

Editorial, Marko Rems, Member of the Management Board

Six months of growth, and a solid start to the second half of the year



our partners seem to realise this. Luka Koper's objective for the future remains to transport as much cargo as possible via the Port of Koper, and also to provide the maximum value added for its customers, which consequently increases shareholder yield. In addition, Luka Koper aims to provide the most efficient services for its clients. In this respect, special attention should be paid to optimum cost efficiency, which will further increase the efficiency of individual processes, and therefore also contribute to client satisfaction.

As the shipping sector slowly recovers from the depths of recession, the fortunes of Luka Koper are also recovering. Cargo throughput is on the increase; in particular those types which were, in the past, identified as having the greatest perspectives and were therefore subject to the largest investments. Container freight has already surpassed 2008 levels. In addition, vehicle throughput - which last year recorded the largest downturn - also returned to growth.

The increase in sales revenues hasn't met the upward trend in throughput. This can, in particular, be attributed to the more rapid turnover of cargo at the port; in this context the extraordinary conditions which existed at the beginning of 2009 when the storage facilities at Luka Koper were full of vehicles and there was a sudden and substantial downturn in vehicle sales in Europe, should also be taken into consideration. Last year Luka Koper recorded very high revenues from storage charges as a consequence of the recession. This year conditions on the vehicle market normalised, which has resulted in much lower revenues from storage charges.

The geographic position of Slovenia and the Port of Koper is most attractive for cargos emanating from the Far East, and an increasing number of

During the first half of 2010, the Luka Koper Group generated 62.2 million euros in revenues, which is four percent ahead of the same period last year. Operating costs in the amount of 54.7 million euros recorded a four-percent upturn, which can mainly be attributed to higher amortisation as a consequence of intense infrastructure investments over recent years.

First-half operating profits amounted to 7.6 million euros, which is a ten-percent increase on January to June 2009. Financial expenses exceeded financial revenues in the amount of 1.9 million euros. This shortfall can, in particular, be attributed to higher interest rates on loans hired, as well as the decrease in value of some shares held by the company. Net profit in the amount of 5.4 million euros was a forty-six percent ahead of that for the first half of 2009.

The structure of balance sheet remains adequate. The proportions of equity capital and long-term financial investments on one side and long-term assets on the other remain steady, which provides solid and safe foundations for our future plans. A renewed strategy for the Luka Koper Group of companies, which is under preparation, shall define new strategic objectives over the coming years, as well as respond to the challenges ahead.

october 2010



LUKA KOPER
Port of Koper

Interview: Bojan Ivanc

Financial Analyst at KD Bank



How long have you been engaged in analytics, and what markets and industries do you cover? How long have you been following Luka Koper?

I've been working as a market analyst for three years. I cover stock and bond markets, and my primary focuses are stocks from health sector, information technology, industry as well as consumer and durable goods. The primary markets are global, though I pay more attention to stock issuers from Slovenia and the Balkans. Luka Koper stock has been part of my domain since 10th August, although KD Bank has been following it since 6th July 2009.

What are your principal conclusions based on recent analyses of Luka Koper performance?

Based on the latest analysis of 10th August 2010, it can be established that Luka Koper's fundamental performance indicators are considerably improving. Nevertheless, dark clouds loom over the share, which can be attributed to state ownership, bad business decisions made

in the past and the stake in Intereuropa.

In your opinion, what are the weak and what are the strong points of Luka Koper's current financial situation?

A weak point is the balance sheet and this is a consequence of investments in infrastructure, whereas the advantage is implicit state support. In the event of liquidity problems, Luka Koper could look to the state for assistance.

In your opinion, what is Luka Koper's competitive edge compared to other ports?

Excellent operations, a favourable location, fewer problems with trade unions, especially in comparison with its northern neighbour, Trieste, as well as the fact that it is in the EU, unlike its southern neighbour, Rijeka.

What could the management do in order to increase the share value?

Obviously, it is important to remain focused on operations. New shipping deals should be acquired, particularly

those that involve value-added service provision. In addition, new commercial relationships and business decisions should be transparent - i.e. vindication as to contribution to EBIT, or at least cargo throughput. Free cash flow is also of importance. To me as an analyst, capital expenditure together with that portion of operative cash flow which is aimed at reducing indebtedness, are just as important as the issue of profits and dividends. Given the fact that most of large infrastructure investments have now been accomplished, shareholders can expect a return to dividends, especially when one considers the maturity of the business and the stability of cash flows. Strong lobbying for as rapid as possible construction of a second rail track to the port as well as further pursuit of Southern German markets (Bavaria, Baden-Württemberg) are also important. The actions being taken against the former management should not blur the focus on improving operational profitability.

Cruise ships as a business opportunity

The concept of establishing a passenger terminal at Koper is decades old, although its realisation only commenced in 2005, a year which saw the regular arrival of the 'white giants', plying the Mediterranean. Although the final countenance of the new terminal has yet to be fully defined, the development of

the passenger terminal provides Luka Koper with an opportunity not to be overlooked.

Koper is increasingly considered an unmissable port of call for any Adriatic cruise. The fifty-three vessels which, by season's end in November, will have

brought more than 40,000 passengers to the beautiful ancient Venetian port city of Koper, serve as vindication of this. The year-on numbers are up by twenty-five percent, whilst projections for 2011 anticipate between eighty and one-hundred vessels carrying some 110,000 passengers.



A number of new lines were attracted to Koper this year, in addition to which the arrivals were ever-larger and more affluent. Indeed, Koper meets the principal preconditions demanded by the cruise ship operators. First of all, the destination meets the requirements and interests of passengers who ultimately dictate the cruise programme, and it is on this basis - as well as on the basis of anticipated profits - that operators make decisions as to individual destinations

and ports of call; however, geographic and infrastructure requirements also play a part in devising itineraries.

In late September 2010, and in order to meet the requirements of ever-larger vessels, Luka Koper signed a contract for the development of the Koper passenger terminal the Ajdovščina-based Primorje construction company. Works along the 420-metre-long quayside and wharf, which lies adjacent the old walled city,

anticipate the area's rehabilitation as well as seabed dredging to a depth of ten metres. The total value of the investment amounts to 1.59 million euros, and works are due to be completed in May 2011. The company will thus acquire a modern quayside infrastructure that will allow it to provide baggage transfer and added security, as well as market terminal services to all those who call at the Port of Koper.

Cargo throughput in the first nine months of 2010

From January to September 2010, the company generated cargo throughput in the volume of 11,050,345 tonnes - which is a sixteen percent increase on the same period last year and two percent ahead of anticipations.

Cargo throughput at Luka Koper – tonnage volume measure

	January-September 2009	January-September 2010	Indices 10/09
General cargos	1,105,053	1,117,503	101
Containers	2,164,537	3,157,731	145
Vehicles	297,256	382,742	128
Break bulk and bulk cargos	3,974,972	4,407,292	111
Liquid cargos	2,007,620	1,985,077	99
TOTAL	9,549,438	11,050,345	116

Cargo throughput at Luka Koper – unit measure

	January-September 2009	January-September 2010	Indices 10/09
Containers (TEU)	245,664	344,644	140
Vehicles (units)	225,047	274,471	122



NOTICE is the E-newspaper of Luka Koper d.d., and is primarily intended for investors. The Editor-in-Chief of Notice is Mr Sebastjan Šik, and it is published by Luka Koper, d.d., 6501 Koper, Slovenia. Phone: +386 5 66 56 100, Fax: +386 5 63 95 020, E-mail: portkoper@luka-kp.si, Website: www.luka-kp.si. Contact: **Mr Rok Štemberger**, phone: +386 5 6656 140, fax: +386 5 639 50 20