
Dr Gregor Veselko, Management Board President

Dear All,

Due to the fact that Notice is mainly aimed at the investment community, I am obliged to draw attention to the resolution by Koper Municipal Council that would – if implemented – significantly impact the company's revenues, as well as require a radical reorganisation of the company's core operations. Here I refer to the proposal that coal handling operations be ceased at the Port of Koper. Luka Koper believes that the councillors behind this proposal were not deadly serious. Indeed, I can hardly imagine they would take responsibility for the loss of one fifth of the company's revenue and at least one hundred jobs.

The company's position in relation to the Municipal Council resolution – in particular the fact that there exists no expert evidence as to any harmful effects caused by coal dust from terminal operations on either the health of population or the environment – has already been presented, in detail, to the public. Further to this, Luka Koper does not exceed the legally prescribed thresholds of dust particle emissions, whilst annual data provided by Slovenia's Environment Agency regularly affirms that the air we breathe in Koper is the least polluted in Slovenia. It is well recognised that the main source of air pollution is road traffic. In addition to closing the coal terminal, are we also willing to give up our cars and ban the trucks that fill our supermarket shelves?

Accordingly, we are not intimidated by arguments in favour of ending coal terminal operations, nor by reproaches for failing to collaborate with the local community. After all, the company has invested more than twenty million euros over the past ten years in technologies that reduce the negative impacts of port activities. Luka Koper is a company that places social responsibility high among its priorities; the proportion of its revenues allocated to donations and sponsorship is among the highest of all Slovenian enterprises. We have transparent communication with the local community via the www.zivetispristaniscem.si (Living

with the Port) website, whilst our investments in the passenger terminal have significantly contributed to the development of tourism in the municipality. Lastly – but by no means least – the National Spatial Plan is highly sustainable and moves the port further away from the town centre; not to mention the fact that fifty percent of the concession fee received by the municipality is as compensation for port operations.

The company's five-year strategic plan also anticipates a gradual reduction in the volumes of break bulk cargos as well as an increase in strategic cargos such as containers and vehicles. Unfortunately, it is impossible to realise this in the short term suggested by the Municipal Council without jeopardising the company's future. Indeed, being a multipurpose port was Luka Koper's key competitive advantage that saved it from a worst case scenario during the 2009 crisis.

All the above makes it difficult to understand why someone would want to purposely damage the operations of the company. Luka Koper has continued to perform well during the first quarter of this year, which is evident from the data on cargo throughput and revenues generated. The first vessel initiating a new direct container line service between Koper and the Far East left Japan some days ago, and within the month we will be connected with Egypt by a new container feeder service. Today Luka Koper is a healthy company with a potentially bright future, if such is wanted or made possible by all the stakeholders that effect its operations. Koper remains an international port of national strategic interest; it should not be threatened by partial interests. The question remains whether we will have the necessary wisdom and responsibility to fulfil the potentials of this ongoing project.

april 2012



LUKA KOPER

Port of Koper

Overview of throughput and revenues by cargo type

Cargo throughput in tonnes:

	January - March 2011	January - March 2012	Index 12/11
General cargos	357,475	290,624	81
Containers	1,316,208	1,344,927	102
Cars	143,114	155,874	109
Liquid cargos	728,784	764,307	105
Dry bulk	1,507,620	1,801,637	120
Total	4,053,201	4,357,369	108

Cargo throughput in units:

	January - March 2011	January - March 2012	Index 12/11
Containers (TEU)	149,593	152,072	102
Cars (units)	100,057	110,314	110

Operating revenues Luke Koper, d.d. January – March 2012:*

(in 000 EUR)	January - March 2011	January - March 2012	Index 12/11
General cargos	8,791	8,489	97
Containers	7,884	8,374	106
Cars	3,086	3,754	122
Liquid cargos	1,715	1,673	98
Dry bulk	8,459	8,422	100
Other operating revenues	3,524	3,353	95
Total operating revenues	33,459	34,066	102

*incomplete and non-audited data

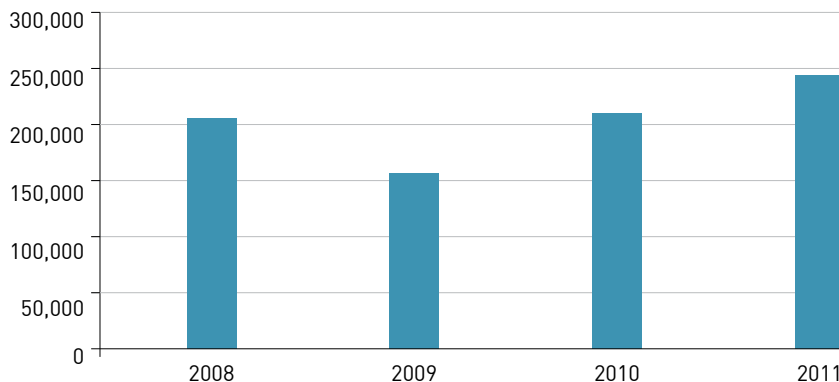
**Operating revenues are composed of net sales and other operating revenues, which do not include other revenues. In the interim reporting 2011 we included in the operating revenues also other revenues. The amount of these other revenues, which are because of comparison reasons for 1Q 2012 not included among operating revenues 1Q 2011, is 20.8 thousand EUR (2011) and 1.2 thousand EUR (2012).



Railway - Artery of the Port



Number of wagons unloaded/loaded at the Port of Koper:



The Port of Koper has traditionally been closely related to the railway. Indeed, more than fifty percent of cargo passing through Luka Koper is rail freighted. More precisely, sixty percent of cargo throughput can be attributed to rail, thirty-four percent to trucks, while the remaining six percent is accounted for by transhipped cargo. Overall, Koper transports more freight by railway than any other port in the Northern Adriatic; Trieste stands at about forty percent, whilst the percentage at other ports remains significantly lower. Port-related rail freight at Luka Koper rose by sixteen percent over the past year, while maritime cargo increased by eleven percent. The same holds true at the European level, where rail freight is growing more rapidly than both road and maritime transport. Such intensification must also - necessarily

- be accompanied by the provision of essential infrastructure.

For years the Koper – Divača branch line has been the most critical section in the Port of Koper's rail connection with its hinterland. The renewal works, which commenced in 2009, shall ultimately facilitate a twenty-five percent increase in capacity. The first stage of the project includes the modernisation of the rail-freight stations at Hrpelje-Kozina and Koper, as well as new electrification feeds at Dekani and Hrpelje-Kozina. Stage two anticipates the reconstruction of Divača station and the provision of a number of auxiliary structures, such as pedestrian underpasses, road flyovers and access roads. The total value of the project amounts to € 130 million, of which € 68 million is being contributed by the EU

Cohesion Fund. Track modernisation will be completed in 2013.

The next step is the construction of a new single line, the so-called second track, which shall also connect the port with Divača. Currently, nearly all land has been acquired for the project, but there have been some problems with the environmental permit, which is one of crucial documents for the acquisition of a building permit and the requisite European funding. At the moment it is very difficult to anticipate when construction will actually begin, though the gains deriving from the new track will be significant: reducing the distance from Koper to Divača from 45 to 27 km, a halving of transport times, and a speed increase from 70 km/h to 160 km/h, not to mention increased safety. The above will result in a capacity increase from the current 82 to 231 trains per day, or from 12.1 million tonnes to 41.7 million tonnes per annum.

Luka Koper anticipates 21 million tonnes in cargo throughput during 2012. Given the current distribution ratio between road and rail freight, modernisation of the existing line still provides some reserves. Nevertheless, in the long-term port development is highly dependent on the provision of a second track, particularly in relation to the provision of a third pier container terminal at the Port of Koper.

New Direct Container Line to the Far East

Taiwan's Evergreen Marine and Yang Ming Marine Transport Corporation have, together with South Korea's Hanjin Shipping, established a new direct line linking the Adriatic with East Asian ports and, most significantly, Japan. The first of thirteen vessels that will participate in rotation is expected in Koper on 10th May. A successful direct line operated by Maersk and CMA-CGM has been linking Koper with the Far East since 2009.



Customs Procedures - A Competitive Advantage

Luka Koper's port and logistics system is closely engaged with the work of the customs authority in its provision of activities aimed at ensuring control and compliance with legislation. Customs procedures have a pivotal role in the flow of cargo through the port and therefore may significantly impact the decisions of logistics providers as to their choice of transport routes. One frequent form of import customs clearance is the so-called procedure 42 which allows the release of imported goods into free circulation immediately upon arrival at the port – i.e. upon entering the EU; tax is only levied after dispatch to the importing member state. For example, a Korean car shipped to Austria via Koper is cleared in Koper whilst the tax is paid in Austria. Due to the delayed payment of taxes, as well as the fact that cargo may be immediately released for dispatch, this system is to the importer's particular advantage – especially in relation to mass cargoes such as vehicles, soya and coal. Procedure 42 is also of advantage to the forwarding agents and hauliers, and as such an important element in enhancing Luka Koper's business as a transit port.

The major ports of Northwest Europe share similar such procedures, whilst some other countries – most notably Italy – require insurance, collateral and deposits for this procedure, making it less advantageous.



X-ray of containers performed by the Customs Administration RS at the Port of Koper

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
