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Dr. Gregor Veselko, President of the Management Board

## Editorial

This year's second issue of the Notice e-magazine brings encouraging news of the company's first quarter operations, both as regards cargo throughput as well as revenues. Of course, these figures provide no bases to jump to conclusions as to the company's performance, which is – from the investors' perspective – the sole criterion. Nevertheless, the figures come as proof that our commercial operations are bearing fruit.

As regards container freight, any direct comparison with last year's first quarter is somewhat less apt due to the fact that the second direct service with the Far East only commenced in June, whilst the evident disparity in relation to liquid cargos can be attributed to the new alcohol terminal facilities. Significant growth was also recorded in relation to vehicles, which are – in addition to containers – a key indicator cargo. The article published in Notice illustrates the fact that Luka Koper operates one of the largest car terminals in the Mediterranean; although it has fallen one place in relation to the 2009 survey, Koper is achieving one of the most rapid growth rates in Europe.

At the same time, however, the company recorded declines in a number of other cargo types, such as timber which couldn't be shipped due to political instability in northern Africa. Indeed, a large portion of timber handled at Koper is destined to Libya, whose ports are now no longer open to normal maritime trade as a consequence of its civil war. Timber provides an excellent example as to how port operations are forever at the mercy of external factors. Not so long ago we were in a similar situation as a consequence of the mass demonstrations in Egypt and the tsunami in Japan. Koper handles small volumes of cargo from the land of the rising sun, indeed there are no direct services; larger European ports, however, with direct lines to Japan are facing huge logistics problems due to the fact that every single container needs to be checked for radiation, which is, if nothing else, time consuming. Although the Slovene authorities have yet to



adopt any measures in this direction, all operators involved in maritime trade are prepared to react.

One doesn't have to go that far in order to realise the impact of the external milieu on port operations. In late February we had problems with glitter-like iron oxide particles blown on the wind; all arguments that there had been no accident and that this cargo was not hazardous were in vain. People are evermore concerned about the environment in which they live, and this requires additional attention from our part in relation to the port's expansion, the receipt of new cargo types as well as investments. Over the past decade, Luka Koper has invested some twenty million euros in ecological projects, green technology and energy-saving equipment. This is quite a substantial overhead for a company that also bears the sole burden of financing the construction of port infrastructure. However, sustainability-oriented policy, together with quality and constructive coexistence with the local community, are prerequisites for the future of the Port of Koper.

In short, a port is not an industrial facility in the classical sense, and nor it is engaged in regular manufacture. It has to constantly adapt to a great many varied circumstances and developments. Luka Koper has proven to be up to this over the decades of its existence, and it shall continue to flexibly pursue the competitive advantages of its multi-purpose character.

# Overview of cargo throughput and revenues by cargo types

In the first three months of 2011, four million tonnes of cargo passed through the Port of Koper; this is a year-on increase of seven percent, whilst the parent company's operating revenues recorded a sixteen percent increase on the same period last year.

Cargo throughput (tonnes):			
	January - March 2010	January - March 2011	Index 11/10
General cargos	386,457	357,476	93
Container freight	1,023,566	1,316,208	129
Vehicles	104,178	143,114	137
Bulk and break bulk	1,643,473	1,507,620	92
Liquid cargos	632,120	728,784	115
<b>Total</b>	<b>3,789,794</b>	<b>4,053,202</b>	<b>107</b>

Cargo throughput (units):			
	January - March 2010	January - March 2011	Index 11/10
Containers (TEUs)	111,984	149,593	133
Vehicles (units)	76,064	100,30	132

Luka Koper d.d. operating revenues January - March 2011*:			
(in thousands Euros)	January - March 2010	January - March 2011	Index 11/10
General cargos	8,601	8,790	102
Container freight	5,390	7,898	147
Vehicles	2,631	3,087	117
Bulk and break bulk cargos	7,610	8,458	111
Liquid cargos	1,410	1,715	122
Other	3,154	3,528	112
<b>Total</b>	<b>28,800</b>	<b>33,479</b>	<b>116</b>

\* incomplete and non-audited data.

## Solid indications of recovery

**The considerable increase in vehicle throughput recorded by most European ports in 2010 testifies to the recovery of this sector, though this is at least partially attributable to subventions by some European states. Despite the fact that some ports have increased turnover by fifty percent, the numbers of vehicles being shipped are still well down from the records achieved just a few years ago, which corroborates the depth of crisis being encountered by the automotive industry. In 2011, most countries will terminate the subsidies provided on**

**the purchase of new vehicles, thus this year will be a good indicator of the actual state of the market.**

Save from a few exceptions, no significant changes have been recorded: Zeebrugge (Belgium) remains the busiest, followed by Bremerhaven and Emden in Germany. Most ports recorded growth, but the general impression is that larger ports didn't accomplish growth at the expense of the smaller ones. Nevertheless, there were changes in the import - export ratio. If, over recent years, the dominant

trade flows were from Europe to the Americas and from Asia to Europe, current growth is export led, with German export to China most evident.

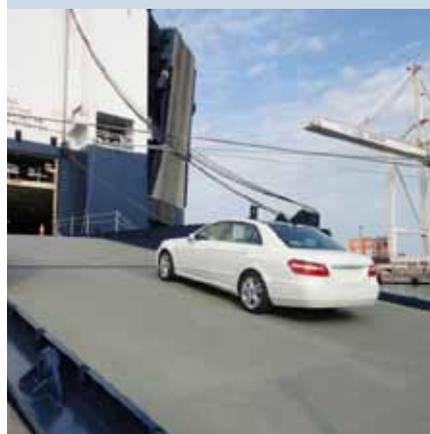
Expectations to year's end are moderately optimistic. A significant opportunity for expansion, though one which lacks any massive growth potential, remains short sea shipping within the EU itself. Prior to its ratification, no effects may be anticipated from the free trade agreement recently concluded between the European Union and South Korea.

The further move towards electric and hybrid vehicles in Europe might engender some changes within the market, this due to the fact that plants in Japan and China are preparing to up their production.

Luka Koper recorded 20.5-percent growth in 2010, handling 379,250 vehicles; this places it sixteenth in Europe, and fifth in the Mediterranean. Due to the poor competition in the region, together with inadequate infrastructure and hinterland connections, Koper remains the most important vehicle port in the Adriatic. At present the company is striving to attract the largest possible portion of vehicle trade flows through the Port of Koper. The greatest growth potential derives from the further promotion of the so-called southern transport route, via the Adriatic, as well as the opening of new assembly plants in the Central European hinterland.

#### Increasing number of luxury cars

Since the autumn of 2010, the Koper office of the French logistics company GEFCO, which specialises in vehicle transport and logistics, has organised shipments of Mercedes cars and vans via the Port of Koper. In February, the local office of German BLG Logistics exported a large shipment of Audi TT and Q7 models via Koper to clientele in China. It is interesting enough that this was the first overseas car shipment from the Port of Koper; cars transported via Koper are mainly destined to the Mediterranean markets.



#### Twenty largest ports in Europe by vehicle throughput:

Port	No. of units handled in 2010	Change 2010/2009
1 Zeebrugge (B)	1,602,264	24.6%
2 Bremerhaven (D)	1,507,897	25.7%
3 Emden (NL)	1,081,500	32.0%
4 Grimsby (UK)	713,000	7.5%
5 Antwerp (B)	691,987	16.7%
6 Barcelona (ES)	575,234	31.2%
7 Tyne (UK)	555,000	48.6%
8 London (UK)	542,058	0.5%
9 Southampton (UK)	495,000	17.9%
10 Bristol (UK)	465,000	1.1%
11 Valencia (ES)	424,987	-7.0%
12 Livorno (I)	422,091	-8.9%
13 Vigo (E)	392,403	-2.3%
14 Flushing (Vlissingen) (NL)	390,000	11.4%
15 Piraeus (GR)	380,346	37.6%
16 Koper (SLO)	379,250	20.9%
17 Copenhagen/Malmo (DK/S)	377,607	130.6%
18 Le Havre (F)	340,000	33.7%
19 Amsterdam (NL)	317,712	18.4%
20 Sheerness (UK)	300,000	19.7%



#### Vehicle throughput at some Mediterranean ports:

Port	No. of units handled in 2010	Change 2010/2009
1 Barcelona	575,234	31.2%
2 Valencia	424,987	-7.0%
3 Livorno	422,091	-8.9%
4 Piraeus	380,346	37.6%
5 Koper	379,250	20.9%
6 Marseilles/Fos	297,000	26.6%
7 Salerno	292,000	No data
8 Gioia Tauro	120,000	20.0%

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