
Gašpar Gašpar Mišič, Management Board President of Luka Koper



Dear Partners,

Benefiting from an excellent position near the heart of the continent, the Port of Koper provides Slovenia with a key competitive advantage, while Luka Koper - as the operator of this maritime transport hub - provides Central Europe with essential links with the world beyond. As such it forms the basis of our national development potential. Accordingly, investments in the development of transport and logistics infrastructure shall undoubtedly yield positive and multiplicative effects on the Slovenian economy, as well as the economies of the other countries of Central and Eastern Europe. This is a mantra which I will never tire of repeating. I advocated it as a deputy to the National Assembly - Slovenia's parliament - and as a State Secretary, and now with even more vigour as President of the Luka

Koper Management Board. A day does not pass without my identifying the numerous development opportunities provided by our port and the logistics sector as a whole.

Luka Koper has all it takes to become the pre-eminent port in this part of Europe. We already operate the largest container terminal in the Northern Adriatic, and the second largest car terminal in the Mediterranean. We are Austria's most important port, and the most important container port for Hungary. We want to maintain this paramount position and accomplish similar result in other areas and markets. This said, it is of crucial importance that both the state as well as other stakeholders are on board with these objectives, whilst the local community in particular



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LUKA KOPER
Port of Koper

has to adopt Luka Koper's plan as its own. Hence we have requested that the Government of the Republic of Slovenia use its diplomatic channels to communicate to the countries of our hinterland markets that the Port of Koper is also their port and that Slovenia's sea is - in a commercial sense - also their sea. The company's Management Board firmly believes that the resources necessary for Luka Koper's growth - both in terms of trade as well as investment - are to be found in relation to the states of Central and Eastern Europe. Indeed, a number of business entities in those same territories use our port on a daily basis in their exploitation of the shortest and cost-wise most favourable maritime cargo links with the Far East. Together with the countries that form our hinterland markets, we strive for the creation of transport and logistics infrastructure that shall facilitate safer and more rapid links through Slovenian territory, and - with that objective in mind - the efficient application of EU funds in the attainment of such goals.

If you ask me today why I insisted upon my candidacy for the position of Luka Koper Management Board President, despite pressures and a turbulent media response in relation to the statements of some politicians, I can simply answer: "It's my nature." Personally I could not come to terms with the indifference and irresponsibility with which local politics handles the Port of Koper, and with that the very backbone of Slovenia's transport and logistics system. I could not - and still cannot - comprehend how those who should be most responsible, overlook the fact that Koper is at the centre of the North-Adriatic transport node co-formed with Trieste and Rijeka. Working together these ports are becoming an ever more important counterweight to the major hubs at the northwestern periphery of continental Europe, as well as increasingly relevant to the strategic plans of the world's major ship-owners. The North Adriatic intercontinental cargo route now serves as a basis for the competitiveness of the economies of Central and Eastern Europe within the global market. By way of this

we are becoming one of the most interesting regions of our continent in relation to inward investment, and further to this: every euro thus invested has a multiplier effect as regards the rest of the economy. Investing in transport and logistics infrastructure remains the best and only reliable solution to Slovenia's overcoming its current economic crisis, as well as ensuring the future welfare of its population as a whole.

Luka Koper's clients have actively participated in the creation of a responsive system, and as such they are our best advisors. As a company we have accelerated activities to overcome spatial limitations and the prejudices of self-sufficiency. We have come to agreements with railway operators (in particular Slovenske Železnice operator) to extend train compositions by ten percent, i.e. from the former 500 metres to 550 metres. At the same time the current 52 trains per day on the Koper - Divača track are to be increased to 72 trains per day. The provision of new connections linking our business partners with Luka Koper's IT system has also been initiated, and the rapid flow of information and automatic processing that this shall facilitate will contribute to an improvement in the productivity of the port as well as the more rapid flow of cargo through it. We have also - at negligible cost - started to modernise the organisation, as well as bring to life those plans and initiatives accumulated over the years for which there was never enough audacity to ensure their integration into an efficient business synergy. In this context solutions have also been adopted that will prevent numerous hauliers from wasting their valuable time waiting to unload and load cargo. Through the pursuit of commercial ventures with our existing business partners, we want to provide potential new clients with comprehensive logistics solutions.

Through the implementation of efficiency measures, centralising supply, the reduction of energy costs and overheads in the provision of services, as well as the rationalisation of infrastructure investments, Luka Koper is now

paying a lot more attention to reducing expenditure. Indeed, costs saved in the aforementioned areas in the last month exceed three million euros. We are also taking a different approach in relation to so-called non-profitable investments: previously burdens upon the invested capital shall be examined as to ways in which they may be made profitable.

Despite the fact that not everything goes smoothly, the challenges faced are resolved promptly. Such also applies in relation to the seabed dredging project in Basin I, which - like the scheme to provide three new entrances to the port zone in order to relieve traffic congestion, increase throughput and considerably improve occupational safety at work - have been confronted with a number of administrative obstacles. Luka Koper is preparing for an extensive development cycle that will include the extension of its existing piers, investments in new technology and the modernisation of its handling and transport machinery. The objective which has been set in relation to the deepening of Basin I by the end of January next year is still attainable. In the meantime we will make some minor improvements to the existing draft potentials from the current -11.4 m to -13 m by the end of this year. Through the implementation of adequate safety measures - and in this I gratefully acknowledge the understanding and assistance of the Slovenian Maritime Administration - more heavily loaded container vessels of greater draft than of late, shall be able to use the Port of Koper.

I am confident that the activities listed above, together with other measures already or yet to be taken in order to improve port operations, will result in increased cargo throughput and, consequently, revenues. The reduction of costs and a commensurate increase in the company's profitability shall be evident in the performance disclosures to be published in the next issue of Notice in January.

Overview of Throughput and Revenues by Cargo Types

Cargo throughput in tonnes:

	January - September 2013	January - September 2012	Index 2013/2012
General cargos	1,217,575	1,047,094	116
Container freight	4,345,588	3,999,966	109
Cars	497,141	492,926	101
Liquid cargos	2,061,780	2,416,598	85
Dry bulk cargos	5,327,704	5,292,728	101
Total	13,449,788	13,249,312	102

Cargo throughput in units:

	January - September 2013	January - September 2012	Index 2013/2012
Container freight (TEUs)	445,447	429,197	104
Cars (units)	349,409	349,428	100

Q1 - Q3 operating revenues Luka Koper d.d.

(in 000 EUR)	January - September 2013	January - September 2012	Index 2013/2012
General cargos	23,928	23,363	102
Container freight	27,955	24,548	114
Cars	11,258	11,935	94
Liquid cargos	5,440	5,307	103
Dry bulk cargos	23,272	24,238	96
Other operating revenues	10,061	10,488	96
Total Operating Revenues	101,914	99,879	102

*incomplete and non-audited data



Changes to the Five-year Development Plan

In co-ordination meetings involving the representatives of DARS (Slovenia's motorway operator), DRI Investment Management, Luka Koper, the Ministry of Infrastructure and Spatial Planning RS, Slovenske Železnice (Slovenian Railways) and the Customs Authority we are intensively working on conceptual designs which will be the base of the updated five-year port development plan.

The changes of the five-year plan, which was presented in the July issue of Notice, mainly refer to the extension of both piers (I and II) at the Port of Koper whereby the second pier would be extended more than anticipated in the National Spatial Plan (NSP). Further to this, the group is searching for suitable solutions as to the construction of several new entrances to the port in order to relieve traffic congestion within the port zone and

avoid unnecessary investments in viaducts and level crossings that would total some 26 million euros. The extension of Pier II to the very fringe of the harbour zone - in accordance with the NSP - would allow the natural attainment of the requisite sea depths, and therefore avoid dredging and marine sediment disposal costs.

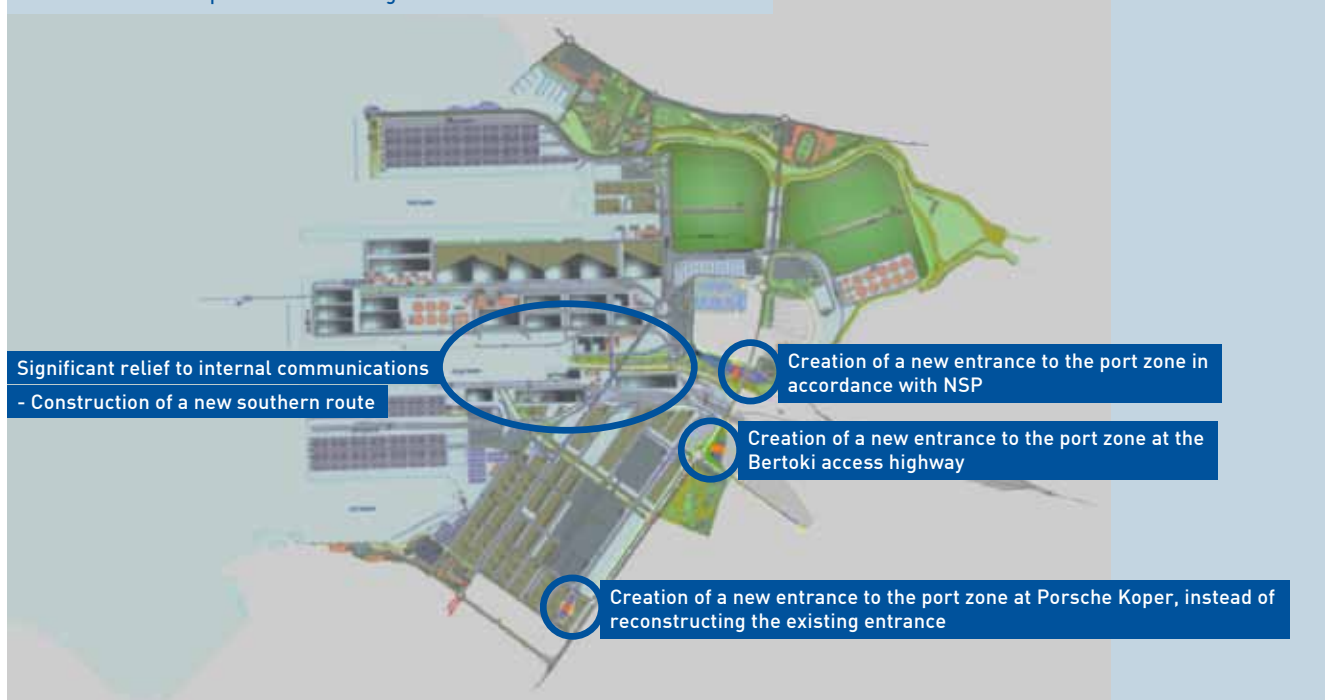
Luka Koper Management Board President Gašpar Gašpar Mišič commented that "projects anticipated within the NSP have to be thoroughly revised and re-examined from economic, technological and commercial perspectives. Luka Koper remains a multi-purpose port but with a focus on the container freight, vehicles and general cargos. All further investments will strictly comply with environmental protection provisions and standards, and findings in relation to this shall form the basis for the amendment of the port's

five-year development plan, which has ultimately to be endorsed by the Government. We firmly believe this shouldn't be a problem because all amendments will be justified and corroborated through the necessary calculations and evidence."

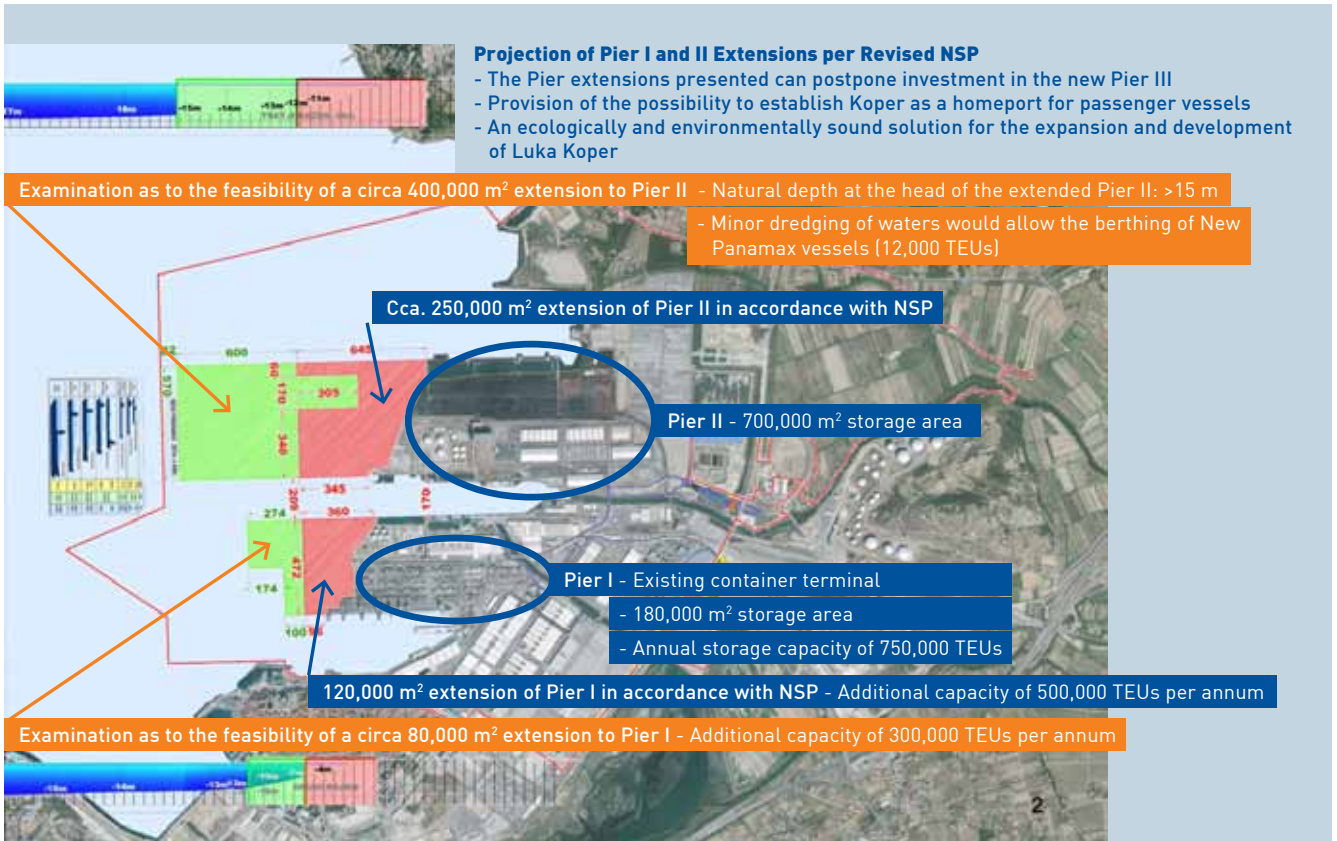
The working group also agreed that the anticipated investment in Pier III shall amount to some 350 million euros, hence they support Luka Koper's decisions to primarily focus on the extension of both existing piers, which is more feasible from both cost and technological perspectives. Luka Koper wishes to communicate to its clients that it is on the offensive as regards the expansion of its capacities.

New Logistics Approach with Several New Entrances

- Several road traffic entrances allow the exploitation of existing infrastructure
- Individual entrances are closer to the target terminals
- Investments anticipated in the existing NSP shall be reduced



The three entrances to the port zone will eliminate bottlenecks as well as reduce road intersections and rail-track crossings. Unnecessary internal traffic congestion will be eliminated, thereby freeing up existing capacities and facilitating more rapid communications and throughput.



Projection of the envisaged extensions to Piers I and II at the Port of Koper

What of the P3 Network?

The news in mid-2013 that the world's three largest container groups, who are otherwise avid competitors, shall form an operational alliance has surprised the shipping industry.

In April 2014, Denmark's Maersk, France's CMA-CGM and Swiss-based MSC will join forces in order to rationalise their operation and reduce costs. The so-called P3 service, based on the existing capacities of its three members, will operate 255 vessels providing a deployed capacity of 2.6 million TEUs across almost all transcontinental routes, Asia-Europe included. In order to efficiently manage their fleet, the lines will establish a special operating centre based in London. Despite these operators pointing out that they will set their prices independently,

they simultaneously believe that centralised fleet management will alleviate discrepancies between demand and provision, and thus prevent the volatility of rates witnessed over recent years. Other shipowners have expressed their concerns over this new alliance, maintaining that it breaches competition rules. European regulations allow the concentration of companies to 30% of market share at most, whereas the total global container capacity of the three lines is estimated at 33%. Consequently, opinions on this subject differ.

Impact of the P3 Network on ports

The P3 operators anticipate key modification in the organisation of their services: they will withdraw 91 vessels (26% of their existing

aggregate fleet) from Asia-Europe, transatlantic and transpacific routes, while at the same time maintain capacities through replacing them with larger vessels. At the moment it is not clear what implications this shall have for individual ports because more detailed information will only be released in November, though it is already clear that in relation to Far East routes the proportion of cargo concentrated on direct deep-sea services will increase. Maersk and CMA-CGM jointly operate two direct lines with Asia that account for 56% of cargo throughput at the Port of Koper; MSC, which for the most part operates Mediterranean services accounts for some 20% of the port's container business.

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