDEPENDENT AUDITOR'S REPORT

KPMG

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 the company Luka Koper d. d. and its subsidiaries (the Luka Koper Group), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 EU, 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 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 about 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 consolidated financial statements present fairly, in all material respects, the financial position of the Luka Koper Group as at 31 December 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying financial statements.

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Irena Uršič
Certified Auditor

Boris Drobnič
Partner

Ljubljana, 1 April 2015

KPMG Slovenija, d.o.o.
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FINANCIAL STATEMENTS OF LUKA KOPER, D.D. FOR 2014

1 INCOME STATEMENT

(in EUR)	Note	2014	2013
Revenue	1	154,464,507	136,808,792
Other income	2	2,224,793	1,487,461
Cost of material	3	-13,056,264	-10,324,499
Cost of services	4	-41,259,016	-40,945,827
Employee benefits expense	5	-37,876,433	-34,350,388
Amortisation and depreciation expense	6	-25,866,381	-26,679,349
Other operating expenses	7	-8,156,302	-15,435,974
Operating profit		**30,474,904**	**10,560,216**
Finance income	8	2,626,456	1,776,461
Finance expenses	8	-4,147,364	-9,368,991
Loss from financing activities		**-1,520,908**	**-7,592,530**
Profit before tax	9	**28,953,996**	**2,967,686**
Income tax expense	10	-2,371,563	-
Deferred taxes	11	-134,019	1,644,560
Profit for the period	**12**	**26,448,414**	**4,612,246**
Earnings per share – basic and diluted	**12**	**1,89**	**0,33**

Notes to the financial statements are a constituent part thereof and must be read in conjunction therewith.

2 STATEMENT OF OTHER COMPREHENSIVE INCOME

(in EUR)	2014	2013
Profit for the period	**26,448,414**	**4,612,246**
Change in revaluation surplus of available-for-sale financial assets	1,287,686	4,294,107
Deferred tax on revaluation of available-for-sale financial assets	-218,907	-703,964
Change in fair value of hedging instruments	-758,091	798,914
Deferred tax on change in value of hedging instruments	128,875	118,586
Total comprehensive income that may be reclassified subsequently to profit or loss	439,563	4,507,643
Unrealised actuarial gains or losses on post-employment benefits	-514,100	-45,098
Deferred tax on unrealised actuarial gains or losses	43,698	3,833
Total comprehensive income that will not be reclassified subsequently to profit or loss	-470,401	-41,265
Other comprehensive income	**-30,838**	**4,466,378**
Total comprehensive income for the period	**26,417,576**	**9,078,624**

3 STATEMENT OF FINANCIAL POSITION

(in EUR)	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Property, plant and equipment	13	314,042,915	315,025,705
Investment property	14	30,240,281	23,638,779
Intangible assets and long-term deferred costs and accrued income	15	4,612,609	5,085,761
Investments in subsidiaries	16	4,533,063	1,562,288
Investments in jointly controlled entities and associates	17	6,737,709	7,717,709
Other non-current investments	18	34,850,365	33,261,899
Loans given	19	598,314	1,384,563
Non-current operating receivables	20	5,681	6,088
Deferred tax assets	21	9,619,520	7,728,741
Non-current assets		**405,240,457**	**395,411,533**
Assets (disposal groups) held for sale	22	1,781,382	8,233,179
Inventories	23	463,957	-
Loans given	24	1,299,157	534,983
Trade and other receivables	25	24,489,213	25,835,122
Cash and cash equivalents	26	3,984,291	895,323
Current assets		**32,018,000**	**35,498,607**
TOTAL ASSETS		**437,258,457**	**430,910,140**
EQUITY AND LIABILITIES			
Share capital		58,420,965	58,420,965
Capital surplus (share premium)		89,562,703	89,562,703
Revenue reserves		94,322,557	81,098,349
Revaluation surplus		9,186,100	9,216,938
Retained earnings		1,374,740	1,415,638
Profit for the period		13,224,207	2,306,123
Equity	27	**266,091,272**	**242,020,716**
Provisions	28	4,193,090	3,906,546
Deferred income	29	7,375,114	6,447,722
Loans and borrowings	30	120,378,002	147,223,161
Other financial liabilities	31	1,455,653	988,486
Non-current operating liabilities	32	81,281	60,090
Deferred tax liabilities	21	2,071,131	-
Non-current liabilities		**135,554,271**	**158,626,005**
Loans and borrowings	33	15,927,780	15,211,280
Other financial liabilities	34	441,329	466,845
Income tax liabilities	10	2,371,563	-
Trade and other payables	35	16,872,242	14,585,294
Current liabilities		**35,612,914**	**30,263,419**
TOTAL EQUITY AND LIABILITIES		**437,258,457**	**430,910,140**

4 STATEMENT OF CASH FLOWS

(in EUR)	2014	2013
Cash flows from operating activities		
Profit for the period	26,448,414	4,612,246
Adjustments for:		
Amortisation/Depreciation	25,866,381	26,679,349
Reversal and impairment losses on property, plant and equipment, and intangible assets	359,381	8,480,558
Gain on sale of property, plant and equipment, and investment property	-46,165	-9,040
Allowances for receivables	923,031	48,769
Reversal of provisions	-750,219	
Finance income	-2,626,456	-1,776,461
Finance expenses	4,147,364	9,368,991
Income tax expense and income (expenses) from deferred taxes	2,505,582	-1,644,560
Operating profit before change in net current assets and taxes	**56,827,313**	**45,759,852**
Change in net current assets and provisions		
Change in trade receivables	-572,306	-2,421,088
Change in inventories	-463,957	-
Change in deferred costs and accrued income		-213,203
Change in trade payables	2,368,181	-783,557
Change in provisions and deferred income	1,450,055	3,726,590
Income tax	1,044,413	749,339
Net cash from operating activities	**60,653,699**	**46,817,933**
Cash flows from investing activities		
Interest received	283,872	218,939
Dividends received	1,660,299	1,557,522
Proceeds from sale of property, plant and equipment, and intangible assets	66,763	801,490
Proceeds from sale, less investments and loans given	2,744,421	4,461,472
Acquisition of property, plant and equipment, and intangible assets	-28,485,811	-14,522,369
Acquisition of investments, loans given	-1,158,608	-105,508
Net cash used in investing activities	**-24,889,064**	**-7,588,454**
Cash flows from financing activities		
Interest paid	-4,147,850	-4,624,147
Proceeds from non-current borrowings	-	20,642,005
Proceeds from current borrowings	2,280,000	18,451,803
Repayment of non-current borrowings	-10,944,000	-3,653,917
Repayment of current borrowings	-17,516,796	-67,456,133
Change in equity	-107,021	31,843
Dividends paid	-2,240,000	-2,354,687
Net cash used in financing activities	**-32,675,667**	**-38,963,233**
Opening balance of cash and cash equivalents	**895,323**	**629,077**
Net decrease/increase in cash and cash equivalents	**3,088,968**	**266,246**
Closing balance of cash and cash equivalents	**3,984,291**	**895,323**

5 STATEMENT OF CHANGES IN EQUITY

Financial year 2014

(in EUR)	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings or losses	Profit or loss for the period	Revaluation surplus	Total equity
Balance at 31 Dec 2013	**58,420,965**	**89,562,703**	**18,765,115**	**62,333,234**	**1,415,638**	**2,306,123**	**9,216,938**	**242,020,716**
Balance at 1 Jan 2014	**58,420,965**	**89,562,703**	**18,765,115**	**62,333,234**	**1,415,638**	**2,306,123**	**9,216,938**	**242,020,716**
Changes of equity – transactions with owners								
Dividends	-	-	-	-	-2,240,000	-	-	-2,240,000
Other changes of equity	-	-	-	-	-107,021	-	-	-107,021
	-	**-**	**-**	**-**	**-2,347,021**	**-**	**-**	**-2,347,021**
Total comprehensive income for the period	-							
Profit for the period	-	-	-	-	-	26,448,414	-	26,448,414
Change in revaluation surplus of financial assets, less tax	-	-	-	-	-	-	1,068,779	1,068,779
Change in fair value of hedging instruments, less tax	-	-	-	-	-	-	-629,216	-629,216
Unrealised actuarial gains or losses, less tax	-	-	-	-	-	-	-470,401	-470,401
	-	**-**	**-**	**-**	**-**	**26,448,414**	**-30,838**	**26,417,576**
Changes within equity								
Allocation of part of profit for the period to other equity components pursuant to resolution of the Management and Supervisory Board	-	-	-	13,224,207		-13,224,207	-	-
Allocation of residual part of profit from previous period to other equity components	-	-		-	2,306,123	-2,306,123	-	-
	-	**-**	**-**	**13,224,207**	**2,306,123**	**-15,530,330**	**-**	**-**
Balance at 31 Dec 2014	**58,420,965**	**89,562,703**	**18,765,115**	**75,557,441**	**1,374,740**	**13,224,207**	**9,186,100**	**266,091,272**

Financial year 2013

(in EUR)	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings or losses	Profit or loss for the period	Revaluation surplus	Total equity
Balance at 31 Dec 2012	**58,420,965**	**89,562,703**	**18,765,115**	**60,027,111**	**-**	**3,763,795**	**4,750,560**	**235,290,249**
Balance at 1 Jan 2013	**58,420,965**	**89,562,703**	**18,765,115**	**60,027,111**	**-**	**3,763,795**	**4,750,560**	**235,290,249**
Changes of equity – transactions with owners								
Dividends	-	-	-	-	-2,380,000	-	-	-2,380,000
Other changes of equity	-	-	-	-	31,843	-	-	31,843
	-	**-**	**-**	**-**	**-2,348,157**	**-**	**-**	**-2,348,157**
Total comprehensive income for the period	-							
Profit for the period	-	-	-	-	-	4,612,246	-	4,612,246
Change in revaluation surplus of financial assets, less tax	-	-	-	-	-	-	3,590,143	3,590,143
Change in fair value of hedging instruments, less tax	-	-	-	-	-	-	917,500	917,500
Unrealised actuarial gains or losses, less tax	-	-	-	-	-	-	-41,265	-41,265
	-	**-**	**-**	**-**	**-**	**4,612,246**	**4,466,378**	**9,078,624**
Changes within equity								
Allocation of residual part of profit from previous period to other equity components	-	-	-	-	3,763,795	-3,763,795	-	-
Allocation of part of profit for the period to other equity components pursuant to resolution of the Management and Supervisory Board	-	-	-	2,306,123	-	-2,306,123	-	-
	-	**-**	**-**	**2,306,123**	**3,763,795**	**-6,069,918**	**-**	**-**
Balance at 31 Dec 2013	**58,420,965**	**89,562,703**	**18,765,115**	**62,333,234**	**1,415,638**	**2,306,123**	**9,216,938**	**242,020,716**

6 NOTES TO THE FINANCIAL STATEMENTS

a) Basis for preparation of financial statements

Reporting entity

Luka Koper, d.d., pristaniški in logistični sistem (hereinafter referred to also as: Company), with its registered office at Vojkovo nabrežje 38 in Koper, Slovenia, is the controlling company of the Luka Koper Group.

The port's core activity is the cargo handling and warehousing of all types of goods, which the Company supplements with diverse goods-related services and other services and thereby secures an overall logistics support. Given the concessions agreement, Luka Koper, d.d. maintains the port infrastructure and provides for the port's development.

Financial statements of the controlling period have been compiled for the financial year ended 31 December 2014.

Statement of compliance

The financial statements of Luka Koper, d.d. have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the European Union, and in accordance with provisions of the Slovenian Companies Act.

The Management Board of Luka Koper, d.d. approved the financial statements on 31 March 2015.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for derivatives and available-for-sale financial assets that were measured at fair value.

Functional and presentation currency

These financial statements are presented in EUR (exclusive of cents), which is the Company's functional currency.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates are formed with respect to experience and expectations in the accounting period. Actual results may differ from these estimates, hence estimates and underlying assumptions are reviewed on an ongoing basis.

Impairment of financial instruments and non-financial assets

Information on significant estimates about uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, was applied in assessment of the value of property, plant and equipment (Note 14) and investment property (Note 15), in the valuation of investments in subsidiaries and associates (Notes 16, 17), and in the recognition of deferred tax assets (Note 21).

Deferred taxes

Based on the estimate that sufficient profit will be available in the future, the Company created deferred tax assets provided under following:

- provisions for jubilee premiums and retirement benefits,
- impairment of investments,
- impairment of receivables.

Deferred tax assets recognised, under the formation of provisions for jubilee premiums and retirement benefits, are reduced by the relevant amounts of provisions utilised or increased by the amounts of newly formed provisions.

Deferred tax assets were recognised in the relevant amount of impairment loss on investments and receivables as impairment losses are not recognised as tax expenditure until the investments' derecognition. Deferred tax 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 were recognised at the tax rate of 17 percent, which equals the rate applied in 2013.

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.

At 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 formed for:

- jubilee premiums and retirement benefits on the basis of actuarial calculation,
- for legal disputes and damages on the basis of recognition-related criteria.

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

Accounting policies applied

The accounting policies detailed below were consistently applied in all the periods presented in the financial statements.

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 expressed in foreign currency are translated at the reference exchange rate of the ECB at the reporting date. All differences resulting from foreign currency translation are recognised in profit or loss.

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 subject to depreciation.

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.

Subsequent expenditure

Subsequent expenditure incurred to replace a component of an item of property, plant and equipment increases its cost. The replaced component is no longer subject to recognition. 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 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 method of depreciation, 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 classified to disposal groups (held for sale) and works of art are not depreciated.

Asset	2014	2013
Buildings	1.5% – 6%	1.5% – 6%
Transport and transhipment equipment	5.6% – 20%	5.6% – 20%
- locomotives	10% - 15%	10% - 15%
- forklifts, shippers	12.5%	12.5%
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 revenue from disposal and the carrying amount and are included in profit or loss.

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 carrying amount of an item of intangible assets with final 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 10 years (average amortisation rates used are presented below).

Intangible assets	2014	2013
Long-term property rights (concessions, patents, licences, trademarks and similar rights)	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 their estimated useful lives. Following depreciation rates are in average used for investment property:

Investment property	2014	2013
Buildings	1.5% – 6%	1.5% – 6%

Investments in related entities

Investments in subsidiaries, associated and jointly controlled entities are measured at cost. The Company assesses on each balance sheet date whether there is any indication of impairment. Any impairment loss on investment is recognised in the income statement.

Financial instruments

Financial instruments are classified into 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.

Loans and receivables

Loans and receivables are recognised on the settlement date and measured at amortised cost using the effective interest rate method.

Trade receivables

Non-current and current receivables are carried separately in books of account. Interest arising on stated receivables are recorded among off balance sheet items. Current and non-current trade receivables are initially recognised at amounts agreed in the contracts or recorded in the relevant accounting documents.

Allowances for trade receivables

Company forms allowances for all trade receivables and interest receivables that are due and outstanding for more than 180 days. Allowances for specific types of receivables are made individually based on relevant judgements. Allowances for receivables due from companies, which are in bankruptcy or liquidation procedure, are formed in the total amount (100 percent) immediately after the commencement of such procedure has been determined.

Impairment loss is charged against revaluation operating expenses associated with receivables.

Loans given

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 fair value and thereupon at 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 year are reclassified to current financial liabilities. Borrowings are insured with bills of exchange and certain loan covenants, whereby one borrowing is collateralised with receivables.

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 quotation value of securities or published daily value of a unit of a mutual fund's assets. Fair value changes are recognised in other comprehensive income within equity. 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.

Assets (disposal group) 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 it is consistently pursuing its plans to dispose the asset.

After the assets' reclassification to »Assets (disposal group) 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.

Inventories

Inventories of material are valued at the lower of cost or net realisable value. An item of inventories of materials is initially recognised at cost, comprising its purchase price, import duties and other non-refundable purchase taxes, and directly attributable costs of acquisition. Non-refundable purchase taxes include also the non-refundable VAT. The cost is lower by discounts and rebates obtained. The weighted average price method is used for lowering the inventories of material. Small tools put in use are immediately transferred among costs. Inventories are not subject to revaluation due to impairment.

Cash

Cash comprises cash on hand and sight deposits, deposits redeemable at notice or deposits with maturities of up to three months.

Derivative financial instruments (derivatives)

The Company does not enter into 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 on the type of hedging and whether hedge accounting has been applied or not. The Company applies derivatives only for hedge accounting. When hedge accounting has been applied, gains or losses arising from the change in fair value are recognised by recognising the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge, in other 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 recognised in profit or loss.

Equity

<u>Share capital</u>

The share capital of Luka Koper, d.d. is divided into 14,000,000 ordinary, freely transferable, registered, no par value shares.

<u>Dividends</u>

Dividends are recognised in the Company's financial statements once the decision on the distribution of dividends is adopted by the Shareholders' Meeting.

<u>Redemption of treasury shares</u>

In 2014, the Company did not trade in treasury shares.

<u>Authorised capital</u>

As at 31 December 2014, the Company had no authorised capital.

Provisions

<u>Provisions for legal disputes and damages</u>

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 recognised if the probability is high,
- a reliable estimate can be made of the amount of the obligation.

Provisions for retirement benefits and jubilee premiums

In accordance with statutory requirements and the collective agreement, the Company is obligated to pay jubilee premiums and termination benefits on retirement. These payments are measured using the 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.

Unrealised actuarial gains or losses of the current year from termination benefits are recognised in other comprehensive income under equity, whereas unrealised actuarial gains or losses based on the actuarial calculation of current employee benefits and interest are recognised in profit or loss. Current employee benefit costs and interest expense associated with jubilee premiums are recognised in profit or loss as actuarial gains or losses.

Calculation of provisions for jubilee premiums and retirement benefits is based on the actuarial calculation as of 31 December 2014, which took into account following assumptions:

- currently applicable amount of termination benefits upon retirement and jubilee premiums,
- 0.72 percent increase in wages and salaries,
- average inflation in the period from November 2013 to October 2014,
- mortality rate that is based on Slovenia's mortality tables from 2007,
- 1.9 percent discount rate,
- staff fluctuation: 1 percent.

Maintenance of port infrastructure

In accordance with the Concession Agreement concluded with the Government of the Republic of Slovenia, and criteria approved by the latter, the controlling company Luka Koper, d.d. recognises long-term deferred income 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 event of a surplus of costs over income from dock dues, the long-term deferred income is eliminated in the amount of surplus.

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 reported in profit or loss over the loan repayment period, using the effective interest rate method.

Operating liabilities

Non-current operating liabilities include collaterals received for rented business premises. Trade liabilities and payables to the state and employees are shown separately. Other operating liabilities include short-term deferred costs or expenses and short-term accrued not invoiced income.

Income tax expense

Income tax is accounted for in compliance with provisions of the Corporate Income Tax Act. The basis for the income tax calculation is the gross profit increased by the amount of non-deductible expenditure and reduced by the amount of statutory tax relief. Such basis is used for accounting the corporate income tax liability. As for 2014 and the comparative 2013, income tax liability was calculated at the rate of 17 percent.

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. Temporary differences were 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.

Deferred tax assets are offset against deferred tax liabilities when an entity has a legal right to offset current assets and liabilities, and deferred tax assets and liabilities relate to the same taxable entity and the same tax authority.

Earnings per share

The basic and diluted earnings per share were calculated by dividing the net profit for the period with the weighted average number of ordinary shares in issue.

Revenue

Operating income

Income from services rendered

Operating income 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.

Income from services rendered is recognised using the stage of completion method on the reporting date. Under the method, income 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. Income generated on the local market refers to Slovenia, while income referring to foreign markets was generated in EU countries and third countries.

Rental income

Rental income comprises primarily income from investment property i.e. income generated from facilities and land that are leased out under operating lease. Rental income is recognised within operating income.

Other income

Other operating income comprises revaluation operating income from the sale of property, plant and equipment, subsidies, donations, insurance proceeds and other income. Government grants and other subsidies received to compensate for expenses incurred are recognised as income in the same periods in which the costs are incurred. Other income is recognised when it can be justifiably expected that the related receipts will flow to the Company.

Finance income and finance expenses

Finance income comprises interest income from loans, dividend income, 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. Dividend income is recognised in profit or loss when a shareholder's right to payment is established.

Finance expenses comprise interest costs on borrowings, foreign exchange losses and impairment losses on financial assets recognised through profit or loss. Costs of borrowings and approval of these are recognised in the profit or loss over the entire maturity of the borrowings.

Costs and expenses

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 types. 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 assets

Impairment of non-financial assets

If there is any indication that an asset may be impaired, the asset's recoverable amount is assessed in accordance with IAS 36. When the asset's recoverable amount cannot be assessed, the Company 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 profit or loss.

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 financial asset's 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 profit or loss. 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 profit or loss.

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 in profit or loss as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows (or other assessed value) discounted at the current market rate of return for similar financial assets.

Statement of comprehensive income

The statement of comprehensive income outlines the net profit or loss for the period as well as other comprehensive income inclusive of items that will be reclassified to profit and loss at a future date and those that will never be reclassified to profit or loss in accordance with the provisions and requirements of other IFRSs.

Statement of cash flows

The statement of cash flows is presented by applying the indirect method, on the basis of items reported in the statement of financial position as at 31 December 2014 and 31 December 2013, as well as items in the income statement for the financial year 2014, inclusive of any necessary adjustments of the cash flow.

Statement of changes in equity

The statement of changes in equity outlines changes in individual equity components during the financial year (total income and expenses, in addition to transactions with stakeholders that act owners), inclusive of the net profit or loss distribution. The 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.

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 measures cost of management with benefits. Efficient risk management is ensured by timely identification and management of risks and by relevant guidelines and policies, which are laid down in documents of the overall management system.

Company's operations are exposed to risks, which largely depend on market laws and thereby requires active and ongoing 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 38 »Risk management«.

Newly adopted standards and interpretations

The following new standards and interpretations are not yet effective for the annual period ended 31 December 2014 and have not been applied in preparing the financial statements hereunder:

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

Effective for annual periods beginning on or after 1 February 2015. The amendments apply retrospectively. Earlier application is permitted.

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are:
- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The Company does not expect the amendment to have any impact on the financial statements as contributions paid for employees or third parties are recognised as decrease of service costs in the period, when the relevant service was rendered, and are not included in the accounting of current service costs or payable defined benefits.

IFRIC 21 - Levies

Effective for annual periods beginning on or after 17 June 2014. It is to be applied retrospectively. Earlier application is permitted.

The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by government.

In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached.

The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

It is expected that the Interpretation, when initially applied, will not have a material impact on the financial statements, since it does not results in a change in the Company's accounting policy regarding levies imposed by governments.

IFRS 3 – Business Combinations

The amendment to IFRS 3 *Business Combinations* (with consequential amendments to other standards) clarifies business combinations that when contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to IAS 32*,* rather than to any other standard*.* It also clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date.

The Company does not expect the amendment to have a significant impact on the financial statements since it does not have contingent considerations.

Fair value

Fair value is used with available-for-sale financial assets and hedging instruments, whereas all other financial statement items are presented at cost or amortised cost Fair value is used with available-for-sale financial assets and hedging instruments, whereas all other financial statement items are presented at cost or amortised cost.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - valuation techniques for which the lowest level input is directly or indirectly observable

Level 3 - valuation techniques for which the lowest level input is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the reporting period.

The fair value measurement hierarchy of the Company's assets and liabilities is presented in Note 38.

8 ADDITIONAL NOTES TO INCOME STATEMENT

Note 1 Revenue

(in EUR)	2014	2013
Revenue generated in Slovenia through sale of	**48,390,391**	**44,512,508**
- services	46,794,022	42,840,369
- goods and material	19,312	57,558
- rentals	1,577,057	1,614,581
Revenue generated on foreign markets through sale of	**106,074,116**	**92,296,284**
- services	105,911,680	92,104,450
- rentals	162,436	191,834
Total revenue	**154,464,507**	**136,808,792**

Note 2 Other income

(in EUR)	2014	2013
Other operating income	**832,920**	**115,740**
Reversal of provisions	750,219	493
Subsidies, grants and similar income	-	5,400
Revaluation operating income	**82,701**	**109,847**
Revaluation operating income	46,165	9,040
Collected receivables and liabilities written off	36,536	100,807
Other income	**1,391,873**	**1,371,721**
Compensations and damages	504,095	368,768
Subsidies and other income not related to services	684,917	998,053
Other income	202,861	4,900
Total other income	**2,224,793**	**1,487,461**

In 2014, provisions formed were reversed as a result of the favourable outcome of a legal dispute filed against the Company in the amount of EUR 750,219.

Note 3 Cost of material

(in EUR)	2014	2013
Cost of auxiliary material	1,821,116	3,316,180
Cost of spare parts	4,306,897	-
Cost of energy	6,482,935	6,517,690
Cost of office stationary	120,962	129,598
Other cost of material	324,354	361,031
Total	**13,056,264**	**10,324,499**

Note 4 Cost of services

(in EUR)	2014	2013
Port services	19,890,301	19,268,603
Cost of transportation	264,288	135,088
Cost of maintenance	6,441,282	8,223,305
Rentals	604,661	739,875
Reimbursement of labour-related costs	331,415	337,764
Costs of payment processing, bank charges and insurance premiums	513,218	420,581
Cost of intellectual and personal services	1,115,958	1,016,436
Advertising, trade fairs and hospitality	1,183,513	1,147,896
Costs of services provided by individuals not performing business activities	299,197	253,621
Cost of other services	10,615,183	9,402,658
Total	**41,259,016**	**40,945,827**

Costs of port services account for the largest share within the cost of services structure, which comprise port services rendered by contractors and services relating to the Company's core activity. Most of costs of other services refer to concession charges in the amount of EUR 5,248,716 (2013: EUR 4,578,513), cost of IT support in the amount of EUR 2,771,530 (2013: EUR 2,764,793), and cost of utility services in the amount of EUR 827,801 (2013: EUR 851,022).

All lease arrangements are revocable and the relevant future liabilities arising thereunder are insignificant.

Note 5 Employee benefits expense

(in EUR)	2014	2013
Wages and salaries	24,951,405	22,166,221
Wage compensations	4,004,803	3,946,254
Costs of additional pension insurance	1,135,329	1,050,855
Employer's contributions on employee benefits	4,770,173	4,430,206
Annual holiday pay, reimbursements and other costs	3,014,723	2,756,852
Total	**37,876,433**	**34,350,388**

In December 2014, all employees, except for the members of the Management Board and staff with individual contracts of employment, received an additional salary (13th salary) equal to each employee's average salary, for having reached the planned added value. Based on provisions and criteria of the applicable collective agreement and the income statements, Company's Management and both representatives of the trade union signed an agreement under which each employee is entitled to a bonus for contributing to added value per employee in the past two years. On the basis of the relevant agreement, wages and salaries were reconciled for the period from 1 July 2014 to 31 December 2014.

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 13th consecutive year.

The annual holiday pay amounted to EUR 789 per employee in 2014 (2013: EUR 788).

No loans were granted to employees under individual contracts and to members of the Management or Supervisory Boards.

The average number of employees by education:

Level of education	Headcount in 2014	Headcount in 2013
VIII/2	2	1
VIII/1	19	18
VII	104	98
VI/2	124	120
VI/1	63	60
V	238	234
IV	199	196
III	12	12
I–II	46	45
Total	**805**	**784**

Note 6 Amortisation and depreciation expense

(in EUR)	2014	2013
Depreciation of buildings	11,499,450	11,455,226
Depreciation of equipment and spare parts	13,351,978	14,144,123
Depreciation of small tools	16,935	117,511
Depreciation of investment property	429,825	420,481
Amortisation of intangible assets	568,193	542,008
Total	**25,866,381**	**26,679,349**

The rates of amortisation and depreciation used in 2014 equal those applied in 2013.

Note 7 Other operating expenses

(in EUR)	2014	2013
Provisions	744,073	1,146,602
Revaluation operating expenses associated with property, plant and equipment and investment property	95,167	8,480,558
Revaluation operating expenses associated with current operating assets	923,031	15,032
Levies that are not contingent upon employee benefits expense and other types of cost	5,315,199	5,290,796
Donations	156,628	94,000
Environmental levies	67,318	67,834
Awards and scholarship to students inclusive of tax	6,307	4,496
Awards and scholarship to students	2,100	2,100
Other costs and expenses	846,479	334,556
Total	**8,156,302**	**15,435,974**

In 2014, allowances for receivables were formed pursuant to the accounting policy in the amount of EUR 923,031.

The most significant item among levies refers to the use of building plot, which was recorded at EUR 5,153,529 in the reporting period (2013: EUR 5,099,682). The Company spent EUR 156,628 on donations (2013: EUR 94,000). The item of provisions relates to long-term provisions formed for legal disputes and claims for damages.

Note 8 Finance income and finance expenses

(in EUR)	2014	2013
Finance income from shares and interests		
Finance income from shares and interests in Group companies	501,648	625,780
Finance income from shares and interests in jointly controlled entities	225,000	221,952
Finance income from shares and interests in other companies	1,603,651	709,790
Finance income - interest		
Interest income - Group companies	5,442	7,288
Interest income - other	107,646	119,242
Finance income from operating receivables		
Finance income from operating receivables due from others	108,502	92,409
Net exchange differences	74,567	-
Total finance income	**2,626,456**	**1,776,461**
Finance expenses for investments		
Finance expenses for impairment and write-off of investments in Group companies	-48,827	-2,538,168
Finance expenses for impairment and write-off of investments in jointly controlled entities	-	-969,350
Finance expenses for impairment and write-off of other investments	-13,750	-1,237,326
Finance expenses – interest		
Interest expenses – Group companies	-189,536	-190,485
Interest expenses – associates and jointly controlled entities	-8,894	-9,490
Interest expenses – banks	-3,874,097	-4,342,250
Finance expenses for financial liabilities		
Finance expenses for trade payables	-90	-375
Finance expenses for other operating liabilities	-12,170	-22,832
Net exchange differences	-	-58,715
Total finance expenses	**-4,147,364**	**-9,368,991**
Net financial result	**-1,520,908**	**-7,592,530**

In 2014, the company Luka Koper INPO, d.o.o. paid out dividends in the amount of EUR 501,648.

Finance income from shares and interests in jointly controlled entities refer to dividends of the company Adria Transport, d.o.o. (EUR 150,000) and dividends of the company Adria-Tow, d.o.o. (EUR 75,000).

Finance income from shares and interests in other entities refer to dividends paid under securities and recognised capital gains generated through the sale of the 33.3% equity interest in the company Railport Arad S.r.l. Romania (EUR 670,000).

Finance expenses for financial liabilities declined by 11% in 2014 mostly as a result of lower volume of borrowing and lower variable Euribor interest rate. A detailed analysis of the interest rate risk and the sensibility of financial liabilities in terms of variable interest rate fluctuation is outlined in Note 38 'Financial risk management'.

Note 9 Profit or loss before tax

In 2014, the Company generated operating profit at EUR 30,474,904 compared to EUR 10,560,216 recorded in the previous year. With respect to the loss from financing activities that amounted to EUR –1,520,908 in 2014 (2013: EUR –7,592,530), the profit for the period is recorded at EUR 28,953,996 (2013: EUR 2,967,686).

Note 10 Taxes and effective tax rate

(in EUR)	2014	2013
Current tax	2,371,563	-
Deferred tax	134,019	-1,644,560
Total income tax expense	**2,505,582**	**-1,644,560**
Profit before tax	**28,953,996**	**2,967,686**
Income tax (17%)	**4,922,179**	**504,507**
Non-taxable income and increase in expenditure	-412,429	-1,342,954
Non-taxable dividends received	-282,250	-270,725
Tax incentives	-2,217,512	
Expenses not recognised for tax purposes	366,521	268,308
Impairment loss not recognised for tax purposes	129,073	-807,502
Other reduction in the tax basis	-	3,806
Total tax expense	**2,505,582**	**-1,644,560**
Effective tax rate	**8.65%**	**-**

Most of tax incentives refer to investments made in plant and equipment.

Note 11 Deferred taxes

Deferred taxes decreased the Company's profit by EUR 134,019, whereas in 2013 deferred taxes increased the profit by EUR 1,644,560.

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

(in EUR)	2014	2013
Provisions	-12,230	4,405
Unutilised tax losses	-104,307	104,307
Non-current investments	-167,550	1,531,803
Allowances for receivables	150,068	4,044
Interest hedging		
Total	**-134,019**	**1,644,559**

Changes in deferred tax liabilities recognised in the statement of other comprehensive income:

(in EUR)	2014	2013
Deferred tax on changes in fair value of available-for-sale financial assets	-218,907	-703,964
Change in fair value of financial instruments used in hedge accounting	128,875	118,586
Deferred tax on account of actuarial gains and losses on defined employee benefits	43,698	3,833
Total	**-46,334**	**-581,545**

Financial year 2014

(in EUR)	Receivables: Balance at 1 Jan 2014	Receivables: Recognised in profit or loss	Receivables: Recognised in equity	Receivables: Balance at 31 Dec 2014	Liabilities: Balance at 1 Jan 2014	Liabilities: Recognised in equity	Liabilities: Balance at 31 Dec 2014
Deferred tax assets and liabilities relating to:							
impairment of investments and financial instruments	9,162,463	-167,550	-141,077	8,853,836	2,122,178	-51,047	2,071,131
provisions for retirement benefits and jubilee premiums, and long-term accrued costs and deferred income from public commercial services	506,623	-12,230	43,698	538,090	-	-	-
allowances for receivables	77,526	150,068	-	227,594	-	-	-
tax losses	104,307	-104,307	-	-	-	-	-
Total	**9,850,919**	**-134,019**	**-97,379**	**9,619,520**	**2,122,178**	**-51,047**	**2,071,131**
Off-setting deferred tax assets and liabilities	-2,122,178						
Deferred tax assets in the statement of financial position	**7,728,741**			**9,619,520**	**2,122,178**		**2,071,131**

Financial year 2013

(in EUR)	Receivables: Balance at 1 Jan 2013	Receivables: Recognised in profit or loss	Receivables: Recognised in equity	Receivables: Balance at 31 Dec 2013	Liabilities: Balance at 1 Jan 2013	Liabilities: Recognised in equity	Liabilities: Balance at 31 Dec 2013
Deferred tax assets and liabilities relating to:							
impairment of investments and financial instruments	7,404,740	1,531,803	225,920	9,162,463	1,310,880	811,298	2,122,178
provisions for retirement benefits and jubilee premiums, and long-term accrued costs and deferred income from public commercial services	498,385	4,405	3,833	506,623	-	-	-
allowances for receivables	73,482	4,044	-	77,526	-	-	-
tax losses	-	104,307	-	104,307	-	-	-
Total	**7,976,607**	**1,644,559**	**229,753**	**9,850,919**	**1,310,880**	**811,298**	**2,122,178**
Off-setting deferred tax assets and liabilities	-1,310,880			-2,122,178	-1,310,880		-2,122,178
Deferred tax assets in the statement of financial position	**6,665,727**			**7,728,741**	**-**		**-**

Note 12 Earnings per share

(in EUR)	31 Dec 2014	31 Dec 2013
Net profit for the period	26,448,414	4,612,246
Total number of shares	14,000,000	14,000,000
Number of ordinary shares	14,000,000	14,000,000
Basic and diluted earnings per share	**1.89**	**0.33**

Net earnings per share for the fiscal year 2014 were calculated by dividing the net operating profit with the weighted average number of ordinary shares in issue during the year.

Following the conversion of all preference shares, the Company's registered capital consists solely of ordinary shares. Accordingly, the diluted earnings per share equal the basic earnings per share.

9 ADDITIONAL NOTES TO THE STATEMENT OF FINANCIAL POSITION

Note 13 Property, plant and equipment

(in EUR)	31 Dec 2014	31 Dec 2013
Property, plant and equipment		
Land	7,276,705	7,280,453
Buildings	213,618,753	221,080,309
Plant and machinery	58,389,052	63,032,036
Other plant and equipment	3,256,531	2,525,244
Property, plant and equipment being acquired and advances given	31,501,874	21,107,663
Total	**314,042,915**	**315,025,705**

No items of property, plant and equipment are pledged as collateral. No costs of borrowing were attributed to property, plant and equipment in 2014.

The cost of the property, plant and equipment in use, of which the carrying value as at 31 December 2014 equalled zero, is recorded at EUR 193,465,629 (2013: EUR 183,668,733).

As at 31 December 2014, the outstanding trade payables to suppliers of items of property, plant and equipment amounted to EUR 5,064,559 (2013: EUR 3,129,353).

In 2014, investments in property, plant and equipment amounted to EUR 28,390,770, the largest thereof include following:

- construction of the new rear area warehouse (zone 7. C) at the first pier,
- the first stage of deepening the ship canal was completed and the northern part of the first pool to the depth –14 metres,
- a new warehouse area of 6,480 square metres at the container terminal was put to use and will provide an additional TEU 600 of warehouse points,
- for the purpose of disposing dredged material from the northern part of the first pool, two cassettes were constructed in the Bonifika area i.e. 7A cassette and the cassette on the plot no. 799/29 cadastral municipality Ankaran,
- twelve new forklifts were purchased for the general cargo terminal due to wear of the old ones,
- the upgrade of the analogue and video surveillance system with IP technology was started,
- new technological equipment was purchased to reduce dust emissions during loading, and the warehouse area was rebuilt for the purpose of solid bulk goods,
- the critical part of the railway lines was renovated in order to prevent railway accidents,
- a new road-railway bridge over the Rižana was constructed to extend the existing railway lines capacities into the rear area of the second pier,
- a new rail shunting vehicle was acquired.

Movements in property, plant and equipment (PPE)

Financial year 2014

(in EUR)	Land	Buildings	Plant and equipment	Other plant and equipment	Assets being acquired	Advances for PPE	Total
Cost							
Balance at 31 Dec 2013	7,280,453	400,600,590	221,887,333	13,012,855	20,638,263	469,400	663,888,894
Transfers							-
Balance at 1 Jan 2014	7,280,453	400,600,590	221,887,333	13,012,855	20,638,263	469,400	663,888,894
Additions	5,850	56,293	77,401	20,916	28,666,607	-436,297	28,390,770
Transfer from investment in progress	-	7,962,519	8,091,746	1,106,592	-17,160,857	-	-
Disposals	-4,055	-21,970	-126,095	-149,311			-301,431
Write-offs		-116,652	-505,796		-264,214		-886,662
Transfer from intangible assets	-	1,148,084	770,381	-		-	1,918,465
Transfer to investment property	-5,543	-4,371,505		-	-411,028	-	-4,788,076
Transfer from investment property		857,436					857,436
Transfer to assets (disposal group) held for sale	-	-	-965,570	-258,393		-	-1,223,963
Transfer from assets (disposal group) held for sale			143,090				143,090
Reclassifications within property, plant and equipment	-	-182,936	231,337	-48,401	-	-	-
Balance at 31 Dec 2014	7,276,705	405,931,859	229,603,827	13,684,258	31,468,771	33,103	687,998,523
Accumulated depreciation							
Balance at 31 Dec 2013	-	179,520,281	158,855,297	10,487,611	-	-	348,863,189
Transfers							-
Balance at 1 Jan 2014	-	179,520,281	158,855,297	10,487,611	-	-	348,863,189
Depreciation	-	11,499,450	12,933,034	435,879	-	-	24,868,363
Disposals		-443	-125,777	-149,311			-275,531
Write-offs	-	-97,897	-505,796		-	-	-603,693
Transfer from intangible assets	-	1,148,084	770,381	-	-	-	1,918,465
Transfer to investment property	-	-319,050		-	-	-	-319,050
Transfer from investment property		587,229					587,229
Transfer to assets (disposal group) held for sale	-	-	-962,289	-261,677	-	-	-1,223,966
Transfer from assets (disposal group) held for sale			140,602				140,602
Reclassifications within property, plant and equipment	-	-24,548	109,323	-84,775	-	-	-
Balance at 31 Dec 2014	-	192,313,106	171,214,775	10,427,727	-	-	373,955,608
Carrying amount							
Balance at 31 Dec 2013	**7,280,453**	**221,080,309**	**63,032,036**	**2,525,244**	**20,638,263**	**469,400**	**315,025,705**
Balance at 1 Jan 2014	**7,280,453**	**221,080,309**	**63,032,036**	**2,525,244**	**20,638,263**	**469,400**	**315,025,705**
Balance at 31 Dec 2014	**7,276,705**	**213,618,753**	**58,389,052**	**3,256,531**	**31,468,771**	**33,103**	**314,042,915**

Financial year 2013

(in EUR)	Land	Buildings	Plant and equipment	Other plant and equipment	Assets being acquired	Advances for PPE	Total
Cost							
Balance at 31 Dec 2012	6,261,659	391,294,360	230,663,518	139,696	23,923,228	11,700	652,294,161
Transfers			-13,192,036	13,192,036			-
Balance at 1 Jan 2013	6,261,659	391,294,360	217,471,482	13,331,732	23,923,228	11,700	652,294,161
Additions	-	128,068	84,761	57,790	13,453,848	457,700	14,182,167
Transfer from investment in progress	-	6,841,169	6,165,510	178,531	-13,185,210	-	-
Disposals, write-offs	-217,104	-16,537	-214,491	-7,673		-	-455,805
Impairment	-62,894	-140,103	-	-	-3,526,433	-	-3,729,430
Transfer from/to intangible assets	-	54,147	244,326	-	-4,980	-	293,493
Transfer from/to investment property	1,298,792	2,456,444	4,535	-	-20,155	-	3,739,616
Transfer from/to assets (disposal group) held for sale	-	-	-933,018	-335,574	-2,035	-	-1,270,627
Reclassifications within property, plant and equipment	-	-16,958	228,909	-211,951	-	-	-
Reclassifications within cost and value adjustment	-	-	-1,164,681	-	-	-	-1,164,681
Balance at 31 Dec 2013	7,280,453	400,600,590	221,887,333	13,012,855	20,638,263	469,400	663,888,894
Accumulated amortisation							
Balance at 31 Dec 2012	-	167,701,208	156,791,931	-	-	-	324,493,139
Transfers			-10,299,637	10,299,637			-
Balance at 1 Jan 2013	-	167,701,208	146,492,294	10,299,637	-	-	324,493,139
Depreciation	-	11,455,226	13,671,209	590,424	-	-	25,716,859
Disposals, write-offs	-	-8,983	-214,023	-7,651	-	-	-230,657
Transfer from/to intangible assets	-	54,147	244,326	-	-	-	298,473
Transfer from/to investment property	-	335,601	4,535	-	-	-	340,136
Transfer from/to assets (disposal group) held for sale	-	-	-407,155	-182,925	-	-	-590,080
Reclassifications within property, plant and equipment	-	-16,918	228,792	-211,874	-	-	-
Reclassifications within cost and value adjustment	-	-	-1,164,681	-	-	-	-1,164,681
Balance at 31 Dec 2013	-	179,520,281	158,855,297	10,487,611	-	-	348,863,189
Carrying amount							
Balance at 31 Dec 2012	**6,261,659**	**223,593,152**	**73,871,587**	**139,696**	**23,923,228**	**11,700**	**327,801,022**
Balance at 1 Jan 2013	**6,261,659**	**223,593,152**	**70,979,188**	**3,032,095**	**23,923,228**	**11,700**	**327,801,022**
Balance at 31 Dec 2013	**7,280,453**	**221,080,309**	**63,032,036**	**2,525,244**	**20,638,263**	**469,400**	**315,025,705**

Note 14 Investment property

(in EUR)	31 Dec 2014	31 Dec 2013
Investment property		
Investment property - land	17,411,596	16,468,149
Investment property - buildings	12,828,685	7,170,630
Total	**30,240,281**	**23,638,779**

Investment property consists of buildings that are leased out. Investment property increased by EUR 6,601,502 over the previous year as a result of reclassifying a part of investment property from 'property, plant and equipment' in the amount of EUR 4,198,819 and from 'assets held for sale' in the amount of EUR 2,832,509.

Leased properties

(in EUR)	31 Dec 2014	31 Dec 2013
Rental income on investment property	1,327,530	1,289,120
Depreciation of investment property	429,825	420,481

Investment properties are not pledged as collateral.

Fair value of investment property was assessed on the basis of appraisals made in 2013 and exceeded their book value. In 2014, investment property increased by the transfers from properties, which were completed in 2014; it is therefore assessed that the properties’ value reflects their fair value.

Movements in investment properties

Financial year 2014

(in EUR)	Land	Buildings	Total
Cost			
Balance at 31 Dec 2013	16,468,149	10,665,413	27,133,562
Adjustments	-	-	-
Balance at 1 Jan 2014	16,468,149	10,665,413	27,133,562
Transfer to property, plant and equipment	48,412	4,739,664	4,788,076
Transfer from property, plant and equipment		-857,436	-857,436
Transfer from/to assets (disposal group) held for sale	895,035	5,074,345	5,969,380
Balance at 31 Dec 2014	17,411,596	19,621,986	37,033,582
Accumulated depreciation			
Balance at 31 Dec 2013	-	3,494,783	3,494,783
Adjustments	-	-	-
Balance at 1 Jan 2014	-	3,494,783	3,494,783
	-		
Depreciation	-	429,825	429,825
Transfer to property, plant and equipment	-	319,050	319,050
Transfer from property, plant and equipment		-587,229	-587,229
Transfer from/to assets (disposal group) held for sale	-	3,136,872	3,136,872
Balance at 31 Dec 2014	-	6,793,301	6,793,301
Carrying amount			
Balance at 31 Dec 2013	**16,468,149**	**7,170,630**	**23,638,779**
Balance at 1 Jan 2014	**16,468,149**	**7,170,630**	**23,638,779**
Balance at 31 Dec 2014	**17,411,596**	**12,828,685**	**30,240,281**

Financial year 2013

(in EUR)	Land	Buildings	Total
Cost			
Balance at 31 Dec 2012	21,070,841	20,882,505	41,953,346
Adjustments	-	-	-
Balance at 1 Jan 2013	21,070,841	20,882,505	41,953,346
Impairments	-2,354,305	-2,106,893	-4,461,198
Transfer to property, plant and equipment	-1,298,792	-2,440,824	-3,739,616
Transfer from/to assets (disposal group) held for sale	-490,422	-6,128,548	-6,618,970
Reclassifications within investment property	-459,173	459,173	-
Balance at 31 Dec 2013	16,468,149	10,665,413	27,133,562
Accumulated depreciation			
Balance at 31 Dec 2012	-	6,610,593	6,610,593
Adjustments	-	-	-
Balance at 1 Jan 2013	-	6,610,593	6,610,593
	-		
Depreciation	-	420,481	420,481
Transfer from/to property, plant and equipment	-	-340,136	-340,136
Transfer from/to assets (disposal group) held for sale	-	-3,196,155	-3,196,155
Balance at 31 Dec 2013	-	3,494,783	3,494,783
Carrying amount			
Balance at 31 Dec 2012	**21,070,841**	**14,271,912**	**35,342,753**
Balance at 1 Jan 2013	**21,070,841**	**14,271,912**	**35,342,753**
Balance at 31 Dec 2013	**16,468,149**	**7,170,630**	**23,638,779**

Note 15 Intangible assets (IA)

(in EUR)	31 Dec 2014	31 Dec 2013
Intangible assets		
Long-term property rights (concessions, patents, licences, trademarks and similar rights)	4,612,609	5,085,761
Total	**4,612,609**	**5,085,761**

The cost of intangible assets in use, whose carrying amount as at 31 December 2014 equalled zero, is recorded at EUR 8,408,537 compared to 31 December 2013 when it was EUR 10,327,003.

Intangible assets were not pledged as collateral as at 31 December 2014.

Movements in intangible assets

Financial year 2014

(in EUR)	Long-term property rights	Intangible assets being acquired	Total
Cost			
Balance at 31 Dec 2013	16,008,935	458,316	16,467,251
Adjustments			-
Balance at 1 Jan 2014	16,008,935	458,316	16,467,251
Additions	-	95,041	95,041
Transfer to property, plant and equipment	-1,918,465	-	-1,918,465
Balance at 31 Dec 2014	14,090,470	553,357	14,643,827
Accumulated amortisation			
Balance at 31 Dec 2013	11,381,490	-	11,381,490
Adjustments			-
Balance at 1 Jan 2014	11,381,490	-	11,381,490
Amortisation	568,193	-	568,193
Transfer to property, plant and equipment	-1,918,465	-	-1,918,465
Balance at 31 Dec 2014	10,031,218	-	10,031,218
Carrying amount			
Balance at 31 Dec 2013	**4,627,445**	**458,316**	**5,085,761**
Balance at 1 Jan 2014	**4,627,445**	**458,316**	**5,085,761**
Balance at 31 Dec 2014	**4,059,252**	**553,357**	**4,612,609**

Financial year 2013

(in EUR)	Long-term property rights	Intangible assets being acquired	Total
Cost			
Balance at 31 Dec 2012	14,712,495	1,750,047	16,462,542
Adjustments			-
Balance at 1 Jan 2013	14,712,495	1,750,047	16,462,542
Additions	-	340,202	340,202
Transfer to investments in progress	1,589,933	-1,589,933	-
Disposals, write-offs	-	-42,000	-42,000
Transfer from/to property, plant and equipment	-293,493	-	-293,493
Balance at 31 Dec 2013	16,008,935	458,316	16,467,251
Accumulated amortisation			
Balance at 31 Dec 2012	11,137,955	-	11,137,955
Adjustments			-
Balance at 1 Jan 2013	11,137,955	-	11,137,955
Amortisation	542,008	-	542,008
Transfer from/to property, plant and equipment	-298,473	-	-298,473
Balance at 31 Dec 2013	11,381,490	-	11,381,490
Carrying amount			
Balance at 31 Dec 2012	**3,574,540**	**1,750,047**	**5,324,587**
Balance at 1 Jan 2013	**3,574,540**	**1,750,047**	**5,324,587**
Balance at 31 Dec 2013	**4,627,445**	**458,316**	**5,085,761**

Note 16 Investments in subsidiaries

Investments in subsidiaries

(in EUR)	Equity interest (in %)	Balance of investments at 31 Dec 2014	Balance of investments at 31 Dec 2013
Subsidiaries:			
Luka Koper Inpo, d.o.o.	100.0	1,336,288	1,336,288
Luka Koper Pristan, d.o.o.	100.0	485,000	
Adria terminali, d.o.o.	100.0	226,000	226,000
Adria investicije, d.o.o.	100.0	1,775,775	
Logis Nova, d.o.o.	99.6	710,000	
TOC, d.o.o.	68.1	-	-
Adriasole d.o.o. – in bankruptcy	98.0	-	-
Total		**4,533,063**	**1,562,288**

As at 31 December 2014, investments in subsidiaries amounted to EUR 4,533,063 and indicate an increase by EUR 2,970,775 over the previous year due to reclassifications. Investments in companies Adria Investicije, d.o.o., Logis Nova, d.o.o., and Luka Koper Pristan, d.o.o. were in 2014 transferred from the item 'assets held for sale'. No other changes were recorded in the reporting period.

Note 17 Investments in jointly controlled entities and associates

(in EUR)	Equity interest (in %)	Balance of investments at 31 Dec 2014	Balance of investments at 31 Dec 2013
Jointly controlled entities:			
Adriafin d.o.o.	50.0	5,986,104	5,986,104
Adria Tow, d.o.o.	50.0	159,842	159,842
Adria Transport, d.o.o.	50.0	450,000	450,000
Associates:			
Avtoservis, d.o.o.	49.0	141,764	141,764
RP AradRailport Arad S. r. l.	33.3		980,000
Golf Istra – in bankruptcy, d.o.o.	20.0	-	-
Total		**6,737,709**	**7,717,709**

As at the year-end of 2014, the Company sold the 33.3 percent equity interest in the company Railport Arad S.r.l. and thereby generated EUR 670,000 of capitals gains.

Note 18 Other non-current investments

(in EUR)	31 Dec 2014	31 Dec 2013
Other non-current investments		
Other investments measured at cost	5,588,388	5,588,388
Other investments measured at fair value through equity	29,261,977	27,673,511
Total non-current investments	**34,850,365**	**33,261,899**

In 2014, non-current investment were recorded at EUR 34,850,365 and comprise primarily investments in securities and equity interests.

Movements of non-current investments

(in EUR)	2014	2013
Balance at 31 Dec 2013	**33,261,899**	**29,294,146**
		-
Increase		**-**
Transfer from assets (disposal group) held for sale	591,705	-
Revaluation to fair value through equity	1,287,685	4,585,031
Decrease		-
Repayments, disposal		-367,008
Disposal, long-term write-off		-250,270
Revaluation to fair value through equity	-290,924	
Balance at 31 Dec 2014	**34,850,365**	**33,261,899**

The respective increase refers to the transfer of investments in shares and interests of the company Intereuropa, d.d., from 'assets held for sale', and the adjustment with fair value. The decrease relates to the change in fair value of interest rate hedging instrument.

Note 19 Loans given

(in EUR)	31 Dec 2014	31 Dec 2013
Loans:		
Financial assets held to maturity		
Non-current loans given with purchase of bonds from others	528,976	1,310,222
Loans		
Non-current loans to others, including finance lease	69,338	74,341
Non-current housing loans to employees	37,940	37,233
Non-current loans to others	31,398	37,108
Total loans	**598,314**	**1,384,563**

Movements in loans in 2014

(in EUR)	Held-to maturity financial assets	Loans	Total
Balance at 31 December 2013	**1,310,222**	**74,341**	**1,384,563**
Increase			
Interest	-	234	234
Transfer from current investments	-	16,802	16,802
Decrease			-
Repayments, disposal	-781,246	-18,637	-799,883
Transfer to current investments	-	-1,478	-1,478
Disposal, long-term write-off	-	-1,924	-1,924
Balance at 31 December 2014	**528,976**	**69,338**	**598,314**

Held-to-maturity investments refer to bonds issued by Slovenian entities and amounted to EUR 528,976 as at the reporting date. The Company sold the bonds of the Factor Banka in 2014.

Movements in loans in 2013

(in EUR)	Held-to maturity financial assets	Loans	Total
Balance at 31 Dec 2012	**1,454,471**	**62,925**	**1,517,396**
Increase			
New loans, acquisitions	-	1,177	1,177
Interest	-	4,831	4,831
Transfer from current investments	-	62,818	62,818
Revaluation to fair value through equity			-
Decrease			-
Repayments, disposal	-144,249	-41,320	-185,569
Transfer to current investments	-	-16,802	-16,802
Disposal, long-term write-off	-	712	712
Balance at 31 Dec 2013	**1,310,222**	**74,341**	**1,384,563**

Note 20 Non-current operating receivables

Non-current operating receivables disclosed at EUR 5,681 refer to securities provided for the lease of premises for the representative offices.

Note 21 Deferred tax assets and liabilities

(in EUR)	Assets		Liabilities		Net deferred taxes	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Deferred tax assets and liabilities relating to:						
- investments and financial instruments	8,853,835	9,162,462	2,071,131	2,122,178	6,782,704	7,040,284
- trade receivables	227,593	77,526	-	-	227,593	77,526
- provisions for retirement benefits	96,833	45,950	-	-	96,833	45,950
- provisions for jubilee premiums	32,167	24,515	-	-	32,167	24,515
- long-term accrued costs and deferred income from public commercial services	409,092	436,158	-	-	409,092	436,158
- tax losses	-	104,308	-	-	-	104,308
Total	**9,619,520**	**9,850,919**	**2,071,131**	**2,122,178**	**7,548,389**	**7,728,741**

Deferred tax assets are accounted for as temporary differences arising from non-current investments and interest hedging (EUR 8,853,835), deferred income from public commercial services (EUR 409,092), impairment of receivables (EUR 227,593), and provisions for termination benefits and jubilee premiums (EUR 129,000).

Note 22 Assets (disposal group) held for sale

Company's assets held for sale amounted to EUR 1,781,382 and indicate a decline over 2013 by EUR 6,451,797.

Following reclassifications from 'assets held for sale' were made in 2014:

- to investments in companies Adria Investicije, d.o.o. (EUR 1,775,775), Logis Nova, d.o.o. (EUR 710,000) and Luka Koper Pristan, d.o.o. (EUR 485,000) were reclassified among subsidiaries;
- shares and interests of Intereuropa d.d. in the amount of EUR 591,705 were reclassified to other investments,
- the Prisoje building (EUR 1,193,495) and Pristan building (EUR 1,639,014) were reclassified to investment property (EUR 2,832,509).

Movements in assets (disposal group) held for sale in 2014

(in EUR)	Property, plant and equipment	Other assets	Total
Balance at 31 Dec 2013	4,706,246	3,526,933	8,233,179
Increase			
Additions		84,374	84,374
Decrease			
Repayments, disposal	-89,865	-	-89,865
Transfer to non-current investments	-	-3,562,480	-3,562,480
Transfer to investment property	-2,832,509		-2,832,509
Transfer to property, plant and equipment	-2,490		-2,490
Revaluation to fair value	-	-48,827	-48,827
			-
Balance at 31 Dec 2014	**1,781,382**	**-**	**1,781,382**

Movements in assets (disposal group) held for sale in 2013

(in EUR)	Property, plant and equipment	Other assets	Total
Balance at 31 Dec 2012	1,272,226	4,716,519	5,988,745
Increase			
Transfer from property, plant and equipment	680,547	-	680,547
Transfer from investment property	3,422,815	-	3,422,815
Transfer from non-current investments	-	485,000	485,000
Decrease			
Repayments, disposal	-534,108	-615,730	-1,149,838
Final write-off	-234	-	-234
Revaluation to fair value	-135,000	-1,058,856	-1,193,856
Balance at 31 Dec 2013	4,706,246	3,526,933	8,233,179
Balance at 31 Dec 2013	**4,706,246**	**3,526,933**	**8,233,179**

Note 23 Inventories

As of the reporting date, inventories were recorded at EUR 463,957 and refer to maintenance material.

Note 24 Loans given

Financial year 2014

(in EUR)	Loans to Group companies	Loans / deposits	Total
Balance at 31 Dec 2013	422,819	112,164	534,983
Increase			
New loans, acquisitions	74,000	1,000,000	1,074,000
Interest		36	36
Transfer from non-current investments		1,478	1,478
Decrease			
Repayments, disposal	-200,000	-94,538	-294,538
Transfer to non-current investments		-16,802	-16,802
Balance at 31 Dec 2014	296,819	1,002,338	1,299,157

A current loan was extended to the subsidiary Adria Terminali, d.o.o. under the applicable interest rate among related companies. The item of loans and deposits largely refers to the Company's current deposit in the amount of EUR 1,000,000.

Financial year 2013

(in EUR)	Loans to Group companies	Loans / deposits	Total
Balance at 31 Dec 2012	423,319	3,102,491	3,525,810
Increase			
New loans, acquisitions	99,500		99,500
Interest	-	16,802	16,802
Transfer from non-current investments			-
Decrease	-100,000	-2,974,942	-3,074,942
Formation of allowances or value adjustments		-705	-705
Collected, written-off investments		31,335	31,335
Transfer to non-current investments	-	-62,817	-62,817
Balance at 31 Dec 2013	422,819	112,164	534,983

Note 25 Trade and other receivables

(in EUR)	31 Dec 2014	31 Dec 2013
Current trade receivables:		
domestic market	5,876,315	6,211,244
foreign markets	7,652,450	7,409,227
Current operating receivables due from exporters	6,979,428	7,601,031
Current operating receivables due from Group companies	93,349	51,496
Current operating receivables due from associates	30,825	29,471
Current trade receivables	**20,632,367**	**21,302,469**
Current receivables due from dividends	200,000	200,000
Advances and collaterals given	41,617	5,295
Interest receivables	9,960	12,127
Receivables due from the state	1,897,923	2,398,490
Other current receivables	121,454	175,013
Total trade receivables	**22,903,322**	**24,093,394**
Short-term deferred costs and expenses	215,126	338,641
Accrued income	1,370,766	1,403,088
Other receivables	**1,585,892**	**1,741,728**
Total	**24,489,213**	**25,835,122**

With most trade receivables, the Company has an option to enforce a legal lien over the stored goods in its possession.

In 2014, the Company formed EUR 923,030 of allowances for receivables.

At 31 December 2014, no receivables were due from members of the Management Board or the Supervisory Board.

The Company records pledged receivables as at 31 December 2014 in connection with collateralising a bank borrowing.

Current accrued income in its full amount refers to costs arising in connection with European projects that are co-financed by European institutions.

Maturity of receivables:

(in EUR)	Balance at 31 Dec 2014	Allowances 2014	Balance at 31 Dec 2013	Allowances 2013
Outstanding trade receivables neither past due nor impaired	17,985,282		17,462,251	
Past due receivables:				
up to 30 days	2,247,969		2,230,173	
31 to 60 days overdue	181,011		625,850	
61 to 90 days overdue	51,926		210,962	
91 to 180 days overdue	148,778		292,759	
more than 180 days overdue	2,414,437	2,387,075	2,037,697	1,545,097
Total	**23,029,404**	**2,387,075**	**22,859,692**	**1,545,097**

Note: the amount comprises trade receivables due from subsidiaries and associates, and interest receivables.

Total interest income arising from late payments of receivables amounted to EUR 106,135 in the reporting period (2013: EUR 92,409).

Movements of allowances for receivables:

(in EUR)	31 Dec 2014	31 Dec 2013
Balance at 1 Jan	1,545,097	1,569,163
Allowances for receivables formed	923,031	75,393
Collected receivables written off	-36,536	-99,459
Final write-off of receivables	-44,517	-
Balance at 31 December	**2,387,075**	**1,545,097**

Note 26 Cash and cash equivalents

(in EUR)	31 Dec 2014	31 Dec 2013
Cash in hand	20	20
Bank balances	1,032,256	578,114
Current deposits	2,952,015	317,189
Total	**3,984,291**	**895,323**

At 31 December 2014, cash in the amount of EUR 3,984,291 encompasses bank balances and bank deposits with maturity of up to 3 months. The Company has not agreed any overdraft facilities with banks. For daily cash surpluses on bank accounts, the Company has entered into framework deposit contracts and into a contract for transfer of any surplus cash, to secure optimum liquidity.

Note 27 Equity and reserves

Share capital

The share capital in the amount of EUR 58,420,965 consists of 14,000,000 registered ordinary no-par value shares of the controlling company Luka Koper, d.d. that are freely transferable. Nominal value of one share is EUR 4.17.

Reserves

The Company records legal reserves. Legal reserves and share premium are not included in the accumulated profit and are not subject to distribution. The Company has no statutory reserves, as they are not envisaged under the Articles of Association. Upon the proposal of the Management Board, the Company formed additional, other revenue reserves as at the year-end of 2014 in the amount of EUR 13,224,207 (half of the profit for the period) in compliance with Article 230, Paragraph 3 of the Companies Act.

(in EUR)	31 Dec 2014	31 Dec 2013
Share premium	89,562,703	89,562,703
Legal reserves	18,765,115	18,765,115
Other revenue reserves	75,557,441	62,333,234
Total	**183,885,259**	**170,661,052**

Revaluation surplus

As at the end of 2014, surplus on revaluation of equity under investments measured at fair value, under revaluation of hedging instruments' fair value, and under provisions for unrealised actuarial gains or losses amounted to EUR 11,124,858. After deducting deferred taxes, the revaluation surplus is recorded at EUR 9,186,100.

Use of accumulated profit as at 31 December 2013

The Management and Supervisory Board proposed the Shareholders' Meeting to appropriate the accumulated profit of 2013 in the amount of EUR 3,721,761 as follows:

- portion of accumulated profit in the amount of EUR 1,400,000 is used for dividend pay-out i.e. EUR 0.1 gross per share,
- the residual amount of accumulated profit in the amount of EUR 2,321,761 remains unappropriated.

In a counter-proposal from 8 July 2014 filed during the Shareholders' Meeting, filed by shareholders of the Republic of Slovenia and SDH, d.d, the accumulated profit is to appropriated as follows:

- portion of the accumulated profit in the amount of EUR 2,240,000 is used for dividend pay-out i.e. EUR 0.16 gross per share,
- the residual amount of accumulated profit in the amount of EUR 1,481,761 remains unappropriated.

Statement of accumulated profit for the financial year 2014 and the proposal for its distribution are provided in Section 10 'Statement of accumulated profit'.

Note 28 Provisions

(in EUR)	31 Dec 2014	31 Dec 2013
Provisions for retirement benefits and similar obligations	1,517,649	829,003
Provisions for legal disputes	2,675,441	3,077,543
Total	**4,193,090**	**3,906,546**

Movement of provisions

Financial year 2014

(in EUR)	Pensions, jubilee premiums, retirement benefits	Claims and damages	Total
Balance at 31 Dec 2013	829,003	3,077,543	3,906,546
Movement:			-
Formation	757,715	744,073	1,501,788
Use	-69,069	-395,956	-465,025
Reversal	-	-750,219	-750,219
Balance at 31 Dec 2014	**1,517,649**	**2,675,441**	**4,193,090**

Based on the actuarial calculation, the Company recognised unrealised actuarial losses on account of termination benefits in the amount of EUR 514,100 in other comprehensive income, whereas actuarial losses on account of current employee benefits in the amount of EUR 92,210 and EUR 9,942 on account of interest expense were recognised in profit or loss. In addition, current employee benefits and interest expenses associated with jubilee premiums were recognised in profit or loss as actuarial losses in the amount of EUR 141,461.

Use of provisions created for legal disputes and damages in the amount of EUR 395,956 relates to the payment made to Slovenia's Competition Protection Office. In 2014, the Company reversed provisions created for a legal dispute in the amount of EUR 750,219, as the court did not satisfy the claim; additional provisions of EUR 744,073 were also recorded in connection with another legal disputed and a related court settlement.

Financial year 2013

(in EUR)	**Pensions, jubilee premiums, retirement benefits**	**Claims and damages**	**Total**
Balance at 31 Dec 2012	772,461	1,828,648	2,601,109
Changes:			
Formation	171,250	1,354,902	1,526,152
Transfer from other liabilities	-	197,978	197,978
Use	-114,708	-95,685	-210,393
Reversal	-	-208,300	-208,300
Balance at 31 Dec 2013	**829,003**	**3,077,543**	**3,906,546**

Note 29 Long-term deferred income

(in EUR)	**Deferred income for regular maintenance**	**Other long-term deferred income**	**Total**
Balance at 31 Dec 2013	5,539,649	908,073	6,447,722
Movement:			
Formation	739,562	198,622	3,063,570
Use		-10,792	-2,136,178
Balance at 31 Dec 2014	**6,279,211**	**1,095,903**	**7,375,114**

In compliance 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 performing commercial services. Any annual surplus of revenue over costs is retained as a provision for costs of ordinary maintenance of port infrastructure in future years.

(in EUR)	Deferred income for regular maintenance	Other long-term deferred income	Total
Balance at 31 Dec 2012	3,781,181	245,388	4,026,569
Changes:			
Formation	1,758,468	673,478	2,431,946
Use	-	-10,793	-10,793
Balance at 31 Dec 2013	**5,539,649**	**908,073**	**6,447,722**

Note 30 Loans and borrowings

(in EUR)	31 Dec 2014	31 Dec 2013
Non-current financial liabilities to Group companies	10,056,580	10,250,580
Non-current financial liabilities to associates	500,000	500,000
Non-current borrowings from domestic banks	56,897,141	79,559,745
Non-current borrowings from foreign banks	52,924,280	56,912,836
Total	**120,378,001**	**147,223,161**

Financial year 2014

	Lender			
(in EUR)	Group companies	Associates	Banks	Total
Principal amount at 1 Jan 2014	10,250,580	500,000	136,472,581	147,223,161
Repayments	-194,000		-10,750,000	-10,944,000
Deferred costs of approval			26,620	26,620
Amounts maturing in 2015			-15,927,780	-15,927,780
Principal amount at 31 Dec 2014	**10,056,580**	**500,000**	**109,821,421**	**120,378,001**

Financial year 2013

	Lender			
(in EUR)	Group companies	Associates	Banks	Total
Principal amount at 1 Jan 2013	10,183,575	550,000	134,712,778	145,446,353
New borrowings	477,005	165,000	20,000,000	20,642,005
Repayments	-410,000	-215,000	-3,028,917	-3,653,917
Amounts maturing in 2014	-	-	-15,211,280	-15,211,280
Principal amount at 31 Dec 2013	**10,250,580**	**500,000**	**136,472,581**	**147,223,161**

Company's non-current borrowings indicate a decline in 2014 in the amount of EUR 26,845,160 if compared to the previous year.

As at 31 December 2014, non-current borrowings from banks amounted to EUR 109,821,421. The amount of principals (EUR 15,927,780) of non-current borrowings, which falls due in 2015, was re-classified to current liabilities.

All bank loans are tied to the variable interest rate. As at the year-end of 2014, the variable interest rate, calculated as annual nominal interest rate, ranged between 0.788 and 2.983 percent.

Two of the borrowings in the total amount of EUR 65,000,000 are hedged against interest rate risk by means of interest rate swaps.

Interest rate agreed in loan contracts with related entities is the tax recognised rate for transactions with related parties.

All non-current loans are repaid according to a predetermined schedule. For some of the loans the Company was granted a moratorium on the payment of the principal. All liabilities from non-current borrowings from banks are collateralised with blank bills of exchange and financial covenants, whereby one borrowing by collateralisation of receivables. The Company complies with all financial covenants under the loan agreements.

In addition to bank borrowings, the Company records EUR 12 million of borrowings with subsidiaries and associates. Of the total amount borrowed, only EUR 10,556,580 (2013: EUR 10,750,580) was drawn; the long-term contracts for borrowings were agreed as non-current revolving credits maturing in 2016.

The Company settles all financial liabilities on an ongoing basis and records no past due payables.

Balance of non-current and current borrowings from banks (at par value) and their maturity

Financial year 2014

(in EUR)	Principal at 31 Dec 2014	Financial year 2015	Financial year 2016	Financial year 2017	Financial year 2018	Financial year 2019	Period 2020–2031
Principal amount of bank borrowings by maturity	125,947,773	15,927,780	12,856,858	14,428,399	22,310,399	10,504,399	49,919,939
Expected interest		2,427,584	2,062,467	1,768,915	1,391,454	1,034,795	2,794,807
Total	**125,947,773**	**18,355,364**	**14,919,325**	**16,197,314**	**23,701,853**	**11,539,194**	**52,714,746**

Financial year 2013

(in EUR)	Principal at 31 Dec 2013	Financial year 2014	Financial year 2015	Financial year 2016	Financial year 2017	Financial year 2018	Period 2019–2031
Principal amount of bank borrowings by maturity	151,909,053	15,211,280	19,235,780	16,164,857	17,312,399	23,310,399	60,674,338
Expected interest		3,363,165	2,959,000	2,504,438	2,072,681	1,578,115	4,445,383
Total	**151,909,053**	**18,574,445**	**22,194,780**	**18,669,295**	**19,385,080**	**24,888,514**	**65,119,721**

Note 31 Other non-current financial liabilities

(in EUR)	31 Dec 2014	31 Dec 2013
Other non-current financial liabilities	1,455,654	988,486

The item of other non-current financial liabilities refers to the fair value of interest rate swaps.

Note 32 Non-current operating liabilities

(in EUR)	31 Dec 2014	31 Dec 2013
Non-current advances and securities received	81,281	60,090
Total	**81,281**	**60,090**

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

Note 33 Loans and borrowings

(in EUR)	31 Dec 2014	31 Dec 2013
Non-current borrowings from domestic banks	11,927,780	11,211,280
Non-current borrowings from foreign banks	4,000,000	4,000,000
Total	**15,927,780**	**15,211,280**

Current loans from banks include as at 31 December 2014 a portion of long-term principal amounts that mature in 2015 according to amortisation schedules.

A revolving loan in the amount of EUR 7,000,000 was raised in 2014 at a commercial bank but was not drawn during the year.

Movement of borrowings

Financial year 2014

	Lender			
(in EUR)	Group companies	Associates	Banks	Total
Principal amount at 1 Jan 2014	-	-	15,211,280	15,211,280
New borrowings	2,000,000	80,000	200,000	2,280,000
Interest				-
Repayments	-2,000,000	-80,000	-15,411,280	-17,491,280
Transfer from non-current borrowings – amounts maturing in 2015			15,927,780	15,927,780
Principal amount at 31 Dec 2014	**-**	**-**	**15,927,780**	**15,927,780**

Financial year 2013

	Lender			
(in EUR)	Group companies	Associates	Banks	Total
Principal amount at 1 Jan 2013	-	-	46,586,860	46,586,860
New borrowings	2,365,000	500,000	10,625,000	13,490,000
Repayments	-2,365,000	-500,000	-57,211,860	-60,076,860
Transfer from non-current borrowings – amounts maturing in 2014	-	-	15,211,280	15,211,280
Principal amount at 31 Dec 2013	**-**	**-**	**15,211,280**	**15,211,280**

Note 34 Other financial liabilities

(in EUR)	31 Dec 2014	31 Dec 2013
Other financial liabilities	441,329	466,845
Total	**441,329**	**466,845**

Other current financial liabilities include interest payables and liabilities under the interest rate swap, which was entered into with the purpose to manage the interest rate risk.

In 2014, total interest expenses amounted by applying the effective interest method to EUR 4,072,525 and EUR 4,542,225 in 2013.

Note 35 Short-term operating liabilities

(in EUR)	31 Dec 2014	31 Dec 2013
Current trade payables		
domestic market	8,711,387	8,690,009
foreign markets	736,783	680,755
Current liabilities to Group companies	465,692	561,088
Current liabilities to associates	61,469	68,064
Current trade payables	**9,975,331**	**9,999,916**
Current liabilities from advances	72,850	68,632
Current liabilities to employees	4,001,963	2,510,039
Current liabilities to state and other institutions	464,327	172,489
Total operating liabilities	**14,514,472**	**12,751,077**
Accrued costs	2,357,770	1,834,217
Total trade and other payables	**16,872,241**	**14,585,294**

As at the year-end of 2014, current liabilities indicate an increase of EUR 2,286,948 if compared to the 2013 balance. Operating liabilities grew as a result of higher payables to employees arising from reconciliation of wages for the second half-year of 2014 in compliance with the agreement signed between trade unions and the Company's management.

Accrued costs comprise costs for the collective job performance, accrued interest for loans and borrowings, accrued costs for remunerations and bonuses paid under individual contracts, and accrued costs for unused vacation days.

Note 36 Contingent assets and liabilities

(in EUR)	31 Dec 2014	31 Dec 2013
Securities given	6,218,999	6,309,256
Guarantees received	8,478,473	8,816,473
Contingent assets under legal disputes	37,306,115	37,306,115
Other contingent assets	140,840	126,676
Total contingent assets	**52,144,427**	**52,558,520**
Guarantees given	1,260,000	1,515,000
Securities given	15,111,613	18,097,291
Contingent liabilities under legal disputes	17,960,410	8,330,213
Approved borrowing	36,000,000	
Total contingent liabilities	**70,332,023**	**27,942,504**

Guarantees issued refer to customs operations and as at the reporting date amounted to EUR 1,260,000.

The Company provided securities:

- in the amount of EUR 6,500,000 for securing a borrowing by assignment of receivables;
- in the amount of EUR 5,632,513 i.e. Luka Koper, d.d. acts as guarantor to the company Adria Transport, d.o.o. in connection with the lease of locomotives;
- in the amount of EUR 2,729,099 i.e. Luka Koper, d.d. acts as guarantor to the company Adria-Tow, d.o.o. in connection with a borrowing raised;
- in the amount of EUR 250,000 i.e. Luka Koper, d.d. acts as guarantor to the company Adria Terminali, d.o.o. in connection with liabilities under customs charges.

The item of contingent liabilities comprises liabilities for legal disputes that have not met the criteria for being recognised as provisions for legal disputes. In 2014, Company's contingent liabilities under legal disputes amounted to EUR 11,677,062, the largest part thereof refers to the claim in the amount of EUR 11,588,612 that is reduced by EUR 436,550 as recognised by the signed court settlement. The Company terminated in 2014 proceedings with court settlements, where not all claimed payments (EUR 1,975,006) were made but solely EUR 14,399 and related court charges of the Company.

As the end of 2014, the Company signed a contract on drawing a borrowing extended by the European Investment Bank (EIB) for the project of extending the first pier. The respective borrowing shall be drawn in compliance with provisions on the project's development. Terms and conditions for drawing the first tranche of the borrowing were not met as at 31 December 2014.

Contingent assets include all receivables under legal disputes in the amount of EUR 37,306,115.

Note 37 Related party transactions

Remuneration of Members of the Management Board in 2014

Name and surname	Gro ss salary (fixed part)	Gros s salary (variable part)	Annual holiday pay and jubilee premiums	Insurance premium benefits	Benefits and other receipts	Total receipts
Bojan Brank, President until 6 September 2013	-	1,854	-	-	-	1,854
Gašpar Gašpar-Mišič, President until 11 April 2014	65,617	844	789	67	1,349	68,665
Dragomir Matić, President since 10 June 2014	71,962	-	460	129	-	72,551
Marko Rems, member until 5 March 2014	34,373	21,429	132	28	1,654	57,615
Andraž Novak, member from 13 January 2014 to 10 April 2014, President from 11 April 2014 to 9 June 2014, member since 10 April 014	130,456	-	789	181	4,175	135,602
Jože Jaklin, member since 1 February 2014	112,813	-	723	181	686	114,404
Matjaž Stare, Workers Director	133,817	2,426	789	209	1,590	138,832
Total	**549,039**	**26,553**	**3,683**	**795**	**9,453**	**589,523**

Remuneration of Members of the Management Board in 2013

Name and surname	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, President until 7 September 2012	-	1,742	-	-	-	1,742
Bojan Brank, President until 6 September 2013	-	-	-	3,401	106,465	109,866
Gašpar Gašpar-Mišič, President since 7 September 2013	31,638	-	-	39	-	31,677
Tomaž Martin Jamnik, Vice President until 31 May 2012	-	3,379	-	-	-	3,379
Marko Rems, member	124,254	9,318	788	6,202	-	140,562
Matjaž Stare, Workers Director	124,176	1,731	788	2,364	-	129,059
Total	**280,068**	**16,170**	**1,576**	**12,006**	**106,465**	**416,285**

To determine the variable income, i.e. remuneration for the Management Board, several quantitative indicators were applied, which contribute to the long-term interests of the Company.

A Member of the Management Board is remunerated in accordance with the 4th bullet of Article 4, Paragraph 1 of the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities. Accordingly, one half of the remuneration is paid on the basis of the resolution of the Supervisory Board, after two years of the individual annual report consideration. A Member of the Management Board has a duty to return the variable income provided that all conditions for the return of the remuneration for performance have been fulfilled pursuant to the Companies Act.

Different rules apply to severance payment of members of the Management Board upon their dismissal. The Management Board members who took up their positions before 7 September 2013, are entitled 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. The Management Board members who took up their positions after the aforementioned date, expressly and unconditionally waives their right to claim severance pay or any other compensation in the event of untimely dismissal or resignation and employment termination with the Company for any reason whatsoever. An average monthly salary is calculated only on the basis of the fixed monthly salary less any benefits. The President of the Management Board is entitled to the compensation for the termination of the office equal to the six times his average monthly salary for the period he has been in office. In the event the employment relationship continues in the company after the termination of his office of the President of the Management Board, he shall not be entitled to any compensation.

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 group of persons in 2014

Groups of persons	Gross salary (fixed and variable part	Annual holiday pay and jubilee premiums	Insurance premium benefits	Benefits and other receipts	Total receipts
Members of the Management Board	575,592	3,683	795	9,453	589,523
Members of the Supervisory Board (nine members)	237,936	-	1,757	-	239,693
Employees with individual employment contracts	2,053,329	18,545	-	106,852	2,178,726
Total	**2,866,856**	**22,228**	**2,552**	**116,305**	**3,007,942**

Receipts of group of persons in 2013

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	296,238	1,576	12,006	106,465	416,285
Members of the Supervisory Board (nine members)	-	-	206,762	-	206,762
Employees with individual employment contracts	2,168,938	22,890	45,179	-	2,237,007
Total	**2,465,176**	**24,466**	**263,947**	**106,465**	**2,860,054**

Gross remuneration of members of the Supervisory Board and its Committees in 2014

Name and surname	Attendance fees and reimbursement of costs	Insurance premium benefits	Performance of function	Total gross payments
Alenka Žnidaršič Kranjc, member since 7 October2013	15,125	195	5,900	21,220
Elen Twrdy, member since 7 October 2013	14,873	195	5,705	20,773
Rado Antolovič, member since 7 October 2013	15,125	195	60,948	76,268
Andrej Šercer, member since 7 October 2013	13,521	195	6,315	20,031
Žiga Škerjanec, member since 7 October 2013	13,865	195	6,529	20,589
Stojan Čepar, member since 18 March 2013	15,125	195	5,492	20,813
Mladen Jovičič, member since 18 March 2013	12,604	195	4,486	17,285
Nebojša Topič, member since 28 July 2008	11,688	195	3,575	15,458
Sabina Mozetič, member since 12 July 2011	12,604	195	4,067	16,867
Blanka Vezjak, external mamber of the Audit Committee until 22 August 2014	6,646	-	2,335	8,981
Barbara Nose, external mamber of the Audit Committee since 23 August 2014	754	-	656	1,410
TOTAL	**131,929**	**1,757**	**106,007**	**239,693**

On the basis of the provisions of Article 25 of the Articles of Association of Luka Koper, d.d., the General Meeting adopted on 8 July 2014 a decision on determining the payment for performance of functions 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 the basic payment for carrying out their functions in the amount of EUR 11,000 gross annually. The Chairman of the Supervisory Board is entitled to the supplement of 50 percent of the basic payment for carrying out the function of a Member of the Supervisory Board, whereas his deputy is entitled to 10 percent of the basic payment for carrying out the function of a Member of the Supervisory Board. The Chairman of the Committee is also entitled to an additional supplement of 50 percent 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 not a Member of the Supervisory Board, receives payment for carrying out the function in the amount of 25 percent of the gross payment for carrying out the function of a Member of the Supervisory Board.

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 to while carrying out their function. A monthly payment is equal to one twelfth of the aforementioned 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.

Members of the Supervisory Board and of Committees of the Supervisory Board, including the external members of the Committees of the Supervisory Board, are entitled to refund of travel expenses and other attendance-related expenses in compliance with the Company's Articles of Association.

Transactions with the Government of the Republic of Slovenia

No significant transactions were undertaken with the government beyond the framework of the Concession Agreement. The Government of the Republic of Slovenia has no direct impact on the governance of the Company, unlike the company SDH, d.d. that is in majority ownership of the state.

Transactions with subsidiaries, jointly controlled entities and associates

(in EUR)	2014	2013
Sale to subsidiaries:		
Luka Koper INPO, d.o.o.	239,948	304,121
Luka Koper Pristan, d.o.o.	91,128	95,026
Adria Terminali, d.o.o.	409,925	424,686
TOC, d.o.o.	4,200	1,750
Sale to jointly controlled entities and associates		
Adria Investicije, d.o.o.	1,758	4,295
Logis-Nova, d.o.o.	4,582	4,882
Adria Transport, d.o.o.	165,999	203,195
Adria-Tow, d.o.o.	151,587	163,117
Avtoservis, d.o.o.	147,421	174,955
Adriafin, d.o.o.	13,440	13,440
Total	**1,229,988**	**1,389,467**

All transactions with related parties were agreed under market terms.

(in EUR)	2014	2013
Purchase from subsidiaries:		
Luka Koper INPO, d.o.o.	3,296,115	3,156,628
Luka Koper Pristan, d.o.o.	18,077	16,686
Adria Terminali, d.o.o.	-	459
TOC, d.o.o.	10,023	8,481
Purchase from jointly controlled entities and associates:		
Adria Investicije, d.o.o.	24,230	35,674
Adria Transport, d.o.o.	118,280	102,164
Adria-Tow, d.o.o.	15,246	16,958
Avtoservis, d.o.o.	502,197	350,081
Total	**3,984,168**	**3,687,131**

The substantial part of purchases from subsidiaries refers to the company Luka Koper INPO, d.o.o., which carries out maintenance work on the port infrastructure and electrical installation work for the Company.

(in EUR)	2014	2013
Operating receivables due from subsidiaries:		
Luka Koper INPO, d.o.o.	28,887	10,496
Luka Koper Pristan, d.o.o.	1,021	981
Adria Terminali, d.o.o.	63,014	39,592
TOC, d.o.o.	427	427
Operating receivables due from jointly controlled entities and associates:		
Adria Transport, d.o.o.	16,296	14,140
Adria-Tow, d.o.o.	7,928	7,824
Avtoservis, d.o.o.	5,185	6,140
Adriafin, d.o.o.	301,366	201,367
Adriasole, d.o.o.	49	24
Total	**424,173**	**280,991**

(in EUR)	2014	2013
Operating liabilities to subsidiaries:		
Luka Koper INPO, d.o.o.	462,471	558,520
Luka Koper Pristan, d.o.o.	399	465
Adria Terminali, d.o.o.	-	222
TOC, d.o.o.	2,822	1,881
Operating liabilities to jointly controlled entities:		
Adria Transport, d.o.o.	14,933	8,418
Avtoservis, d.o.o.	61,469	59,646
Total	**542,094**	**629,152**

(in EUR)	2014	2013
Loans to subsidiaries:		
Adria Terminali, d.o.o.	296,819	422,819
Total	**296,819**	**422,819**

(in EUR)	2014	2013
Loans from subsidiaries:		
Luka Koper INPO, d.o.o.	10,000,000	10,000,000
Luka Koper Pristan, d.o.o.	56,580	250,580
Loans from jointly controlled entities:		
Adria-Tow, d.o.o.	500,000	500,000
Total	**10,556,580**	**10,750,580**

Note 38 Financial instruments and financial risk management

The most significant financial risks to which Luka Koper, d.d. is exposed to, include:

1. risk of change in fair value,
2. interest rate risk,
3. liquidity risk,
4. currency risk,
5. credit risk, and
6. 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 section Risk Management of the Business Report.

1. Risk of change in fair value

The Company has invested 6.7% of its assets (2013: 6.4%) in investments measured at fair value. The fair value risk associated with these investments is demonstrated through changes in stock market prices that affect the value of these assets and, consequently the potential capital gain on their disposal. This type of risk was identified in association with investments in market securities of successful Slovenian companies. As at 31 December 2014, the value of current available-for-sale investments at fair value through equity amounted to EUR 29,261,977. This value comprises shares of Slovenian companies and units of mutual fund assets.

Sensitivity analysis of investments at fair value:

Risk of change in fair value of securities as at 31 December 2014

Change of index (in %)	**Impact on equity**
-10%	-2,926,198
10%	2,926,198

Risk of change in fair value of securities as at 31 December 2013

Change of index (in %)	**Impact on equity**
-10%	-2,738,259
10%	2,738,259

The sensitivity analysis of investments at fair value is based on the assumption of a 10 percent increase in the value of the index and accordingly such growth would result in an increase in the fair value of the market securities portfolio by EUR 2,926,198. 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 case, the amount of the difference in fair value would be recognised as either an increase or decrease in other comprehensive income within equity.

Fair value hierarchy

			Fair value		
(in EUR)	Note	**Carrying amount at 31 Dec 2014**	**Direct stock market quotation (Level 1)**	**Value defined on the basis of comparable market inputs (Level 2)**	**No observable market inputs (Level 3)**
Assets measured at fair value					
Other interests and shares	18	29,261,977	29,261,977	-	-
Assets measured at cost					
Other interests and shares	16,17,18	16,859,160		-	16,859,160
Assets measured at amortised cost					
Loans given	19, 24	1,897,471	-	-	1,897,471
Operating receivables	25	22,903,322	-	-	22,903,322
Liabilities measured at fair value					
Interest rate hedging	31	1,455,653		-	1,455,653
Liabilities measured at amortised cost					
Other financial liabilities	34	441,329			441,329
Borrowings	30, 33	136,305,782	-	-	136,305,782
Operating liabilities	35	14,514,473	-	-	14,514,473

			Fair value		
(in EUR)		**Carrying amount at 31 Dec 2013**	**Direct stock market quotation (Level 1)**	**Value defined on the basis of comparable market inputs (Level 2)**	**No observable market inputs (Level 3)**
Assets measured at fair value					
Other interests and shares	18	27,673,511	27,673,511	-	-
Assets measured at cost					
Other interests and shares	16,17,18	14,868,385		-	14,868,385
Assets measured at amortised cost					
Loans given	19, 24	1,919,546	-	-	1,919,546
Operating receivables	25	21,302,469	-	-	21,302,469
Liabilities measured at fair value					
Interest rate hedging	31	988,486			988,486
Liabilities measured at amortised cost					
Other financial liabilities	34	1,455,331			1,455,331
Borrowings	30, 33	162,434,441	-	-	162,434,441
Operating liabilities	35	12,751,077	-	-	12,751,077

2. Management of interest rate risk

With respect to its liabilities structure, the Company faces also interest rest risk as an unexpected growth in variable interest rates can have an adverse effect on the planned results. In 2014, the Company has succeeded in reducing its financial liabilities by 15.7% over the previous year; as at the reporting date, these liabilities were recorded at EUR 138,202,764.

The share of financial liabilities in the overall structure of liabilities decreased from 38% in 2013 to 32% in 2014. The effect of possible changes in variable interest rates on the Company's future operating results is presented in the table below.

In previous years, the Company entered into an interest rate hedge for two major borrowings in the total amount of EUR 65 million. In this way, the exposure (92.3%) of all Company's borrowings was reduced by 44.6%. The two interest rate swaps are carried in the books of account under the principle of hedge accounting. As at 31 December 2014, the fair value of both interest rate swaps amounted to EUR–1,455,653 and was recognised as a non-current liability of the Company.

Sensitivity analysis of borrowings from banks in view of the variable interest rate fluctuations

(in EUR)	**Borrowings from banks under the variable interest rate as at 31 Dec 2014**	**15%**	**50%**	**100%**
1M EURIBOR	-	-	-	-
3M EURIBOR	38,947,773	4,557	15,190	30,379
6M EURIBOR	22,000,000	5,643	18,810	37,620
Total effect	**60,947,773**	**10,200**	**34,000**	**67,999**

(in EUR)	**Borrowings from banks under the variable interest rate as at 31 Dec 2013**	**15%**	**50%**	**100%**
1M EURIBOR	-	-	-	-
3M EURIBOR	60,909,053	41,289	137,629	275,259
6M EURIBOR	26,000,000	32,676	108,920	217,840
Total effect	**86,909,053**	**73,965**	**246,549**	**493,099**

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 would increase in 2015 by 15 percent, the Company would incur higher interest expenses by EUR 10,200 (in view of the level of variable interest rate at the end of 2014). If variable interest rates would rise by 50 percent or 100 percent, the interest expense would increase by EUR 34,000 or EUR 67,999, respectively. A possible decline in interest rates by the same percentage would result in a decrease of interest expense by the same amounts.

3. Management of liquidity risk

Liquidity risk is the risk that the Company will fail to settle its liabilities at maturity. The Company manages liquidity risk by regular planning of cash flows required to settle liabilities with diverse maturity. Additional measures for preventing delays in receivable collection include regular monitoring of payments and immediate response to any delays and charging penalty interest in accordance with the Company's uniform policy of receivable management. In recent years, the Company successfully completed the process of restructuring and converting current financial liabilities into non-current, which additionally reduced its exposure to liquidity risk, and was able to early repay the borrowings based on the surplus of funds.

(in EUR)	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
2014					
Loans and borrowings*	2,299,008	13,620,835	70,656,634	49,927,876	**136,504,353**
Accrued interest maturing in the next calendar year	54,319	-	-	-	**54,319**
Expected interest on all borrowings	403,437	2,190,835	6,424,320	2,794,807	**11,813,399**
Other financial liabilities	387,010	-	1,455,653	-	**1,842,663**
Payables to suppliers	9,975,331	-		-	**9,975,331**
Other operating liabilities	4,539,142	-	-	-	**4,539,142**
2013					
Loans and borrowings*	3,123,298	12,087,982	86,774,015	60,674,338	**162,659,633**
Accrued interest maturing in the next calendar year	117,382	-	-	-	**117,382**
Expected interest on all borrowings	553,525	2,979,061	9,453,043	4,445,383	**17,431,012**
Other financial liabilities	349,463	-	988,486	-	**1,337,950**
Payables to suppliers	9,999,916	-		-	**9,999,916**
Other operating liabilities	2,751,161	-		-	**2,751,161**

*The item includes also borrowings from subsidiaries and associates

4. Management of currency risk

The risk of changes in foreign exchange rates arises from trade receivables denominated in US dollars (USD). The average monthly balance of outstanding trade receivables amounted to USD 490 thousand at the end of 2014. As at 31 December 2014, outstanding receivables denominated in US dollars amounted to only 2.65 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 hedge this risk item.

5. Management of credit risk

Management of the risk of default on the side of the counterparty or the credit risk has gained in importance in recent years. Customer defaults are being passed on to economic entities, much like a chain reaction, which significantly reduces the assessed probability of timely inflows and increases additional costs of financing the operation. The accelerated debt collection contributes to minimising negative effects of widespread insolvency. The specific structure of our customers (the Company predominantly does business with a limited number of major companies i.e. freight forwarders and agents), has a positive effect as it considerably reduces exposure to credit risk.

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.

Assets exposed to credit risk:

(in EUR)	Note	31 Dec 2014	31 Dec 2013
Non-current loans	18	598,314	1,384,563
Non-current operating liabilities	20	5,681	6,088
Current deposits	21	1,000,036	-
Current loans	21	299,121	534,983
Current trade receivables	25	20,632,367	21,302,469
Other current receivables	25	2,270,954	2,790,925
Cash and cash equivalents	26	3,984,291	895,323
Total		**30,572,147**	**35,147,530**

The management estimates that 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

Equity is the most expensive source of financing, hence it is vital for successful companies to identify optimal capital structure and align their existing capital structure with it. In order to reach the optimum capital structure, the Company has been increasing the share of liabilities in past years primarily to finance its organic growth. The Company also in 2014 reduced its overall debt by nearly 16% to EUR 138,202,764. Such movement has had a positive impact on the risk of adequate capital structure.

(in EUR)	31 Dec 2014	31 Dec 2013
Total liabilities	171,167,185	188,889,424
Cash and cash equivalents and current deposits	-4,984,327	-895,323
Net debt	**166,182,858**	**187,994,101**
Equity	**266,091,272**	**242,020,716**
Net debt/equity	**0.62**	**0.78**

Note 39 Transactions with the audit firm

The contractual value of audit services render by the company KPMG Slovenija, d.o.o. for the fiscal year 2014 is recorded at EUR 25,000 (exclusive of VAT). The audit firm translated also the annual report by applying the rate EUR 20,00/standard page (exclusive of VAT). The contractual value of providing assurance on financial statements for the commercial public service for the financial year 2014, which was for the Company carried out by KPMG Slovenija, d.o.o. amounted to EUR 2,000 (exclusive of VAT).

The company KPMG poslovno svetovanje, d.o.o. was engaged to independently asses the economic elaborate in the amount of EUR 9,600 (exclusive of VAT).

10 STATEMENT OF ACCUMULATED PROFIT

In 2014, the Company generated a net profit of EUR 26,448,414.59. Upon the Management Board's proposal, the Company used half of the net profit of 2014 to create other revenue reserves in the amount of EUR 13,224,207.30 in accordance with Article 230, Paragraph 3 of the Companies Act. Total accumulated profit for 2014 equals EUR 14,598,947.31.

(in EUR)	2014	2013
Net profit for the period	**26,448,414.59**	**4,612,245.82**
Retained earnings	**1,374,740.02**	**1,415,638.22**
Increase in other revenue reserves	**-13,224,207.30**	**-2,306,122.99**
Total accumulated profit	**14,598,947.31**	**3,721,761.05**

The Company's dividend policy is maintaining the stakeholders' tendency towards dividend earnings and towards using the net profit for the period in order to finance investment projects.

Taking into account the financial results achieved in 2014 and the Company's dividend policy, the appropriation of accumulated profit, which was EUR 14,598,947.31 as at 31 December 2014, as proposed by the Management and Supervisory Board is as follows:

- EUR 8,540,000.00 is to be paid as dividends in gross value of EUR 0.61 per ordinary share,
- the residual amount of accumulated profit of EUR 6,058,947.31 is transferred among other revenue reserves.

11 EVENTS AFTER THE REPORTING DATE

FEBRUARY 2014

- As of 6 February 2015, the Company achieved a court settlement based on which it paid EUR 262,000.00 and thereby finally ended legal proceedings against Luka Koper, d.d. that started back in 2012. The Company formed provisions for this legal dispute in the amount of EUR 1,761,966 and reversed them in February 2015.
- As of 19 February 2015, the Company has signed a court settlement in several proceedings referring to photovoltaic projects, and a higher number of parties to proceedings. The settlement aims to solve mutual relationships in this project and in this way eliminate the outcome's uncertainty in numerous court proceedings of the Company where the complaint totals to EUR 11,588,612, and thus prevents and reduces further court costs. Based on the court settlement the Company entered into the commitment to pay EUR 436,550 under the finality of the order under which the bankruptcy court endorsed the respective settlement. The Company formed provisions for this legal dispute already at the end of 2014.

12 STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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 2014 and of their financial performance for the year ended 31 December 2014.

The Management Board confirms that accounting policies were consistently applied and that the accounting judgments were made 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 Tax Authorities may, at any time within a period of 5 years after the end of the year for which tax assessment was due, carry out the audit of the Company operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to corporate income tax or other taxes and duties. The Management Board is not aware of any circumstances that may result in a significant tax liability.

The Management Board is also responsible for adopting 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:

Dragomir Matić
President of the Management Board

Andraž Novak
Member of the Management Board

Tine Svoljšak
Member of the Management Board

Matjaž Stare
Member of the Management Board and Workers Director

Koper, 31 March 2015

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KPMG

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 the company Luka Koper d. d., which comprise the statement of financial position as at 31 December 2014, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows 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 EU, 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 about 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 the company Luka Koper d. d. as at 31 December 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying financial statements.

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Irena Uršič
Certified Auditor

Boris Drobnič
Partner

Ljubljana, 1 April 2015

KPMG Slovenija, d.o.o.
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INDEX OF NOTES:

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