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Dear readers,

on the basis of first half results for 2014, this new issue of Luka Koper's quarterly e-magazine provides the latest data on cargo throughput and revenues at the Port of Koper. As the new Management Board President, I am delighted to comment on the accomplishments of my colleagues as well as results, which not only surpassed the performance achieved in the same period last year but also the ambitious plans we set for ourselves. It seems likely that we shall maintain this tempo at least until year's end, while remaining acutely aware that conditions in the shipping market and thus the port sector as a whole can alter very rapidly.

In my more than twenty-five years at Luka Koper, the loss of a particular cargo practically overnight has not been uncommon. In some cases this was due to the outbreak of war in a particular market, in others it was due to the imposition of international embargos, or the suspension of tax benefits, or the outbreak of an epidemic... the list goes on and on. In

such cases we were always rescued by the fact that Luka Koper operates a multipurpose port, hence we were always able to replace one cargo with another. Such diversity will remain central to the company's strategy in the future, though it's clear that ever-increasing volumes of cargo are being shipped by container, and this is a trend which appears likely to continue. For this very reason, most of this year's investments are focussed on the Container Terminal where we have just completed the construction of additional storage facilities at the head of Pier I, and are now to commence further dredging operations.

A month ago, our main argument for the immediate implementation of dredging work was the imminent arrival of larger P3 alliance vessels in logistics operations co-ordinated between the world's three largest container ship operators. Rejected by China's competition authorities, this alliance is no longer topical, which is again demonstrative of the rapidly changing conditions affecting our

business. Those more acquainted with this story know of the fears that the P3 alliance generated in relation to its anticipated impact across the entire shipping industry and container market business. The question is: what does all of this mean for Luka Koper?

As a matter of fact, these events - or indeed lack of them - may be an opportunity for the company. Dredging to 14 metres will continue at the container quayside because at present the available berths at the Koper Container Terminal are shallower than those at neighbouring ports. The ability of vessels of greater draught to call at Koper without having to unload at other facilities first will enhance our competitiveness. The failed attempt to create the alliance shall not, however, prevent the collaborative efforts of

other carriers, which might well result in an additional third direct service linking the Northern Adriatic with Far East. Unfortunately Luka Koper has no say in relation to any such scenario, but investment in port infrastructure makes it far more likely to occur in a manner which is to our benefit.

There is also more to it than this. The most crucial unanswered question remains that of hinterland transport connections, and - in particular - rail links; in relation to which I cannot but mention Slovenia's recent elections and the responsibilities of politicians. I am pleased that all political parties pointed out the geo-strategic importance of the Port of Koper and the necessary provision of a second rail track. Nonetheless, I remain concerned that - as has happened many times before - they will forget

their words. The expert conclusions are clear: the maximum capacity of the single-track linking Koper with the hinterland mainline will be reached by 2018. In the light of this, we are already behind schedule even if we start building the second track today. Hence we expect the new government to immediately address this issue and give its consent to the project, as well as make clear and binding decisions in relation to its actual implementation. The future development of the Port of Koper depends on it. This second track is vital, not only for Luka Koper but also all the other participants in the logistics chain, and as such it remains of crucial economic importance for Slovenia as a whole.

Throughput and revenues by cargo types

Cargo throughput (tonnage measure)

	jan - jun 2014	jan - jun 2013	Index 14/13
General cargoes	912,244	860,040	106
Container freight	3,346,120	2,875,781	116
Cars	359,138	329,806	109
Liquid cargoes	1,357,860	1,251,326	109
Dry bulk cargoes	3,289,263	3,584,010	92
Total	9,264,625	8,900,963	104

Cargo throughput (unit measure)

	jan - jun 2014	jan - jun 2013	Index 14/13
Containers (TEU)	333,203	295,530	113
Cars (units)	246,439	233,769	105

Luka Koper d.d. operating revenues

(in 000 euros)	jan - jun 2014	jan - jun 2013	Index 14/13
General cargoes	18,320	17,195	107
Container freight	24,063	18,614	129
Cars	7,901	7,750	102
Liquid cargoes	3,641	3,532	103
Dry bulk cargoes	16,420	16,073	102
Other operating revenues	6,012	6,687	90
Total operating revenues	76,357	69,851	109

*non-audited and incomplete data



Traffic study in relation to new port gates

Luka Koper plans two new road freight entrances to the port in the vicinity of Ankaran

The Port of Koper's current internal road infrastructure and single port gate no longer meet contemporary needs and traffic volumes; indeed, today some 200,000 trucks per year are entering the port zone. With an eye to greater efficiency and future development, as well as consideration of security, safety and sustainability, Luka Koper implemented a special traffic analysis and study on the basis of which the most suitable solutions could be devised and implemented.

Analyses were conducted in April at various intersections as well as road and railway crossings, and the findings provided insight into traffic conditions on an average working day. In addition to actual counts, the evaluation also encompassed the identification of loads inside and outside the port, and was complemented by micro-simulations for 2014 and 2030, together with corresponding analyses and comparisons of the effects and

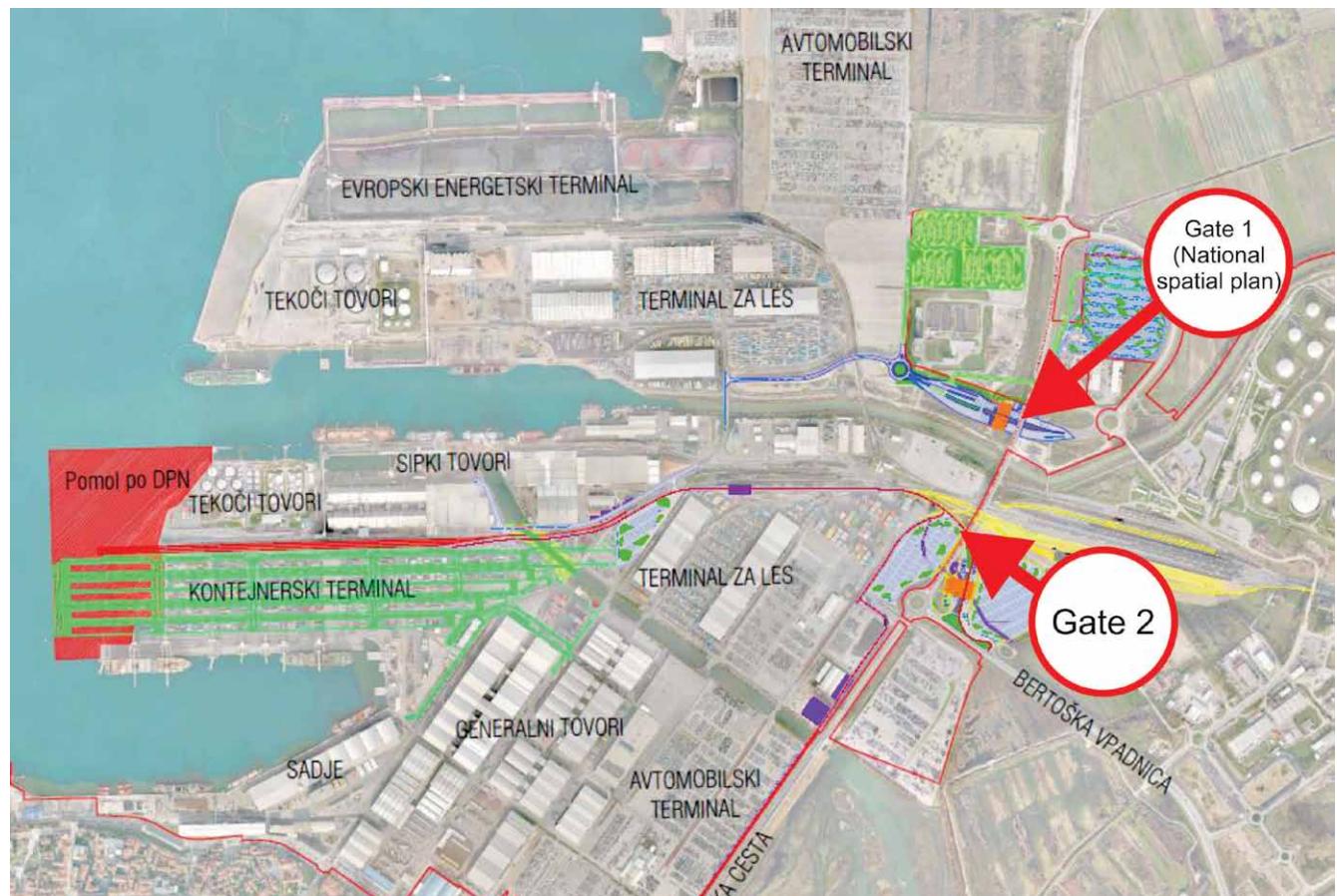
impacts of various system alterations and rearrangements.

Based on the study's findings, the Port of Koper urgently requires at least one additional entrance, this due to the fact that the existing one will only be sufficient until 2017. In the event of the provision of a single additional entrance, and based on the current disposition of cargos within the port zone, **New Entrance 2** (Bertoki access road) is a better solution than **New Entrance 1**, although both are commercially viable.

Actual realisation of any of the envisaged variants in relation to the provision of new port gates require the acquisition of permission from the Municipality of Koper, as the land's proprietor. On the basis of the National Spatial Plan, Luka Koper already has building permission for an entrance gate road connection (to New Entrance 1), but a permit still needs to be acquired for the construction of facilities for the needs of customs and security services. Although the permit for the road was acquired

back in 2007, permissions for actual structures have not yet been provided due to complications in relation to land use at the site of the entrance gate. A portion of the road, most road embankments as well as the viaduct over the railway tracks have already been constructed. However, the issue of waste at the site prevented further construction works in 2009, thus a new disposal site at another location has to be found prior to the completion of this project.

In order to be able to commence construction of the New Entrance 2 option on the Bertoki access road, Koper Municipality must first adopt a detailed spatial plan which shall facilitate the acquisition of a building permit for both the entrance facilities and construction of the adjacent truck terminal. In the event that the final plan doesn't provide the possibility to realise the new entrance gates in their current form, suitable alternative arrangements will have to be made with the Municipality in relation to port access.



A promising first quarter for Europe's ports

Based on the latest data released by the European Sea Ports Organisation (ESPO), cargo throughput at Europe's ports recorded a year-on increase of two percent in the first quarter of 2014. This growth can, for the most part, be attributed to bulk and break bulk cargos (up 8.2%), general cargos (up 4.6%) and container freight (up 2.9%), whilst liquid cargos decreased (down 4.9%). After two years of decline, the negative trend – at least in the first quarter of 2014 – was finally reversed.

Container freight throughput in selected European ports (2014)	TEUs	Percentage change year on (2014/2013)
Trieste (January - May)	193,637	+ 2.1%
Venice (January - May)	181,272	+ 0.6%
Ravenna (January - April)	63,671	- 9.4%
Koper (January - June)	333,203	+ 13.0%
Rijeka (January - March)	44,131	+ 15.0%
Hamburg (January - March)	2,362,364	+ 8.0%
Rotterdam (January - March)	2,905,672	+ 0.3%

Austria's premier port for the fourth consecutive year

Every year, the Austrian trade magazine Verkehr publishes an analysis of Austria's overseas trade per seaport. The Port of Koper continues to handle more Austrian cargo than any other, and it has held this leading position since 2010. Austria has traditionally been Luka Koper's most important transit market as regards nearly all its terminal operations, including general cargos – in particular timber, break bulk, bulk and liquid cargos, together with nearly

120,000 TEUs of container freight last year.

In addition to Austria, Luka Koper enjoys considerable market shares in other Central European states. Handling in the region of 120,000 TEUs – which accounts for a cca. 70% market share in this segment – Koper is also Hungary's most important container port. Indeed, Luka Koper handled cca. 1.5 million tonnes of Hungarian cargo during 2013,

including consumer goods, metal semi-manufactures, repromaterials – in particular for the manufacture of electronics and vehicles, perishables and soya. Koper also handles some 60 – 70% of Slovakia's container freight, which is mainly for the needs of its automotive industry, and consequently Koper handles much of that country's overseas exports of vehicles.

Port	Total tonnes (2013)	Percentage of total	Percentage change 2013/2012
1 Koper	5,635,043	29%	+ 8.5%
2 Rotterdam	3,445,000	18%	+ 0.4%
3 Constanța	2,993,927	16%	+ 93.2%
4 Hamburg	2,988,065	16%	- 3.7%
5 Antwerp	2,198,285	11%	+ 6.4%
6 Bremen	1,448,400	7%	- 3.0%
7 Rijeka	306,677	2%	+ 8.0%
8 Lower Saxony ports (Germany)	281,500	1%	-
Total	19,296,897	100%	



A good name is better than riches

Luka Koper's Car Terminal can boast two new business deals.

The first involves BMW cars destined for Turkey, which were previously loaded in the Italian port Monfalcone. The anticipated volume for 2015 is between 26,000 and 28,000 vehicles, whilst some 12,000 units are expected this year, of which 4,000 will be handled in July. The vehicles shall be transported from Koper to Turkey by the Greek carrier MCCL, with Intereuropa acting as freight forwarder.

Scania trucks will also be shipped by Greece's MCCL line via Koper to the Georgian port of Poti. The first 175 units were loaded in mid-July also with the participation of Slovenia's Intereuropa.

