
Bojan Brank, Management Board President

Dear Investors,



The quality of Luka Koper services is one of the few issues over which we can actually exert a direct impact. At the same time, and in addition to our flexibility, it's also one of Luka Koper's major advantages in relation to competition, or at least this is what our clients say. Unfortunately there are a great many factors that are completely out of our hands. The decline in purchasing power across Europe, which is particularly evident in relation to the sale of new automobiles, is definitely one such factor. Luckily enough as regards vehicles we have been able to compensate the decline in European imports with exports, especially to the countries of North Africa; nonetheless, a slight year-on downturn was recorded in this segment. On the positive side, there has been significant growth in general cargo throughput, which was not proportionally reflected in the rise of revenues, and this is specifically due to a decline in income from storage fees. The situation is quite different in relation to container freight, where the increase in revenues exceeded the throughput rise several times over. Liquid cargos are another story: commercial agreements have been concluded for fixed quantities, thus the downturn in throughput is not reflected in any decline in revenues.

Over and over again it has been apparent that multi-functionality and the ability to adapt to market and economic conditions is a major advantage to Luka Koper. We will continue to further maintain such an organisation and operational multiplicity. In the midst of summer and the holiday season this is all we have to report for now. And in that spirit may I wish you a well-deserved rest, enjoyable moments with your friends and family, as well as refreshment and strength in all your undertakings in the coming autumn.

Probably the most important news is that - after five years - Luka Koper has finally recommenced the distribution of annual dividends, such was indeed endorsed at the Annual General Meeting earlier this month. It gives me great pleasure to re-affirm that the company is once again operating in accordance with its dividend policy, and a sizeable portion of its profits are being disbursed to shareholders. The remaining portion of profits are being exclusively allocated to the further development of the company's core business.

Unlike the operators of neighbouring ports, Luka Koper is burdened with the sole responsibility for investment in essential port infrastructure. This is also one of the subjects covered in this edition of Notice, together with the welcome news on the dredging of Basin I, which remains our major concern due to the fact that it directly affects the performance of the Container Terminal, and, by way of that, the satisfaction of our business partners. Further to this same issue, Luka Koper conducted its annual inquiry into client satisfaction, and we were again pleased with a relatively positive outcome. Nonetheless, we have not ignored the most critical views and opinions, further to which the company has arranged a series of meetings which provide a forum for further discussion and an opportunity for us to make improvements.

july 2013



LUKA KOPER

Port of Koper

Review of Cargo Throughput and Revenues per Cargo Types

Cargo throughput in tonnes

| | January - June 2013 | January - June 2012 | Index 13/12 |
|-------------------|---------------------|---------------------|-------------|
| General cargos | 860,040 | 718,032 | 120 |
| Container freight | 2,875,781 | 2,702,684 | 106 |
| Cars | 329,806 | 339,456 | 97 |
| Liquid cargos | 1,251,326 | 1,497,868 | 84 |
| Dry bulk Cargos | 3,584,010 | 3,778,834 | 95 |
| TOTAL | 8,900,963 | 9,036,874 | 98 |

Cargo throughput in units

| | January - June 2013 | January - June 2012 | Index 13/12 |
|-------------------|---------------------|---------------------|-------------|
| Containers (TEUs) | 295,530 | 292,727 | 101 |
| Cars (units) | 233,769 | 241,771 | 97 |

Luka Koper d.d. operating revenues in thousands EUR*

| | January - June 2013 | January - June 2012 | Index 13/12 |
|---------------------------------|---------------------|---------------------|-------------|
| General cargos | 17,210 | 16,513 | 104 |
| Container freight | 18,667 | 16,723 | 112 |
| Cars | 7,760 | 8,238 | 94 |
| Liquid cargos | 3,532 | 3,453 | 102 |
| Dry bulk cargos | 16,096 | 17,166 | 94 |
| Other operating revenues | 6,924 | 7,013 | 99 |
| Total operating revenues | 70,190 | 69,106 | 102 |

*incomplete and non-audited data

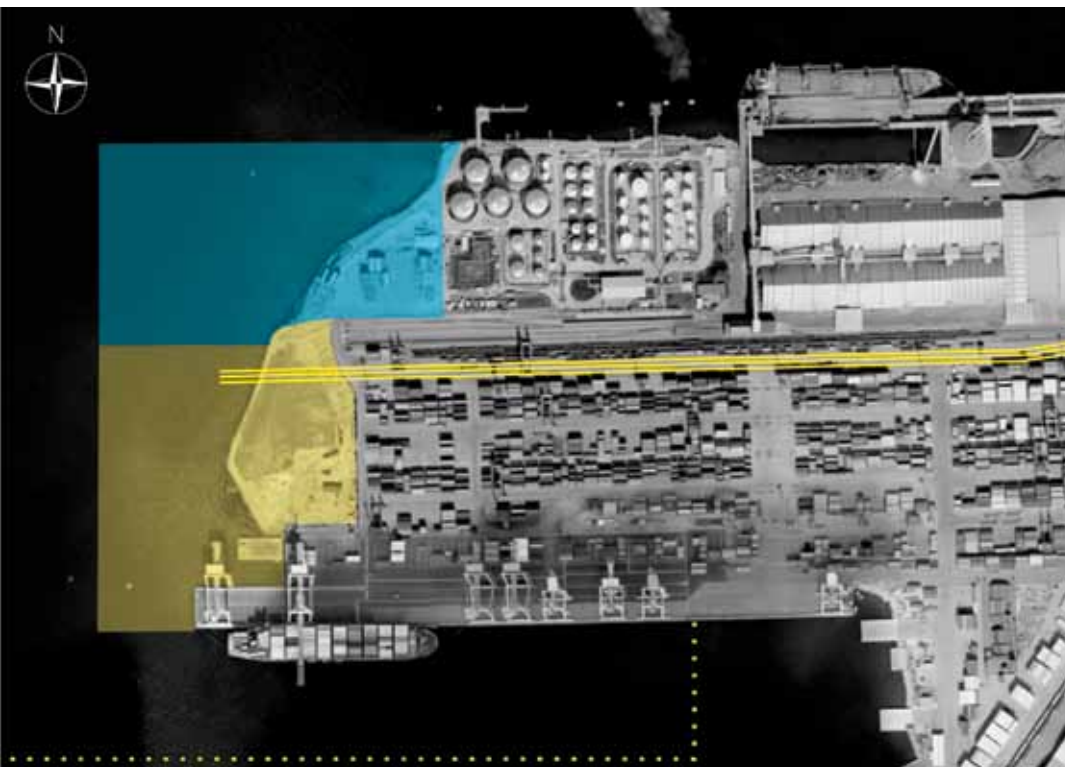


A New Development Cycle Commences at Pier I

At its last session prior to the expiry of the term of office of the majority of its members, Luka Koper's Supervisory Board was introduced to plans for the further extension of the southern portion of Pier I, as well as the commensurate expansion of capacity at the Container Terminal. The Supervisory Board gave its consent to launch procedures for the realisation of the project that shall increase the annual capacity of the Terminal from the current 720,000 TEUs to 950,000 TEUs. In addition to deepening Basin I through

dredging, the investment also includes the construction of an additional 100 metres of operative quayside and a new berth, the construction of a dredged material disposal site, the creation of storage and handling areas across the southern portion of Pier I, additional railway infrastructure and the acquisition of additional equipment at the Terminal. The transition to rail mounted gantry crane technology is also anticipated, while the move away from rubber-tired cranes and the installation of a bridge crane at the container

storage site shall facilitate more rapid operations. The project that will be realised in several phases, with individual investments put into operation in stages, and the entire completion of works by 2018. Compliant with the National Spatial Plan for the comprehensive spatial arrangement of the Port of Koper, as well as the supplemented five-year port development plan adopted by the Government of the Republic of Slovenia, the estimated value of this project amounts to 78 million euros.



The yellow-shaded area in the aerial photo marks the extent of the proposed extension to Pier I, an investment that will facilitate a total throughput of 950,000 TEUs of container freight per year. If the northern (blue-shaded) part of the Pier is also built and the entire Pier is dedicated to container cargos - this also presuming the construction of a second railway track to Divača, i.e. an increase in rail-freight capacity potentials - overall container throughput could reach up to two-million TEUs per year. Indeed, studies and projections reveal that from an operational and cost-efficiency perspective it would be most sensible to concentrate container handling at a single location which is already equipped with the necessary infrastructure.

What is Luka Koper's Five-Year Port Development Plan?

Although the so-called five-year port development plan is oft spoken of, the question as to what this actually is and what such a plan shall actually accomplish is forever in need of address. Every five years, in accordance with its Concession Agreement with the state, Luka Koper is obliged to submit its concepts for the spatial and infrastructural development of the Port of Koper, together with the dynamics of its plans re implementation, which the Government RS accordingly

endorses. This plan, which is amended and supplemented on an annual basis, must also be congruent with Slovenia's national maritime development programme. Luka Koper's 2011-2015 development plan, recently adopted by the Government, encompasses all infrastructural projects within the Port of Koper zone. It serves as a basis for the provision of consent by state authorities (for example building permits) in relation to individual projects encompassed by the plan. Luka Koper

thus strives to include every potential project within the development plan programme, otherwise the company will have problems in relation to its acquisition of all requisite permissions. Nonetheless, not all projects iterated within the plan have to be realised; indeed, decisions in relation to actual investments are forever adapted to market demand and the projected future dynamics of the industry.

Dredging Operations Take A Step

The state extends the port zone to Sermin, Koper Municipality grants land-use rights in relation to Plot 7a



On 20th June 2013, the Government RS adopted a resolution on the 10.2 hectare extension of the Port of Koper zone, in accordance with which the eastern portion of plot No. 799/29 (see aerial photo below) - owned by the state and designated for the disposal of silt from dredging operations at the Container Terminal quayside in Basin I - became part of the port area.

In compliance with regulations governing the management of the Port of Koper, as well as Luka Koper's Concession Agreement with the state, any concession in relation to the expansion of the port zone is the competence of the Government RS, which can adjust the port area as a consequence of spatial plans,

the port development programme or a redefinition of the so-called the economic zone. This most recent change is attributable to the amended and supplemented Port of Koper development programme 2011-2015, adopted by the Government, which also includes the construction of silt disposal site on a portion of plot 799/29.

In addition, a few days ago Koper Municipality granted Luka Koper land-use rights at plot 7a which will also serve as a disposal site for dredged materials. Negotiations with Koper Municipality in relation to this again continued after the Constitutional Court RS released its moratorium on land-use change in relation to

plots owned by Koper Municipality in the vicinity of Ankaran. Plot 7a is encompassed by the National Spatial Plan for the Port of Koper, hence its ultimate usage shall be port related. Both plots - 7a and 799/29 - will be readied as disposal sites, most likely by the end of September; and, following the acquisition of an operating permit, Basin I dredging operations can actually commence.

No Let Up In The Competition

Northern Adriatic ports are hurrying with their investments in container terminal facilities. Despite increasingly severe competition, this is a win-win situation for all in the long-term.

By the end of this year, the **Port of Rijeka** will significantly increase its container handling capacities through completion of the 330-metre extension of its Brajdica Terminal facility. The first vessel came alongside on 4th July, and the extended terminal capacity shall amount to some 600,000 TEUs per year. The concessionaire - Jadranska Vrata d.d. - the Adriatic Gate Container Terminal (AGCT) - is investing thirty-million euros in handling equipment, whilst the construction of the quayside and warehouse facilities is being borne by the Port of Rijeka Authority with funding from the International Bank for Reconstruction and Development. A 51 percent stake in AGCT is held by the Philippines-based International Container Terminal Services, Inc. (ICTSI) which concluded a 30-year concession for the development and operation of the Brajdica Terminal with Luka Rijeka d.d., which is also the co-owner of the new enterprise. A new entrance to the facility - already completed and awaiting provision of an operating permit - also forms part of the Brajdica investments. With

Container Throughput at Northern Adriatic Ports, January - June 2013:

| Container facility | TEU | Year-on percentage change |
|---------------------------|---------|---------------------------|
| Koper | 295,530 | + 1.0 % |
| Trieste | 233,800 | + 13.6 % |
| Rijeka | 73,000 | + 12.0 % |
| Venice | 220,504 | + 2.0 % |
| Ravenna (incomplete data) | 108,000 | + 8.0 % |

direct access to the motorway, trucks arriving at the Container Terminal shall henceforth not burden traffic in Rijeka's city centre, while the new facilities costing 2.2 million euros will also be used by the police and customs authorities.

Koper's neighbouring **Port of Trieste** is also engaged in the modernisation of container handling operations at its Pier No. 7. The horizontal reach of two of its seven quayside cranes will be extended to a 20-container width, which shall allow them to fully service New-Panamax type vessels. The first

upgraded crane has been in operation since early June, whereas the second will be ready in September.

The **Port of Ravenna** is preparing to deepen its approach channels. Italy's Interministerial Committee for Economic Planning (CIPE) has contributed sixty million euros from the state budget - an amount equal to that being invested by Ravenna's Port Authority.

Co-ordinated Development of Infrastructure - The Key to Growth

The presidents of the four NAPA (Northern Adriatic Ports Association) ports met in mid-June in Venice and gave their support to the co-ordinated development of port infrastructure. Indeed, such is the only way for Northern Adriatic ports to maintain and grow cargo flows in the long-term, particular in relation to container freight. The collaboration of recent years has revealed that shipowners don't use the Adriatic route because of a single port but instead look for the best alternatives within the region in order to optimise their operations.

Thus the even development of Northern Adriatic ports in order that each is able to offer most favourable logistics solutions remains crucial, whilst together they simultaneously provide a Multi-port Gateway to the hinterland of Central Europe.

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