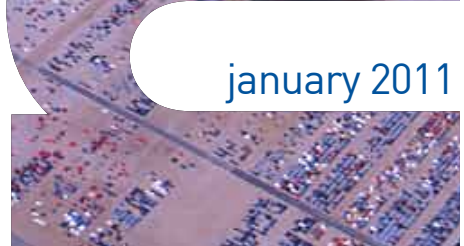




january 2011



Editorial

dr. Gregor Veselko, President of the Management Board



Dear Investors,

last year was an extremely difficult one for Luka Koper. In saying this I'm not trying to find any pretext for results which – under the extant circumstances – are attributable to the efforts of Management. Indeed, we continue to optimise operations through internal reorganisation, as well as find new perspectives and commercial opportunities which shall help the company ride out the recession; this said, the legacy of the previous management has proven a difficult one, necessitating a deal of time and energy which could have been better spent elsewhere. Fortunately, this chapter is now closed, and we can face the future with optimism, particularly as regards increased throughput and revenues. Luka Koper is today the number one port in Northern Adriatic as regards container freight. Further to this, the company has also maintained its leading position in the sphere of vehicles. This too is congruent with a corporate strategy, which is being reassessed over the coming year and put on a new footing.

We know what we have to do, as well as how to achieve it; wishes and plans, however, are also conditioned by external factors. In the event that the rail network is not able to cope with increased demand due to infrastructural constraints or other problems, Luka Koper's efficiency and competitive edge shall be significantly affected. To a great

extent, further development of the Port of Koper rests upon the realisation of the National Spatial Plan, and we anticipate that the government will take a stand on this over the coming months, by which time its intensions in relation to the so-called Slovenian Logistics Holding shall also be apparent. It is a complete misinterpretation to infer that our reservations in relation to the SLH project are predicated on mere caprice. Indeed, co-operation among those companies encompassed by the Holding has long been a reality, and there has never been a promotional event abroad at which the port operator and rail network provider do not offer their potential clients integrated logistics solutions. At the same time, it has been a long while since the Port of Koper was served by a single rail-freight operator. Of even greater concern is the fact that large logistics providers - and ship owners in particular - warn against Koper's incorporation within a single logistics holding.

Luka Koper is fully aware that tonnage throughput isn't everything. It is anticipated that overall performance in 2011 shall continue to be burdened by unproductive investments made in past years. In this I also refer to impairments that were not marked down in fiscal 2010, due to the fact their extent and magnitude were not, as yet, entirely clear. Nevertheless, we must remain realistic when it comes to performance expectations: for as long as Luka Koper has to itself invest in very expensive yet essential port infrastructure, as well as to remunerate an annual concession fee to the state, and pay high taxes for the use of land, infrastructure and utilities which it itself had to finance and construct, it is most unlikely to generate massive profits. In stating all of this I am not looking for excuses, but merely noting that these are specifics that most European terminal operators do not have to deal with. By its very nature port service provision is a conservative yet very firm business, which, given further development and a strengthening of competitiveness, ensure that Luka Koper shares are undoubtedly an equitable investment in the longer term.

An Overview of 2010

15.37 million tonnes of cargo passed through Luka Koper in 2010, which is seventeen percent ahead of 2009. Luka Koper, d.d. generated 119.3 million euro of operating revenues, which is 10 percent ahead compared to 2009.

The largest increase was recorded at the Container Terminal, which handled 476,731 TEUs - an absolute record in the history of the Port of Koper. This can mainly be attributed to new direct container line services with the Far East. Established in May 2009, the eight-vessel Adriatic Express service accounted for thirteen percent of total container freight throughput in 2010.

Car Terminal volumes recorded a twenty-percent upturn on last year; the 379,250 unit throughput is evidence of the slow, but nevertheless steady, recovery of Europe's automotive

sector. The trend of increased volumes pertaining to the Mediterranean basin has also been observed, and this can be attributed to ever-more Asian vehicle manufacturers opening assembly plants in Europe; consequently, however, there has been a commensurate decline in car imports from the Far East.

In the category of bulk and break bulk cargos, both iron ore and coal have recorded upturns, for the most part as a consequence of the recovery of Austria's steel industry and the economy as a whole. Coal destined for the domestic (Slovene) market was within anticipated volumes, whereas coal imports for Italy fell, which can be attributed to the recession, the decreased consumption of electricity, and the resultant reduced generation by thermal power plants. Larger volumes of soya, scrap iron and minerals were handled by the Bulk

Cargo Terminal, whereas there was a decrease in volumes of cereals. This was, in particular, due to a poor harvest in Hungary and the increased use of the cheaper Danube river route via the Port of Constanța (Romania).

Increases were recorded with regard to cellulose and steel manufactures, whilst in the general cargos category, volumes of paper and aluminium remained at about the same level as last year. 2010 also saw an increase in project cargo, which is, due to its complexity and resultant added value, considered valuable and regarded as strategic.

Three fundamental pillars were established during 2010 for a future Liquid Cargo Terminal, encompassing jet fuel, as well as other liquid fuels and chemicals. When all petroleum derivatives are taken into consideration, liquid cargos were up by two percent.

As to operating revenues, income from container freight recorded the largest increase; whilst despite the rise in vehicle volumes, actual sales revenues were below the 2009 level as a consequence of the downturn in income from storage charges. The recession in the automotive industry during 2009 resulted in reduced turnover and thus a diminution of stocks held at Koper. The moderate recovery witnessed in 2010 further shortened average storage periods, manifesting itself in lower revenues from port storage charges.

More rapid turnover and the resultant decline in warehousing charges, also impacted bulk and break bulk cargo revenues. Incomes from general cargos - which are most complex because in addition to handling in storage they often involve a number of additional and ancillary services (such as timber impregnation, palleting, packaging and fruit ripening) - were up, for the most part as a consequence of increased container stuffing and stripping operations.

Cargo throughput (in tonnes)

	2010	2009	Index 10/09
General cargos	1,445,631	1,418,124	102
Container freight	4,276,137	3,063,006	140
Vehicles	559,706	418,790	127
Bulk and break bulk cargo	6,363,557	5,575,403	114
Liquid cargos	2,727,013	2,667,298	102
Total	15,372,043	13,143,621	117

Cargo throughput (in units)

	2010	2009	Index 10/09
Containers (TEU)	476,731	343,165	133
Vehicles (units)	379,250	314,824	114

Luka Koper d.d. revenues (in thousands EUR)

	2010*	2009	Index 10/09
General cargos	29,396	27,796	106
Container freight	23,975	17,195	139
Vehicles	12,356	14,005	88
Liquid cargos	6,269	5,635	111
Bulk and break bulk cargos	30,963	32,107	96
Other	16,354	11,986	136
Total	119,314	108,723	110

*Provisional non-audited data

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