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**Interlog**<sup>®</sup>

Global Logistics Service, Ltd.CO



## **UNAUDITED INTERIM REPORT ON THE OPERATION OF INTEREUROPA GROUP FOR THE PERIOD JANUARY – SEPTEMBER 2005**



Koper, November 2005

INTEREUROPA d.d. is publishing this **Interim Report on the Operation of Intereuropa Group from January to September 2005** in accordance with the Ljubljana Stock Exchange Rules (Ljubljanska borza d.d., Ljubljana).

The Report will be available for perusal on the web site of INTEREUROPA d.d., at [www.intereuropa.si](http://www.intereuropa.si) from 25. November 2005.

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## A. INTRODUCTION

In the reporting period January-September 2005, Intereuropa Group stayed on the level of last year's net sales revenues<sup>1</sup>, despite a 6.4%-loss of income after Slovenia's accession to the EU. As regards the sales results, the Group was 8.0% below the plan, but the positive trends of the last two quarters and the newly commissioned logistical facilities, point to a minimal underachievement of targets by the year-end.

With the net profit of SIT 1.8 billion, we were able to achieve the net return on equity of 6.7 %, which ranks Intereuropa among the more profitable companies of those listed on the Ljubljana Stock Exchange, with profitability above the average.

### The key achievements of this period:

- Net Sales Revenues à 37.2bn SIT
- Net Profit à SIT 1.77 bn
- Net return on equity à 6.7 %

### Major events in the first quarter:

- The 13<sup>th</sup> Annual General Meeting of Intereuropa d.d. informed the shareholders with the Annual Report for 2004 by the Managing Board, resolved on the use of accumulated profit and on the changes and amendments to the Statute of the Company, and fixed the participation of the Managing and Supervisory Board in the Company's profit. Appointment of Auditors for the year 2005.
- The UPS Branch of Intereuropa d.d. launched a charitable effort 'Help the sick new-borns', collaborating with the Society to support premature infants, aiming to collect the funds for purchasing ultra-sonic equipment for premature infants in the intensive care and therapy of the critical newborns (EINT) in the maternity hospital in Ljubljana.
- The representatives of Intereuropa took part in this year's annual business conference organised by the Hellmann Worldwide Logistics v Sao Paulo (Brazil), focusing on the maritime and airfreight services.
- The largest international freight forwarding organization, FIATA, organized this year's world congress in Moscow, attended by the participants from Intereuropa.
- The Supervisory Board member Mr Ernest Gortan declared on 26 September 2005 to resign from his function in the Supervisory Board of the Company Intereuropa d.d.. On the same day the shareholder Luka Koper d.d. (plc), whose shareholding amounts to 24.56% of all shares of Intereuropa d.d., requested to convene the General Meeting, with the following agenda: "Supplementary election of a new member of the Company's Supervisory Board".
- The expansion of our groupage/ consolidation range of services (new lines to Lithuania, Latvia, Estonia and Russia, new partnerships in Turkey and Great Britain), of maritime and shipping agency operations (enhanced operations of the Branch in Rijeka with the first agency of the biggest container ship that has ever sailed to the port of Rijeka), and express services (new services of the international corporation for express package delivery – UPS).
- Opening new logistical facilities: A modern logistical terminal in Logatec, a new distribution warehouse in Celje (to supply the Italian discount chain – Eurospin), new logistical facilities in Dugopolje/Split in Croatia, and the new throughput warehouse in Ljubljana that supports two logistical products: groupage and express services.
- Award to our affiliate Interagent d.o.o. (Shipping Agency) conferred by the Shipowners EUKOR Car Carriers, Seoul, recognising Interagent as their best shipping agent in 2004.
- Successful BVQI re-certification audit of the quality management system under the ISO 9001: 2000 standard for Interagent d.o.o.

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<sup>1</sup> Having regard that the Czech company Speka, spol. s.r.o., Prague, whose share in the sales revenues of the Group amounts to 1.7%, is no longer included in the Intereuropa Group after the first quarter of this year (2005).

- Intereuropa d.d. joined the humanitarian aid programme to people in the distressed area of Sri Lanka, organized by Karitas, a Slovenian humanitarian organization, Furthermore, Intereuropa also sponsored the transportation of a large humanitarian aid shipment (clothing and footwear) to Sarajevo.
- Entering into a Contract on a Project on IT supported logistical processes (ISPRO) between Intereuropa d.d. and an Italian-French company WEXLog, on efficient implementation of the IT Solution, adequate to support the integral logistical services.
- The Group organised traditional 21<sup>st</sup> sports games and socializing event, known as ‘‘Intereuropiada’’, in Ankaran, where 560 employees took part in various sports and games.

**Major events after the closing of the accounting period:**

- Intereuropa shares (IEKG) included in the the Ljubljana Stock Exchange First Listing;
- With 1 October 2005, the associated company Intereuropa-FLG d.o.o., 100% owned by Intereuropa d.d., started operations. With effect of that day, the Branch Office for railway transport ‘Železniški promet Intereuropa d.d.’ closed down.
- The convocation of the 14th General Meeting if Intereuropa d.d., and the amendment to the Agenda thereof, to be held on 15 November 2005.

**Consolidated Companies**

As of 30 September 2005, the INTEREUROPA GROUP comprised the controlling company INTEREUROPA d.d. (the Parent) and the following affiliates and associated companies:

*Table: Affiliated companies of the Intereruopa Group, and the shareholding by the Parent Company as of 30 September 2005*

	<b>Subsidiary</b>	<b>Equity Shareholding</b>
1	Intereuropa IT d.o.o., Koper	100.00%
2	Interzav d.o.o., Koper	71.28%
3	Interagent d.o.o., Koper	100.00%
4	Intereuropa Transport d.o.o. Koper	100.00%
5	Intereuropa, Logističke usluge d.o.o., Zagreb	99.94%
6	Intereuropa Sajam, d.o.o., Zagreb	51.00%
7	Intereuropa RTC d.d., Sarajevo	89.29%
8	Intereuropa Skopje d.o.o., Skopje	99.56%
9	Intereuropa - East d.o.o. Moskva	100.00%
10	A.D. Interjug-AS, Beograd	73.62%
11	TEK ZahidTransServis, Užgorod	66.67%
12	Intereuropa S.A.S., Saint Pierre de Chandieu	67.60%
13	Intereuropa, Transport & Spedition GmbH, Troisdorf	90.48%
14	Schneider & Peklar GmbH, Dunaj	100.00%

*Table: Associated companies of the Intereruopa Group, and the shareholding by the Parent Company as of 30 September 2005*

	<b>Associated Company</b>	<b>Equity Shareholding</b>
1	Adriaфин d.o.o., Koper	24.28%
2	AC-Interauto d.o.o., Koper	40.00%

The Czech company Speka, spol. s.r.o., Prague, was included in the Intereuropa Group only for the first quarter of this year (2005), however, due to intended disposal of this affiliate (a resp. letter of intent), it was excluded from the consolidated financial statements with effect from the half-year.

## **B. BUSINESS REPORT**

### ***1. OPERATING PERFORMANCE OF INTEREUROPA GROUP***

#### **1.1. Sales achievements**

The Group's net sales revenues amounted to SIT 37.2 billion in the reporting term, which was 8.0% below the planned result. The sales results show an even smaller difference from the plan compared with the half-year's results, despite low-season month August. The underachievement of the plans can still be attributed to the lower, season-dependent results in the first quarter of the year, while in September, all expectations were outstripped. In the light of positive trends and commissioning the new logistical facilities, we expect that our end-of-year result will be very close to the plan, with a minimal variance.

In part, the underachievement of the plan and last year's income can be attributed to the exclusion of the affiliate Speka spol. s.r.o., Prague, from the Group financial statements with effect from the first quarter of the year. The bearing of Speka on the net sales revenues amounts to 1.7%.

*Table: Net sales revenues of the Intereuropa Group according to business segments and countries, in million SIT*

	<b>Business Area</b>	<b>3Q 2005</b>	<b>Structure</b>	<b>Index 2005/Plan</b>	<b>Index 2005/2004</b>
1	Land Transport	19.346	52%	97	101
2	Terminal services	3.393	9%	84	93
3	Customs services	3.626	10%	87	68
4	Sea Freight	8.045	22%	89	114
5	Air Freight	2.032	5%	91	103
6	Other services	721	2%	90	101
	<b>TOTAL</b>	<b>37.162</b>	<b>100%</b>	<b>92</b>	<b>98</b>

	<b>Country</b>	<b>3Q 2005</b>	<b>Structure</b>	<b>Index 2005/Plan</b>	<b>Index 2005/2004</b>
1	Slovenia	28.556	74%	91	89
2	Croatia	5.612	10%	94	105
3	Other countries	2.993	16%	85	121
	<b>TOTAL</b>	<b>37.162</b>	<b>100%</b>	<b>92</b>	<b>98</b>

According to the business segments we find that the highest growth recorded in this business segment compared with the comparable term a year ago, was achieved in sea-freight, with RO-RO product at the forefront. In continental transport, groupage services are subject to the pressures of competition and the earnings are shrinking. Similar applies also to other continental transport and air-freight products. In terminal services, a fall in revenues is presented which was entirely a consequence of the revenues from customs broking generated in this segment a year ago, while we suffered a 30% loss of income in the segment of customs services.

Despite such a loss of income during the year ago, we have set the sales targets on an even higher level than last-year's, which required a number of additional activities in the market. In the segment of continental services, in which the groupage and railway services are noteworthy, we are approaching to the sales targets; in terminal services we expect additional revenues from investments activated by the year-end, in sea-freight we perceive a growing trend and more favourable USD rates, and the air-freight segment is expected to improve. Therefore, we expect an approximation to the annual sales plan and to exceed the results achieved in 2004, despite a 6.4%-loss of income due to a fall in customs services after Slovenia's accession to the EU.

## 1.2. FINANCIAL RESULTS

The net profit achieved, SIT 1,771m, means a 6.65% net return on equity on a yearly level, and 12% below the plan.

The impact of lower income than planned can be perceived also in the financial results' variance from the plan: although the income was lower by SIT 3.2bn, the operating profit or loss was only 400 m behind the plan. The highest reduction (adjustment to the plan of revenues) can be seen in the cost of materials and services that represent 72% in the revenue structure.

Compared with 2004 and the extraordinary situation or events of that year, the financial results are slightly lower, however, the indexes per Employee show an improved productivity and added value in this year. In the structure of liabilities, the share of capital is 60%, the equity to long-term assets ratio is 1.01, and the short-term ratio above 1.0 points to the financial stability and strength of the Group that continues to be ranked to the "A-Rating Class" of financial standing.

*Table: Financial Results by Intereuropa Group in million SIT*

<b>Item / Ratio</b>	<b>3Q 2005</b>	<b>2005 Plan</b>	<b>3Q 2004</b>	<b>Index 2005/plan</b>	<b>Index 2005/2004</b>
Net sales revenues	37.162	40.379	37.946	92	98
Profit or loss from ordinary activity	1.771	2.024	2.841	88	62
EBITDA	2.703	3.447	3.123	78	87
Assets *	60.403	58.630	57.968	103	104
Capital *	36.311	37.450	36.497	97	99
Net sales revenues per employee/month (in thousand SIT)	1.945	2.093	1.845	93	105
Value Added per employee/month (in thousand SIT)	550	579	540	95	102
Short-term assets/short-term liabilities	1,13	1,09	1,14	104	99
Net Return on Equity (yearly level)	6,7%	7,4%	10,2%	91	65

*\* as of the last day of the accounting period*

*EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA), \*\* as of the closing date of the reporting period, \*\*\* average capital of the rep. period*

## 1.3. Investments in Fixed Assets

In the first Nine Months Term of 2005, the investments in fixed assets realized by the **Intereuropa Group** totalled SIT 3,589m, thereof SIT 2,493m in real estate, and SIT 1,096m in equipment. The annual plan of investments was completed at the rate of 52.6%.

Table: Overview of Investment in January-September 2005, in million SIT

Company	Real property		Equipment		TOTAL		% of annual realization
	Plan	Realiz.	Plan	Realiz.	Plan	Realiz.	
Intereuropa d.d.	2.269	1.339	657	169	2.926	1.508	51,5
Other Companies	2.186	1.154	1.709	927	3.895	2.081	53,4
<b>GROUP TOTAL</b>	<b>4.455</b>	<b>2.493</b>	<b>2.366</b>	<b>1.096</b>	<b>6.821</b>	<b>3.589</b>	<b>52,6</b>

As of 30 September 2005, the investments under construction and manufacture came to **SIT 2,442m** on the Group level.

## 1.4. Human Resources management

### Employment trends

As of 30 September 2005, there were 2,179 employees in the Group, or 101 less than at the year end 2004 (2280). The number of employees in the Group has been falling in the Parent Company and in some affiliates.

Table: Employees according to countries

	Country	30.9.2005	31.12.2004	Variance 30.9.2005-31.12.2004	Index Jun/Dec
1	Slovenia	1.288	1.376	-88	94
2	Croatia	573	560	13	102
3	Other countries	318	344	-26	92
	<b>TOTAL</b>	<b>2.179</b>	<b>2.280</b>	<b>-101</b>	<b>96</b>

### HR Development

Table: Education and Training in the Intereuropa Group, in SIT

Actually Jan-Sep 2005	Plan Jan-Sep 2005	Indeks Actually/Plan	Actually/em ployee	Hour quantity	Hour quantity/em ployee
1	2	3=1/2	4	5	6
32.124.446	77.471.640	41	14.743	12.588	6

\*The share of sales revenues allocated to education and training in Jan-Sep 2005 came to 0.2 % (same as the target set in the Development Plan).

## **Occupational Safety and Health**

In this area, we agree on adequate measures to assure optimal conditions for a healthy work environment, arrange preventive check-ups of employees, active stress control programmes, and prepare the measures to control absences for sick leave.

## **1.5. Total Quality Management**

In the area of Quality Management System, the following activities, changes and improvements were undertaken in the Nine Months term:

- Focus is on maintaining the current Quality Management System (QMS) and taking part in some projects that have a bearing thereon (e.g. The HACCP System).
- In accordance with the internal audit plan, we undertook seven internal audits on the quality of process. More intense activity in this area is also planned for the autumn.
- We issued the seventh edition of the Quality Manual of the Group that highlights the changes and adaptations to the new corporate situation upon organizing the freight forwarding and logistics division and in Intereruopa d.d..
- We provided professional support to our organizational units that were getting ready for the regular external QMS Audit, to be performed by the SIQ Certification Establishment. In the reporting period, the BVQI certification institution undertook the re-certification of the management system in the affiliate Interagent d.o.o. External auditors have favourably assessed the maintenance of the QMS in all processes and in all organizational units, selected at random.

The top management of the Group, as well as other executives, place a great value on the efficiency of processes and management proficiency, which is also underlying for the success in the continual improvement process, consisting of the corrective and preventive measures, project-oriented approach to the development of processes and products, and the application of other contemporary methods and tools.

## **1.6. Share price movements, Ownership structure**

### **Share Trading**

The Ljubljana Stock Exchange established on 3 October 2005, within the existing SE listing, a new elite listing for corporations that excel in terms of solvency, size and transparency of operations. The corporations included in this prime listing are committed to satisfy the highest internationally comparable reporting standards, which also assures a further approximation of the Slovenian Securities Market to international investors, and an enhanced recognizability of the Company in the international environment.

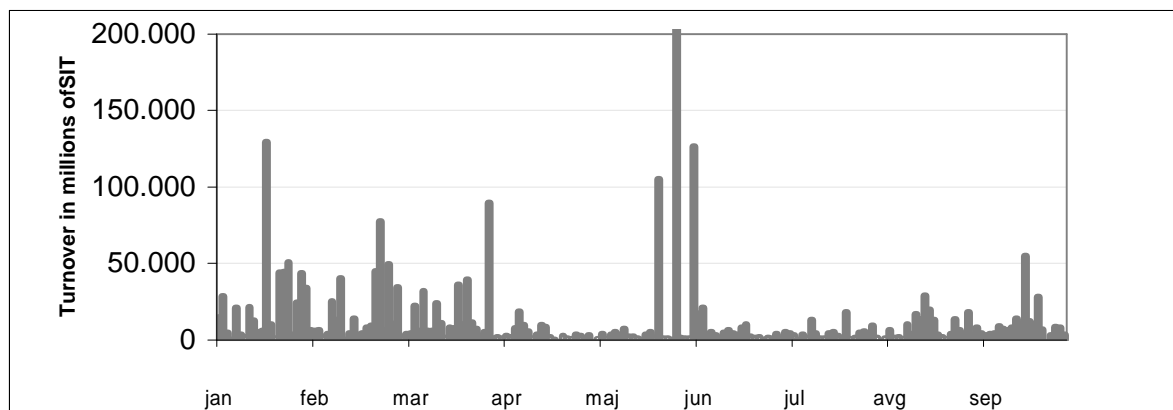
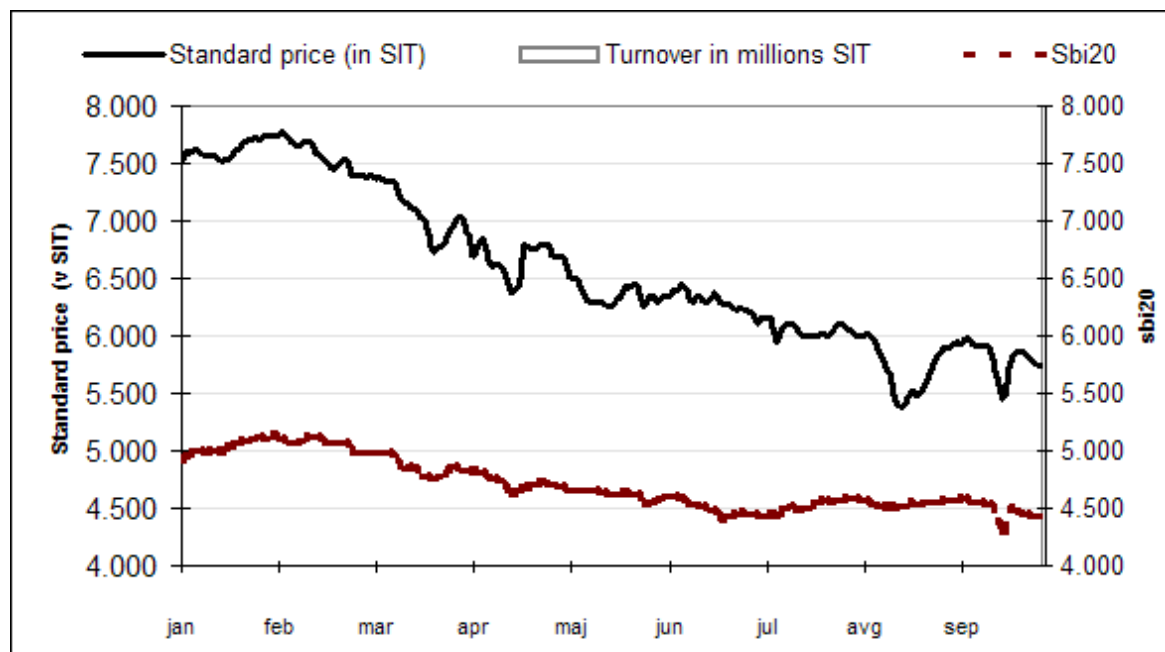
The Management Board of the Ljubljana Stock Exchange (SE) adopted on 28 September a decision that with effect from 3 October 2005, the Intereuropa shares (designation IEKG) shall be included in the First Listing of the Ljubljana SE due to compliance with all the three liquidity criteria, and the criterion of the minimum average market capitalization.

In the Nine Months, the turnover with the IEKG share was moderate, amounting to SIT 1,863m. Trading comprised 337,571 shares. The growth of the average rate of the IEKG share went down after the first quarter and recorded a fall of 23 percent in the period referred to. The negative trends in share prices was also reflected in the SBI20 Stock Exchange Index, which lost 10 percent of its value in that period. The Net Profit per Share ratio (*net profit for ordinary shares divided by the number of ordinary shares*) in the first quarter came to SIT 149,78 (SIT 199.71 on the yearly level). It is 13% lower as year before, in view



of the comparable data for 2004<sup>2</sup>. The book value of the share (*capital as of 30 September 05 divided by number of ordinary shares*) as of 30 September 2005 amounts to SIT 4,480,26 SIT.

Figure: The movement of rates of Intereuropa Share and Slovenian Stock Exchange Index (SBI) in the term January-September 2005



### Ownership

The shareholding was increased by Luka Koper d.d. (Port of Koper plc), Istrabenz d.d. and VS Triglav Steber I d.d.. Shares were sold by minor shareholders. There were no other major changes.

<sup>2</sup> The accounting policy, changed in 2004, concerning the revaluation of the long-term financial investments in subsidiaries, results in changes of the profit and loss account of the parent company INTEREUROPA d.d. Therefore, we need to consider the comparable data for the period January-March 2005.

Table: The shareholders structure as of 30 September 2005

	30.09.2005		31.12.2004		Index Jun/Dec	Number of Shareholders
	N. of shares	Stake	N. of shares	Stake		
Individuals	1.721.002	21,77%	1.780.738	22,53%	97	4.316
- of which employees	651.450	8,24%	691.342	8,75%	94	573
Luka Koper	1.940.513	24,56%	1.833.477	23,20%	106	1
Other companies	597.386	7,56%	515.666	6,53%	116	179
Financial companies	1.890.441	23,92%	1.696.933	21,47%	111	58
Kapitalska družba*	793.955	10,05%	794.243	10,05%	100	5
Investment companies	959.116	12,14%	1.281.356	16,22%	75	7
<b>SKUPAJ</b>	<b>7.902.413</b>	<b>100,00%</b>	<b>7.902.413</b>	<b>100,00%</b>		<b>4.566</b>

\*Includes KSPPS, KVPS and SODPZ, PPS (First Pension Fund)

Table: Major shareholders as of 30 Sept. 2005

	Shareholder	N. of shares 30.09.2005	N. of shares 31.12.2004	Stake 30.09.2005	Index Jun/Dec
1	LUKA KOPER, D.D.	1.940.513	1.833.477	24,56%	106
2	KAPITALSKA DRUŽBA, D.D.	721.490	719.797	9,13%	100
3	INFOND HOLDING, D.D.	459.248	459.248	5,81%	100
4	INFOND ID, D.D.	348.139	356.266	4,41%	98
5	ISTRABENZ D.D.	291.424	195.450	3,69%	149
6	VS TRIGLAV STEBER I, D.D.	239.123	220.371	3,03%	109
7	ZLATA MONETA I D.D.	230.887	226.387	2,92%	102
8	ZAVAROVALNICA TRIGLAV, D.D.	213.640	218.640	2,70%	98
9	MODRA LINIJA D.D.	136.986	139.049	1,73%	99
10	KD RASTKO, delniški vzajemni sklad	134.432	134.432	1,70%	100

### Own shares

Intereuropa has not got any own shares, and it does not intend to create the fund of own shares in the current year (2005).

## **C. FINANCIAL REPORT**

The consolidated financial statements for the Group, and the financial statements for the Parent Company are prepared in accordance with the law and the Slovenian Accounting Standards (SAS).

For the year 2004 and the period January-September 2005, we **changed the accounting guideline** concerning the recognition of the revaluation effect of long-term investments in the equity of affiliates according to the **equity method** in the financial statements for the Parent Company. The specific equity revaluation adjustment relating to long-term investments is increased by the relating net profit of the affiliated companies, as contrasted to the comparable period January-September 2004, when the financial revenues were recognised for the relating net profit of the affiliates.

The equity method of the valuation of long-term investments in affiliated companies is only applied in the Parent Company. The changed accounting guideline has no impact on the financial statements of the Group, as the related net profits of the affiliates are integrated in the Group's statements through the sum of individual statements, and the effect of the equity method for the Parent Company is segregated in these financial statements.

### ***1. FINANCIAL REPORT OF THE INTEREUROPA GROUP***

As of 30 September 2005, the Intereuropa Group comprised the Parent Company Intereuropa d.d. and the Affiliates, as follows:

- Intereuropa Transport d.o.o., Koper
- Interagent d.o.o., Koper (Shipping Agency)
- Intereuropa IT d.o.o., Koper
- Interzav d.o.o., Koper (Insurance Broker)
- Intereuropa, Logističke usluge (Logistical Services) d.o.o., Zagreb.
- Intereuropa Sajam d.o.o., Zagreb (Fairs & Exhibitions)
- Intereuropa Skopje d.o.o., Skopje
- Intereuropa RTC d.d., Sarajevo
- Intereuropa East d.o.o., Moscow (Russian Fed.)
- A.D. Interjug AS, Belgrade (Serbia&Montenegro)
- Intereuropa S.A.S., Saint Pierre de Chandieu (France)
- TEK ZTS, Uzhgorod, the Ukraine
- Schneider & Peklar GmbH, Vienna (Austria)
- Intereuropa Transport & Spedition GmbH, Troisdorf (Germany)

In addition to the affiliated companies in the Group, there are two associated companies, as listed below:

- Adriaфин, d.o.o., Koper
- AC-Interauto, d.o.o. Koper

The Czech affiliate Speka, spol. s.r.o., Prague, was excluded from the consolidated financial statements, as stated in the Introductory Part, on the ground of intended disposal by way of a Letter of Intent. The comparable statements of the Group (for the first half-year 2004) also comprise the Czech company.

## **Notes to the Balance Sheet**

The **assets** of the Group rose by 9% as of the reporting day. The highest growth was recorded by the tangible fixed assets (buildings), and on the Liabilities side, by the Long-term and Short-term financial liabilities to banks. Despite the increased financial liabilities to banks, we maintain the financial stability: the equity represents 60% of the Liabilities of the Group (in broader sense), however, its share fell by 6 percentage points below the balance as of the cut-off date 30 September 2004.

The **Intangible long-term assets** were 4% lower than the balance as of 30.9.2004, primarily on the account of the depreciation of the goodwill resulting from the consolidation of the affiliate Schneider & Peklar GmbH. The **Tangible Fixed Assets** went up by 10%, which reflects the effect of the decrease due to depreciation and increase for new purchases or investments, resp..

**Long-term (financial) investments** were higher by 12 %, mostly on the account of the Parent Company Intereuropa d.d.

**Short-term trade receivables** represent 94% of all the receivables in the Group. Their value has risen mostly on the account of the increase in trade receivables by the Parent Company since the cut-off day. On the other hand, we have recorded an increase in the short-term operating liabilities (primarily to suppliers).

On the Group level, the **Capital** which has been recognised at SIT 36.3 billion (36,311,357 thousand). The retained net profit was deducted by SIT 1,896.579 thousand for dividend payout to shareholders, and by SIT 58.011 thousand for the participation to the members of the Managing and Supervisory Board, pursuant to the Resolution by the General Meeting.

The **Financial and Operating Liabilities** of the Group amount to SIT 21,077,747 thousand and jumped by 40 % over the figure a year ago (as of 30.09.2004). Almost 80% of the rise can be attributed to the increased long-term and short-term liabilities to banks.

## **Notes to the Income Statement**

The **net sales revenues** on the Group level came to SIT 37,162,094 thousand and are 2% lower than last year's achievement, whereas the cost of goods, materials and services remained on the same level.

**Other operating revenues** of SIT 992,834 thousand comprise the profit from the sale of tangible fixed assets (SIT 529,557 thousand), and the revenues from the release of long-term provisions for badwill, converted into other operating revenues (SIT 411,987 thousand).

The **cost of labour** went down by 6%. Beyond doubt, that decline also resulted from the reduction in the number of employees after the accession of Slovenia to the EU.

The **Amortisation of intangible fixed assets** and **Depreciation** of tangible fixed assets stand for 90% of the write-offs, the remaining 10 % falls to the operating expenses from revaluation of the operating current assets.

The **Operating Profit or Loss** achieved in the reporting period, SIT 1,789,698 thousand, exceeds by 7% the figures of the comparable period last year, and can be primarily attributed to the profit achieved in the sale of tangible fixed assets, as well as lower depreciation costs and wages (mainly in the Parent Company).

In the area of **financial activities**, the financial revenues from shares amounting to SIT 538,840 thousand, originate entirely from the Parent Company. They were 73% below the last year's figure, and the balance was largely due to the reversal of long-term provisions on the account of the sale of Si.mobil d.d. shares. The financial revenues from short-term receivables, SIT 300,532 thousand, stand for Interest revenues, charged to buyers, interest revenues earned from short-term and long-term loans and deposits, and foreign exchange losses from short- and long-term liabilities.

The Intereuropa Group generated a **Net Profit** of SIT 1,770,959 thousand in the Nine Months 2005. The Net Profit of the majority equity interest amounts to SIT 1,695,263 thousand, whereas the Net Profit of minority equity interest comes to SIT 75,696 thousand.

## ***2. FINANCIAL STATEMENTS OF INTEREUROPA d.d.***

### **Notes to the Balance Sheet**

**The Balance Sheet Total** has risen by SIT 3,707,828 thousand over the comparable cut-off date last year.

**Tangible Fixed Assets** have risen, despite depreciation and sale of assets, by 2% over the figure of 30 Sep. 2004, mainly due to new investments in warehouse facilities, so that the new book value of the Tangible Fixed Assets amounts to 48% of the Balance Sheet Total.

**Shares held in affiliates in the Group** were recognized at SIT 12,705,096 thousand, as of the cut-off date in the Balance Sheet. In the reporting period, they were increased on the account of the net profits of affiliates by SIT 887,428 thousand, and decreased by SIT 152,554 thousand on the account of the resp. losses.

**Shares in associated enterprises** are divided into long-term investments in the company:

- ✓ Adriaфин d.o.o., SIT 700,801 thousand,
- ✓ AC-Interauto d.o.o., SIT 28,972 thousand SIT,
- ✓ and the newly-founded company Intereuropa FLG d.o.o., amounting to SIT 36 million.

The appurtenant **net profits of the associate companies** are recognized according to the equity method in the current year, relating to the preceding year. On that account, the shares in the associated companies were increased by the net profit of the company AC-Interauto d.o.o., amounting to SIT 737 thousand, and by the appurtenant net profit of the company Adriaфин d.o.o. amounting to SIT 55,920 thousand.

**Other long-term shares** include the investments in shares and stakes (equity) of other enterprises not comprised in the Intereuropa Group. The largest part thereof are the investments in the shares of Si.mobil d.d., Ljubljana, and Banka Koper d.d., Koper.

**Other long-term financial receivables**, as of the cut-off date, were recognized at SIT 859,098 thousand and relate primarily to investment in bonds of Nova Ljubljanska banka d.d., and to a long-term loan granted to Cimos d.d.

On the other hand, the **Short-term investments** have fallen, primarily as a result of investments in shares.

Within the **capital**, the retained net profit was reduced due to deduction of SIT 1,896.579 thousand for dividend payout to shareholders, and of SIT 58.011 thousand for the participation payout to the members of the Managing and Supervisory Board pursuant to the Resolution by the General Meeting.

**Long-term financial and operating liabilities**, in total amount of SIT 10,881,762, represent the long- and short-term loans hired from banks, and short-term trade liabilities.

## **Notes to the Income Statement**

The **net sales revenues** came to SIT 21,341,773 thousand and were by SIST 1,335,779 thousand below the figure achieved in the comparable period last year, whereas the cost of goods, materials and services remained on the same level.

**Other operating revenues** comprise:

- ✓ The surplus value of the proceeds from the Tangible Fixed Assets disposed over their net amount, SIT 529,557 thousand SIT, and
- ✓ The item was reduced due to the use of provisions for badwill made at the takeover of target STC Celje d.d. in 2001.

The **labour costs** were lower than a year ago due to a lower number of employees and reduced amount of bonus for the performance of the Company. **Other operating expenses** stand for the fees charged by municipal authorities for the use of land.

The **Operating Profit** for the Nine Months came to SIT 871,536 thousand and was 13 % above the figure achieved in the comparable period 2004. The increase can be attributed to the profits from the sale of tangible fixed assets, and lower cost of depreciation<sup>3</sup> and wages. In the structure of the Operating Profit for the Nine Months, the surplus value (profit) from the sale of tangible fixed assets and the revenues from the reversal of long-term provisions for badwill stand for 61%.

The **Financial revenues from shares** SIT 771,848 thousand, relate to:

- ✓ Net profits payable this year by the affiliates to the Parent Company<sup>4</sup> under the General Meeting Resolution, amounting to SIT 233,005 thousand,
- ✓ Dividends and participation in profit received – in the amount of SIT 315,261 thousand,
- ✓ The Profit from the sale of investments SIT 69,750 thousand,
- ✓ Foreign exchange gains from long-term investments, amounting to SIT 153,832 thousand.

**Financial expenses** for write-offs and short-term investments relate, in full amount SIT 152,554 thousand, to the resp. losses of affiliate companies in the Group (using the equity method).

The Parent Company Intereuropa d.d. has generated a **Net Profit** of SIT 1,183,635 thousand in the Nine Months period 2005. The Operating Profit or Loss of the comparable term last year was materially affected by the financial revenues from the reversal of long-term provisions on the account of the bank guarantee to secure the acquirers of the shares of Si.mobil d.d. (SIT 1,288,484 thousand).

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<sup>3</sup> Mainly for the sale of freight vehicles of Intereuropa transport d.o.o. and computer equipment of Intereuropa IT d.o.o., and the sale of real estate.

<sup>4</sup> In compliance with the Slovenian Accounting Standards (SRS) and the accounting guideline, the shares in profit received at a later time reduce the specific equity revaluation adjustment and increase the financial revenues.

## **D. CONCLUSION**

In the Nine Months 2005, Intereuropa has achieved, in real terms, the last-year's level of net sales revenues<sup>5</sup>, which means that the Company has made good for the a 6.4%-loss of income after Slovenia's accession to the EU. As regards the sales results, the Group was 8.0% below the plan, but given these positive trends and the expected additional revenues from activating the newly commissioned logistical facilities, only a minimal underachievement of targets is expected at the year-end.

In the reporting period we achieved a net profit of SIT 1.8 billion, and thereby a net return on equity of 6.7 %, which ranks Intereuropa among the successful and financially stable companies.

In the last quarter, we have prepared the developmental guidelines and the development plan of the Intereuropa Group by the year 2010, aiming to strengthen our competitive position and further growth of the Group on the European scale, and outline the strategies for achieving the goals set and the operating indexes comparable to those of European logistics providers.

Particular guidelines and goals will be defined in detail in the Plan for the year 2006.

INTEREUROPA d.d.  
President of the Managing Board  
Jože Kranjc

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<sup>5</sup> Having regard that the Czech company Speka, spol. s.r.o., Prague, whose share in the sales revenues of the Group amounts to 1.7%, is no longer included in the Intereuropa Group after the first quarter of this year (2005)..

## E. ANNEX

### I. UNAUDITED FINANCIAL STATEMENTS OF INTEREUROPA GROUP

#### BALANCE SHEET OF THE INTEREUROPA GROUP as at 30.9.2005

In thousand of SIT

	30.09.2005	30.09.2004	ind 05/04
<b>ASSETS</b>	<b>60.403.332</b>	<b>55.418.534</b>	<b>109</b>
<b>A. FIXED ASSETS</b>	<b>44.519.180</b>	<b>40.677.994</b>	<b>109</b>
I. Intangible fixed assets	1.559.150	1.630.724	96
II. Tangible fixed assets	39.113.439	35.619.925	110
III. Long-term financial investments	3.846.591	3.427.345	112
<b>B. CURRENT ASSETS</b>	<b>15.477.699</b>	<b>14.136.915</b>	<b>109</b>
I. Inventories	25.264	141.887	18
II. Operating receivables	12.559.977	10.630.027	118
III. Short-term financial investments	1.920.402	2.146.949	89
IV. Bank deposits, cheques and cash in hand	972.056	1.218.052	80
<b>C. DEFERRED EXPENSES AND ACCRUED REVENUES</b>	<b>406.453</b>	<b>603.625</b>	<b>67</b>
<b>D. OFF-BALANCE SHEET ASSETS</b>	<b>5.694.203</b>	<b>3.742.319</b>	<b>152</b>

<b>LIABILITIES</b>	<b>60.403.332</b>	<b>55.418.534</b>	<b>109</b>
<b>A. EQUITY</b>	<b>36.311.357</b>	<b>36.536.659</b>	<b>99</b>
I. Called capital	7.902.413	7.902.413	100
II. Capital surplus	2.148.636	2.148.636	100
III. Reserves	2.659.005	2.659.005	100
IV. Retained net profit or loss	11.341.163	10.470.652	108
V. Net profit or loss of the business year	1.695.263	2.841.332	60
VI. Equity revaluation adjustments	9.748.149	9.691.491	101
VII. Consolidation equity adjustment	-897	-3.423	26
VIII. Minority shareholders' equity	817.625	826.553	99
<b>B. PROVISIONS</b>	<b>1.256.047</b>	<b>2.070.216</b>	<b>61</b>
<b>C. FINANCIAL AND OPERATING LIABILITIES</b>	<b>21.077.747</b>	<b>15.005.319</b>	<b>140</b>
a) Long-term financial and operating liabilities	7.404.268	5.097.225	145
b) Short-term financial and operating liabilities	13.673.479	9.908.094	138
<b>D. ACCRUED EXPENSES AND DEFERRED REVENUES</b>	<b>1.758.181</b>	<b>1.806.340</b>	<b>97</b>
<b>E. OFF-BALANCE-SHEET LIABILITIES</b>	<b>5.694.203</b>	<b>3.742.319</b>	<b>152</b>



**PROFIT & LOSS ACCOUNT OF THE INTEREUROPA GROUP for the period between 1.1.2005 and 30.9.2005**

*In thousand of SIT*

	3Q 2005	3Q 2004	ind 05/04
1. NET SALES REVENUES	37.162.094	37.946.394	98
2. CHANGES IN VALUE OF FINISHED PRODUCTS AND WORK IN PROGRESS INVENTORIES			
3. CAPITALISED OWN PRODUCTS AND SERVICES			
4. OTHER OPER.REVENUES (WITH OTHER REVALUED OPER.REVENUES)	992.834	629.748	158
5. COSTS OF GOODS, MATERIALS AND SERVICES (a+b+c)	26.930.506	26.927.963	100
6. LABOUR COSTS (a+b+c)	6.748.726	7.399.379	91
7. WRITE OFFS (a+b)	2.180.390	2.144.000	102
8. Other operating expenses	505.608	438.692	115
9. PARTICIPATION REVENUES (a+b+c)	538.840	2.012.803	27
10. FINANCIAL REVENUES FROM LONG-TERM RECEIVABLES (a+b+c)	9.172	12.925	71
11. FINANCIAL REVENUES FROM SHORT-TERM RECEIVABLES (a+b+c)	300.530	426.647	70
12. LONG- AND SHORT-TERM INVESTMENT WRITE-OFF EXPENSES (a+b+c)	21.453		-
13. INTEREST EXPENSES AND COSTS FROM OTHER LIAB. (a+b+c)	297.586	374.306	80
14. PROFIT OR LOSS FROM ORDINARY ACTIVITIES (1+2+3+4-5-6-7-8+9+10+11-12-13)	2.319.201	3.744.177	62
15. INCOME TAX FROM REGULAR OPERATIONS			
16. NET PROFIT OR LOSS FROM REGULAR OPERATIONS (14-15)	2.319.201	3.744.177	62
17. EXTRAORDINARY REVENUES	42.096	125.165	34
18. EXTRAORDINARY EXPENSES (A+B)	41.950	39.642	106
19. PROFIT OR LOSS OUTSIDE ORDINARY ACTIVITIES (17-18)	146	85.523	
20. CORPORATE INCOME TAX	548.388	923.369	59
21. NET PROFIT FROM THE ACCOUNTING PERIOD (21.a+21.b)	1.770.959	2.906.331	61

## 2. UNAUDITED FINANCIAL STATEMENTS OF THE PARENT COMPANY INTEREUROPA d.d.

### BALANCE SHEET OF THE PARENT COMPANY INTEREUROPA d.d. as at 30.9.2005

*In thousand of SIT*

	30.09.2005	30.09.2004	ind 05/04
<b>ASSETS</b>	<b>48.805.661</b>	<b>45.097.833</b>	<b>108</b>
<b>A. FIXED ASSETS</b>	<b>40.448.560</b>	<b>37.271.832</b>	<b>109</b>
I. Intangible fixed assets	291.783	304.533	96
II. Tangible fixed assets	23.395.331	21.692.020	108
III. Long-term financial investments	16.761.446	15.275.279	110
<b>B. CURRENT ASSETS</b>	<b>8.110.655</b>	<b>7.355.726</b>	<b>110</b>
I. Inventories	11.643	10.706	109
II. Operating receivables	6.133.281	4.700.283	130
III. Short-term financial investments	1.819.319	2.430.418	75
IV. Bank deposits, cheques and cash in hand	146.412	214.319	68
<b>C. DEFERRED EXPENSES AND ACCRUED REVENUES</b>	<b>246.446</b>	<b>470.275</b>	<b>52</b>
<b>D. OFF-BALANCE SHEET ASSETS</b>	<b>8.068.891</b>	<b>7.604.268</b>	<b>106</b>
<b>LIABILITIES</b>	<b>48.805.661</b>	<b>45.097.833</b>	<b>108</b>
<b>A. EQUITY</b>	<b>35.404.878</b>	<b>35.385.299</b>	<b>100</b>
I. Called-up capital	7.902.413	7.902.413	100
II. Capital surplus	2.148.636	2.148.636	100
III. Reserves	2.659.005	2.659.005	100
IV. Retained net profit or loss	10.084.970	10.069.548	100
V. Net profit or loss of the business year	1.183.635	2.914.206	41
VI. Equity revaluation adjustments	11.426.219	9.691.491	118
<b>B. PROVISIONS</b>	<b>1.038.793</b>	<b>1.861.598</b>	<b>56</b>
<b>C. FINANCIAL AND OPERATING LIABILITIES</b>	<b>10.881.762</b>	<b>6.320.550</b>	<b>172</b>
a) Long-term financial and operating liabilities	2.288.609	944.564	242
b) Short-term financial and operating liabilities	8.593.153	5.375.986	160
<b>D. ACCRUED EXPENSES AND DEFERRED REVENUES</b>	<b>1.480.228</b>	<b>1.530.386</b>	<b>97</b>
<b>E. OFF-BALANCE-SHEET LIABILITIES</b>	<b>8.068.891</b>	<b>7.604.268</b>	<b>106</b>

**PROFIT & LOSS ACCOUNT OF THE PARENT COMPANY INTEREUROPA d.d. for the period between 1.1.2005 and 30.9.2005**

*in thousands of SIT*

	3Q 2005	3Q 2004	3Q 2004*	ind 05/04	ind 05/04*
1. NET SALES REVENUES	21.341.773	22.677.552	22.677.552	94	94
2. CHANGES IN VALUE OF FINISHED PRODUCTS AND WORK IN PROGRESS INVENTORIES					
3. CAPITALISED OWN PRODUCTS AND SERVICES					
4. OTHER OPER.REVENUES (WITH OTHER REVALUED OPER.REVENUES)	925.458	501.063	501.063	185	185
5. COSTS OF GOODS, MATERIALS AND SERVICES (a+b+c)	16.788.421	16.772.614	16.772.614	100	100
6. LABOUR COSTS (a+b+c)	3.371.285	4.093.439	4.093.439	82	82
7. WRITE OFFS (a+b)	1.028.703	1.310.552	1.310.552	78	78
8. Other operating expenses	207.285	231.482	231.482	90	90
9. PARTICIPATION REVENUES (a+b+c)	771.848	2.853.756	2.012.756	27	38
a) Finan.reven.from participat.in profit of Group memb.excluding associat.comp.	233.005	841.000		28	-
b) Financial revenues from participation in profit of associated companies					
c) Other finan. reven. from participation in profit (with revalued financial revenues)	538.843	2.012.756	2.012.756	27	27
10. FINANCIAL REVENUES FROM LONG-TERM RECEIVABLES (a+b+c)		12.925	12.925	-	-
11. FINANCIAL REVENUES FROM SHORT-TERM RECEIVABLES (a+b+c)	187828	282171	282171	66,56531	66,56531
12. LONG- AND SHORT-TERM INVESTMENT WRITE-OFF EXPENSES (a+b+c)	152.554	193.604	193.604	79	79
13. INTEREST EXPENSES AND COSTS FROM OTHER LIAB. (a+b+c)	167.062	142.241	142.241	117	117
14. PROFIT OR LOSS FROM ORDINARY ACTIVITIES (1+2+3+4-5-6-7-8+9+10+11-12-13)	1.511.597	3.583.535	2.742.535	42	55
15. INCOME TAX FROM REGULAR OPERATIONS					
16. NET PROFIT OR LOSS FROM REGULAR OPERATIONS (14-15)	1.511.597	3.583.535	2.742.535	42	55
17. EXTRAORDINARY REVENUES	19.018	14.542	14.542	131	131
18. EXTRAORDINARY EXPENSES (A+B)	12.421	5.298	5.298	234	234
19. PROFIT OR LOSS OUTSIDE ORDINARY ACTIVITIES (17-18)	6.597	9.244	9.244	71	71
20. INCOME TAX	334.559	678.573	678.573	49	49
21. NET PROFIT FROM THE ACCOUNTING PERIOD (16+17-18-20)	1.183.635	2.914.206	2.073.206	41	57

\* Comparable data with regard to changed accounting policy. In the period January-June 2004 we recognized the effect of revaluation of long-term financial investments in the equity of subsidiaries by using the equity method, namely by recognising financial revenues for the pertaining net profit of subsidiaries of that period. According to the accounting policy, changed in 2004, we recognize the pertaining net profit of subsidiaries as the special capital revaluation adjustment.