
Luka Koper - A Safe and Profitable Investment

Luka Koper is a most specific and composite technology-driven business system, but foremost, it is an international maritime gateway. Due to its favourable geographic position, located at the head of the Adriatic near the very heart of the continent, it enjoys excellent possibilities to become the principal port for the landlocked countries of Central Europe; indeed, for some - in particular Austria and Hungary - it already is.

Luka Koper is an entrepôt for goods entering Europe from all over the world, thus the entire port area is designated a special economic zone at the very frontier of the EU.

In the 21st century a port cannot be considered merely as a town where ships land. On arrival, prior to distribution or shipment, merchandise is warehoused, processed and prepared, in relation to which a variety of value-added services are performed. In addition to Luka Koper - the port operator and logistics provider - over 50 other enterprises operate within the Port of Koper free zone.

In accordance with the general worldwide trend of ports becoming evermore engaged in logistics provision, Luka Koper is constructing inland terminals in nearby Sežana as well as Beltinci (in northeastern Slovenia) and Arad (in western Romania).

These facilities will act as central distribution nodes for freight, service provision, as well as the dispatch of semi-manufactures and products to customers and end users in accordance with the "just-in-time" principle. It is through the development of a network of terminals that goods and services are brought closer to the client.

Increasing Throughput

Last year Luka Koper celebrated its 50th Anniversary as a port operator and logistics provider, and as such it is the youngest port in the Northern Adriatic. Nevertheless, during its short history it has successfully realised its vision of becoming the leading port

and logistics system for the countries of Central and Eastern Europe. The shipment of goods is increasing in all key markets, including Austria and Italy, which are traditionally also the largest ones. The increase in container freight saw a record 1.3 million tonnes of Hungarian cargo pass through Koper in 2007. Slovak cargos, precipitated by the development of the country's automotive industry, have likewise increased, as new business opportunities open up in Germany and the Czech Republic. Luka Koper has also penetrated new markets in Romania and Bulgaria where it has opened offices. In addition, links with the Middle and Far East, as well as South America are also being strengthened, while the company's new office in Malaysia has brought us even closer to our clients in Southeast Asia.

Investment in New Infrastructure

Last year, Luka Koper embarked on a new cycle of infrastructure investment comprising a number of strategic projects which will provide renewed impetus for growth in the provision of port and logistics services by the Luka Koper Group. The expansion of inland terminals within Slovenia as well as eastwards across the continent, together with increased involvement in rail freight operations, provide an excellent basis for the optimal management of new port infrastructure; in fact this is commencing with the extension of Pier I, and the completion of multi-storey warehousing facilities for cars.

An Emphasis on Vehicles and Container Freight

Luka Koper also accomplished a significant strategic leap with the structural adjustment of its cargo throughput, which rose by 9 percent in 2007 and is now in excess of 15 million tonnes per annum. Last year we handled 40 percent more containers, 31 percent more cars and 36 percent more general cargo.



Thus, compliant with the company's commercial strategy, the movement towards higher-value and more environment-friendly cargos is palpable, as is the commensurate increase in the provision of ancillary value added services on behalf of clients. This is also reflected in increased revenues, which exceeded € 122 million in 2007, and engendered a 20% rise in operating profits; indeed, last year net earnings per share rose from € 1.42 to € 1.79. Stability, profitability and investment safety are also underwritten by the growth trend of the international trade and logistics sector.

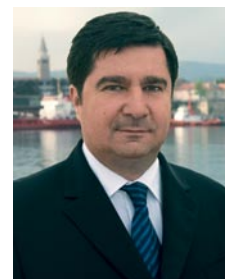
Last year's excellent business performance has continued into 2008. Four million tonnes of cargo were handled in the first three months of this year, and although the tonnage level is much the same as the first quarter of 2007, the structure of cargo throughput continues to improve, with higher unit value container freight and vehicles accounting for an ever-larger proportion of business. Further to this, Luka Koper is also attaining high growth in operating revenues, which in the first quarter of 2008 surpassed € 32.8 million, a year-on increase of 13%. Basic activities - i.e. those directly pertaining to cargo handling - accounted for 91% of total revenues, while first quarter operating profit in the amount of € 7.4 million was 24% ahead of the same period last year.

Concession Agreement

Great challenges lie ahead, and these shall be difficult to meet without regulation of the company's relations with the state. In short, we expect to conclude a concession agreement with the state, which shall provide the long-term regulation of Luka Koper's status as operator and manager of the port. Such an agreement will ultimately reduce the risk that the company assumes regarding profitability, and consequently establish a solid foundation for the development of the entire Luka Koper Group.

The concession agreement shall thus determine the amount of an annual fee payable to the state, expressed as a predetermined percentage of the operating revenues generated by the company. Although it will be higher than the existing rent, the annual fee will be a precisely determined expense, hence conclusion of such an agreement facilitates future stability. Through ongoing growth in cargo throughput volume, increasing proportions of higher value-added cargos and efficient risk management, Luka Koper shall not only maintain the attained levels of profitability, but also, through the accomplishment of investment plans, surpass them.

We are expecting to sign a concession agreement that will, in the long term, regulate our status as a port manager and operator. Nevertheless, development impetus will only be ensured following adoption of the national spatial plan, which the government is anticipated to adopt early next year. This will lay the ground for the expansion of facilities, including the construction of Pier 3, an investment of crucial importance to the accomplishment of our objectives.



Robert Časar,
President of Management Board
Luka Koper d.d.



Interview: Darko Kovačič

Darko Kovačič, how long have you been engaged as an analyst at Raiffeisen Bank, what markets and sectors do you cover? Also, how long have you been following Luka Koper?

I've been involved in company analytics for four years. Initially, for two years, as a credit analyst, I covered all major companies, i.e. Raiffeisen clients, following which I moved to our investment banking department, since which time I've been analysing all major Slovene "blue chips", as well as macroeconomic climate within the country for the needs of the entire Raiffeisen Group. So, I've been following Luka Koper for four years, and more intensively for the past two.

What is your recommendation to investors as regards Luka Koper?

At the moment, we still don't have an official estimate for Luka Koper shares, thus far I studied and developed DCF models for five Slovene companies - Petrol, Gorenje, Intereuropa, Mercator and NKBM. Nevertheless, I would like to say that Luka shares -especially following a near 50% price correction - undoubtedly represent an interesting investment opportunity. I would certainly emphasise the company's development potentials.

What are your key findings from the analysis of Luka Koper's business performance?

I would like to point out, in particular, the stable development of revenues over recent years, which rise annually by some 15%, as well as the cca. one million tonnes per annum growth in cargo throughput. Further to this, mention should also be made of the low contracted debts and high profitability in comparison to other ports in the region.

Currently, Luka Koper is in the midst of a heavy investment cycle aimed at increasing facilities, however its contracted debts are - as you mentioned - relatively low. What does this mean for the company's further performance, and what can we expect as regards LKPG share price?

The infrastructure investments - which according to our estimates are in the region of € 130 million - currently being undertaken by Luka Koper have to be mentioned in relation to the extant minimal burden of debt, which means that the company enjoys plenty of possibilities as regards the financing of its ambitious plans. The vision of future development and expansion has always sold very well, therefore investment further to the attainment this vision would likewise exert a positive influence on the share price.

Luka Koper accomplishes efficiency levels and standards common to other European ports. What are - in your opinion - the company's key competitive advantages?

Of course the number one competitive advantage is efficient performance and a good cargo structure, which is also exhibited in high turnaround times and ongoing profitability. Further to this, Koper is a few days nearer than ports such as Hamburg or Rotterdam.

What are your views of Luka Koper's recent efforts - such as the newsletter and the new website with information aimed at the investment community - to reach out to potential investors and shareholders?

This is certainly a step in the right direction. Even prior to these measures, Luka Koper was above average in Slovenia as regards the provision of information to investors. At the same time, additional information is - of course - always welcome.

News

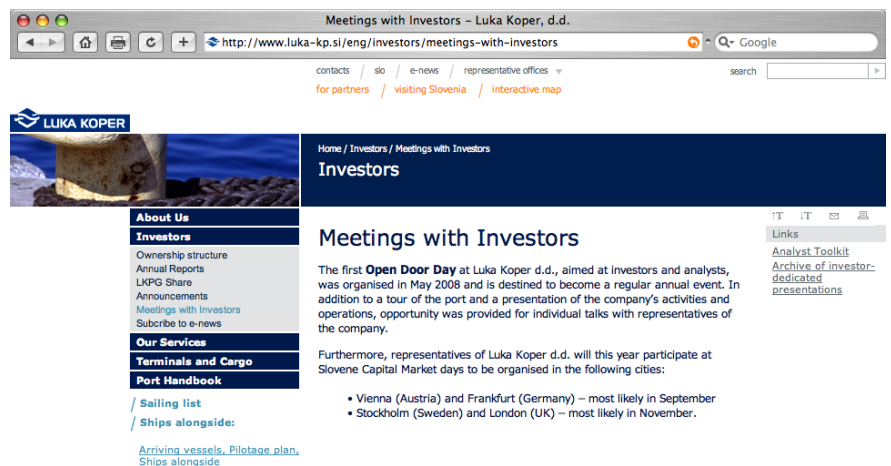
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Closer to Our Investors

Dear subscriber,

Please note the changes to our website. The new investors' section at <http://www.luka-kp.si/eng/investors> is anticipated to better meet your needs and requirements. Here you can obtain information on the Luka Koper share,

company ownership structure, make contact with and receive opinions from analysts, search the archives of interim and annual reports, as well as find important notices, the dates of meetings with investors, and calls for General Assembly meetings.



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