

INTEREUROPA GROUP

Intereuropa, Global Logistics Service, Ltd.Co.



***Unaudited Interim Report
on the operation of
INTEREUROPA GROUP,
January - June 2007***



Intereuropa[®]

Global Logistics Service

Koper, August 2007

The Company INTEREUROPA d.d. is publishing this **Unaudited Interim Report on the Operation of Intereuropa Group from January to June 2007** in accordance with the Securities Market Act and Ljubljana Stock Exchange Rules.

The unaudited consolidated and non-consolidated financial statements have been prepared in accordance with the provisions of International Financial Reporting Standards (IFRS).

This Report is available at the Company's registered office at Vojkovo nabrežje 32, 6504 Koper.

The Unaudited Interim Report of the operation Intereuropa Group for January-June 2007 shall also be published on the web site of INTEREUROPA d.d. www.intereuropa.eu, on 30 August 2007.

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A. INTRODUCTION

During the first half-year 2007, the Intereuropa Group achieved the planned net sales income of €119.3 million, and surpassed the result of the preceding first half-year by 12.1 percent. The share of net sales revenues earned outside Slovenia has been constantly increasing; however, two thirds are still generated in the companies based in Slovenia.

The net Profit or Loss of the reporting period came to €24.7 million and was 12.1% higher than the plan. Considering the delimitation of the net profit from the sale of the share in Banka Koper d.d. over the whole year, we achieved a net return on equity of 16.8%. Compared with the same term in 2006, our operating results were better both in the sales and in the Profit or Loss.

The key achievements of this period:

- Net sales revenues **à** €119.3 million
- Net Profit or Loss **à** €24.7 million
- Net Return on Equity **à** 16.8 percent (delimited profit from the sale of the share in Banka Koper d.d.)

Company profile

Parent company	Intereuropa, Global Logistics Service, Ltd. Co.
Short name	Intereuropa d.d.
Contry of the parent company	Slovenia
Registered office of the parent company	Vojkovo nabrežje 32, 6000 Koper
Company ID number	5001684
Tax number	56405006
Transaction account	10100-0000006785 at Banka Koper d.d., Koper
Entry in the register of companies	Registered with the Koper District court, file no. 1/0022/00
Share capital	€32,976,185.11
Number of issued and paid-up shares	7,902,413 ordinary no-par value shares
Shares listing	IEKG is listed in the Prime Market of the Ljubljana Stock Exchange
Managing Board	Andrej Lovšin, M.A., President of the Managing Board Zvezdan Markežič, Deputy President of the Managing Board Ondina Jonke, Member of the Managing Board – Human Resources Executive
President of the Supervisory Board	Boštjan Rigler

Intereuropa Group	
Number of employees	2,413 employees
Vehicle fleet	more than 500 company-owned trucks and other delivery vehicles
Total warehousing area	199,462 qm of own warehouse facilities
Total land area	more than 2,000,000 qm of land
Membership in international organisations	FIATA, IATA, FETA, FONASBA, BIMCO, IRU
Quality certificates	ISO 9001:2000 certificate for providing logistics services in the parent company Intereuropa d.d. and its subsidiaries Intereuropa, logističke usluge, d.o.o. Zagreb and Intereuropa Transport d.o.o., Koper ; ISO 9001:2000 certificate for providing shipping agency services in subsidiary Interagent d.o.o. Koper
Own branch network	Slovenia, Croatia, Serbia, Bosnia and Herzegovina, Macedonia, Austria, Germany, France, Ukraine, Russia

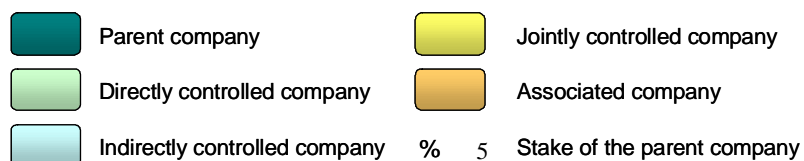
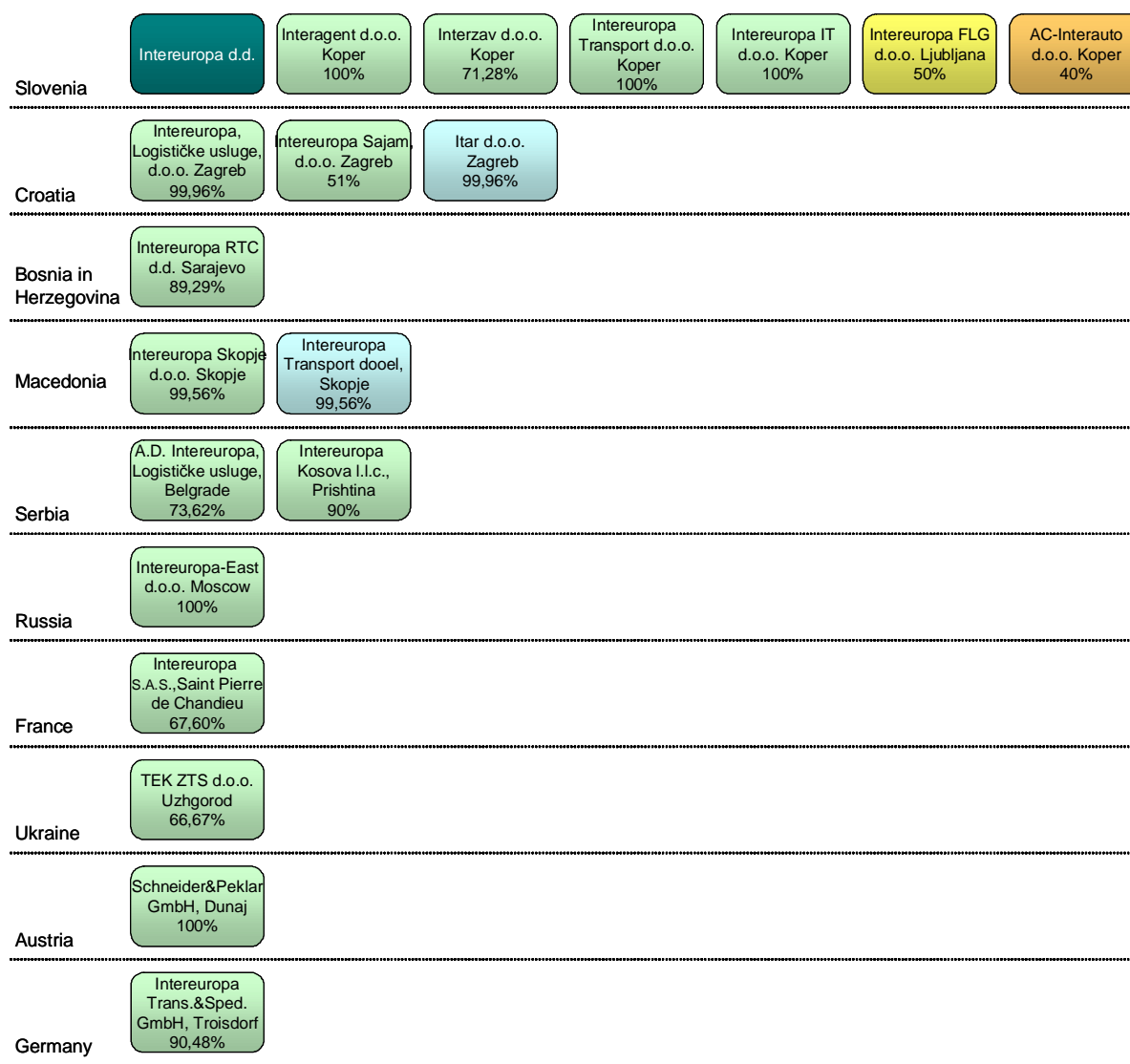
Major events in the reporting period January- June 2007

- The company A.D. Interjug-AS started operating under a new name: A.D. Intereuropa logističke usluge, Beograd (Belgrade).
- 19 January, on the sixteenth Annual General Meeting, the shareholders of Intereuropa d.d. adopted a resolution on the dismissal of the Member of the Supervisory Board Anton Može, and elected a new Member Emerik Eržen.
- In January Intereuropa held a business meeting titled “Kosovo – a New Challenge for Leading Slovenian Economists”, and invited numerous economists who share the interest of entering the Kosovo market, or are interested in cooperating with partners from Kosovo.
- 26 January, the Supervisory Board of Intereuropa d.d. adopted the Resolution on the conversion of the Company’s share capital into EUR, and on the adjustment of the Statute in this respect – the amount of the registered capital. In March, the share capital amounting to €32,976,185.11 was entered in the Register of Companies.
- The Supervisory Board of Intereuropa d.d. was informed on the economic eligibility of the investments into the logistic centres in Moscow Čechov and Kiev, which are to be carried out in 2007.
- In February, Intereuropa sold its 8.33% interest in the bank Banka Koper d.d. to Intesa Sanpaolo S.p.A. The proceeds will be allocated to investments in developing new markets and building up new logistics facilities, in line with the Corporate Vision and Strategy of the Intereuropa Group (2006-2011).
- In February, we celebrated the 60th Anniversary of Intereuropa.
- 5 April, a workshop was held for the staff of the Intereuropa Group in charge of finance, accounting and controlling.
- 11 April, Intereuropa d.d. took part in the Days of Slovenian Capital that was arranged by the Ljubljana Stock Exchange and the Clearing Depository Company (KDD) in order to promote the best Slovenian companies and invite domestic investors.
- 16 April, the Supervisory Board discussed and adopted the Audited Annual Report of the Intereuropa Group 2006, Report by the Supervisory Board on the results of reviewing the Audited Annual Report of Intereuropa d.d. for 2006, and also adopted the Managing Board’s proposal for the appropriation of accumulated profit.
- 18 April, we completed the first phase of the new product – a direct overseas consolidation from the Far East, with a direct connection between Singapore and Koper.
- 20 April, aiming to contribute to build up the cooperation with, and assistance to Slovene businessmen who are interested in entering the Chinese market, we organised a meeting with the Intereuropa Representative in China, in which the economic situation and the experience in China were presented.
- 23 April, we organised a free despatch and transportation of sanitation materials and medicines from Brnik airport to Nangoma in Zambia to support a three-month expedition with humanitarian aid and medical assistance "Zambia 2007".
- 7 May, Intereuropa sponsored a conference on logistics “Supply Chains Going Global”, held at Brdo pri Kranju.
- 22 May, we organised the "Intereuropa Business Conference" in Sarajevo (BiH), attended by numerous reputable participants representing the political, technical and economic public from Slovenia, Croatia and Bosnia and Herzegovina.
- 24 May, we organised an “Open Day” in our Logistics Solutions Division Branch in Maribor: the guests visited our specialized Coldstore Facility.
- 8 – 10 June, Sarajevo was the venue of the 23rd "Intereuropiada" traditional sports games and socializing event, held every year, where 630 employees of the Intereuropa Group took part in various sports and games.
- 22 June, Belgrade - Dobanovci, Serbia: opening ceremony of the new modern logistics centre with 8.600 qm, worth EUR 4.3 million.
- During the second quarter of the year, the Intereuropa share (IEKG) soared and its market value gained 89% by 30 June 2007.

Most important events after the reporting period:

- 6 July, the shareholders of Intereuropa d.d. gathered in the 17th Annual General Meeting, adopted the Annual Report 2006, resolved on the use of accumulated profit, on the changes and amendments to the Statute of the Company, the participation of the Managing and Supervisory Board in the Company's profit, and awarded the discharge note to the Managing and Supervisory Boards. The General Meeting also adopted the Resolution authorising the Managing Board to purchase, in 18 months, own shares of the Company that may not exceed 10% of the Company's registered capital, and authorising the Managing Board to opt to exclude the priority right of shareholders to acquire or dispose of the Company's own shares when such shares are used for the payout of rewards or remuneration and participation in Company's profit.
- 23 July, the Pilot Testing started within an enlarged group of key users of the Sales Process Support Project in the Division of Continental Transport. This is an important activity within the Project that is envisioned to last 60 workdays.

Organization of the Intereuropa Group



Development strategy of the Intereuropa Group

Our corporate vision:

To be recognised as the leading provider of comprehensive logistics services in Central and South-Eastern Europe.

The motto we pursue is: "From partial to integral logistics services."

Our mission is:

To optimally meet the demand for logistics services to the complete satisfaction of our customers.

Our values are:

Professional attitude towards our customers, adaptability and flexibility, accountability, team work and appreciation of our employees.

For the term 2006-2011, we have set the following financial goals:

- Growth of net sales revenues: 10.0% p.a.
 - § Continental Transport: 15.1% p.a.
 - § Logistical Solutions: 7.2% p.a.
 - § Intercontinental Services: 5.9% p.a.
- Growth of Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA): 11.7% p.a.
- Growth of Operating Profit or Loss: 17.7% p.a.
- Growth of net Profit or Loss: 6.9% p.a.

Our plan for 2011 envisions:

- Net Return on Equity 10.2%
- Net Return on Assets 5.4%

By 2011, the Intereuropa Group will become the largest and best performing logistics provider in Slovenia and in the countries of the South-Eastern and Central Europe.

This will be achieved by:

- Consolidation, expansion and strengthening of the position in the Slovenian logistics market,
- Penetration to, and new business policy in the markets in which Intereuropa is already present,
- New businesses and logistics projects in the markets of Central Asia.

Our plan for 2007 envisions (in €million):

- Net sales revenues totalling: 244.7 (11% growth)
- Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA): 24.5
- Operating Profit or Loss: 11.5
- Net Profit or Loss: 27.2 (ROE 16.0%, ROA 9.3%)
- Net profit or loss, excluding the effect of the sale of our share in Banka Koper d.d.: 9.2 (ROE 5.2%, ROA 3.1%)

B. BUSINESS REPORT

1. OPERATING PERFORMANCE OF INTEREUROPA GROUP

1.1. Sales achievements

Economic environment and trends

The broader business environment of the Intereuropa Group comprises the markets and economic trends in the countries, in which our consolidated companies are based, and the economic and political situation. The strengthening the presence of Intereuropa in particular geographical markets also depends on the macro-economic situation that reflects in the key macro-economic indices and ratios.

Table: Economic environment of the Intereuropa Group ¹

countries	GDP growth in %		Industr. prod. growth in %		Inflation in %		Growth of exports in %		Growth of imports in %	
	2006	2007*	2006	2007*	2006	2007*	2006	2007*	2006	2007*
Slovenia	5.2%	7.2% I.Q 07; 4.5% forec. 07	6.5%	8.8 **%	2.5%	2.7 **%	10.0%	9.0%	10.4%	8.3%
Croatia	4.7%	4.5%	4.5%	4.8%	3.2%	2.3%	7.0%	7.4%	5.7%	5.9%
Bosnia in Herzegovina	6.2%	5.9%	7.9 % (F. BiH) 19.1 % (R.Srbska)	10.0%	6.0 % (F.BiH) 9.5 % (R.Srbska)	5.0 % (F.BiH) 4 % (R.Srbska)		8.6%		10.1%
Macedonia	3.2%	4.2%		4.6%	3.2%	2.8%	8.0%	8.2%	8.5%	8.5%
Serbia	5.7%	5.8%	4.7%	4.8%	12.7%	11.8%	8.4%	6.3%	7.6%	6.8%
Russia	6.7%	6.8%	3.8%	4.1%	9.0%	7.9%	7.0%	7.6%	20.3%	17.9%
Ukraine	7.1%	6.6%	6.2%	8.2%	9.1%	10.1%	2.8%	2.9%	11.4%	8.1%
France	2.0%	2.0%	0.8%	0.9%	1.7%	1.2%	6.1%	3.0%	7.1%	4.0%
Austria	3.1%	3.0%	8.2%	5.4%	1.7%	1.8%	8.5%	7.4%	6.8%	7.5%
Germany	2.7%	3.0%	2.7%	2.2%	1.7%	2.3%	11.2%	9.3%	11.1%	8.7%

* estimates and forecasts for the year 2007

** inflation in the term Jan-Jun 2007

Sales Revenue by Intereuropa Group

In the first half-year 2007, we achieved €119.3 million of net sales revenues as planned, which is 11.2% (€12.9 million) above the figure achieved in the first half-year 2006. These results prove that the Group has been implementing the plans and goals successfully.

¹ Sources: SKEP GZS, AIECE, Consensus, CIA World Factbook, JAPTI, the European Commission, The Economist Intelligence Unit, the International Monetary Fund, the Slovenian Statistical Office (SURs), Euromoney

Except Continental Transport, all other business segments have exceeded the planned sales revenue. The underachievement of the Continental Transport Division can be primarily attributed to the deficit in the company Intereuropa Transport d.o.o., in which the recovery measures were introduced and have shown the first results in direct cost management

Table: Net sales revenues of the Intereuropa Group by area of operation, in thousand €

	Business segment	Jan - Jun 2007	Structure	Index 2007/ Plan	Index 2007/2006
1	Continental Transport	67,819	57%	95	107
2	Logistics Solutions	12,368	10%	107	117
3	Intercontinental Services	36,452	31%	109	122
4	Other services	2,633	2%	103	97
	TOTAL	119,271	100%	100	112

Table: Net sales revenues of the Intereuropa Group by geographical area, in thousand €

		Jan - Jun 2007	Structure	Index 2007/ Plan	Index 2007/2006
1	EU Member States	87,477	73%	99	107
2	Non-EU countries	31,794	27%	105	129
	TOTAL	119,271	100%	100	112

The **Continental Transport** Division represents 57% of the net sales revenues of the Group. The sales results are below the target in the products Groupage, Express, Road and Railway Transport. On the other hand, all products except the Railway Transport exceeded the revenue achieved a year ago (1st half-year), in particular the Road Transport and Customs Services.

The **Groupage Services** product showed good results in Bosnia and Herzegovina, Croatia and Serbia. In Slovenia, where nearly one half of the sales are generated, the performance is to great extent influenced by favourable results in groupage lines from/to Germany, which has enhanced the dynamics. Also the quantity of groupage consignments carried has risen.

All the units in Slovenia were able to exceed the sales results from the comparable period last year.

Our **Express Service** has surpassed the planned results in Serbia, while it remains slightly behind the Plan in other parts of the Group. The reasons for underachievement of the Sales Plan could be attributed to the competition growing tougher and unprofitability of some businesses concluded in the past. Enhanced sales activities and process streamlining are expected to lead to improvement. All the companies outside Slovenia exceeded the sales results of the first half-year 2006, too.

The subsidiary Intereuropa Transport d.o.o., which supports the highest sales volume of our **Road Transport** product, failed to achieve the plan and catch up with comparable figures as last year. Recovery measures were introduced in that company under the recovery plan, and the enhanced commercial activities are expected to improve the sales in the long run. Success in cost management is already visible. In the organization of road transports, the efforts for the highest employment of the Company-owned vehicles are made. All companies surpassed the sales turnover of the first half-year 2006. The newly founded departments for road transport are fully employed already and bringing the envisioned results, except those units located in the eastern markets that are still struggling with starting problems.

The **Customs Services** product was performing well and surpassed the figures of a year ago by 10% or € 1 million. The Plan was exceeded in all countries except Serbia and Kosovo; the last year's figures were surpassed in all countries except in Slovenia. On the other hand, the demand for Customs services in Slovenia has been growing thanks to the customers from abroad who decide to clear the goods through Customs upon import to the EU. In Border Despatch, we encounter increasing pressures of competitors

and a fall of prices as a result. We believe that the whole sales potential of this product has not been exhausted yet: reserves are in the subsidiaries.

The **Logistics Solutions** Division represents 10% of the net sales revenues of the Intereuropa Group. It has been more successful than last year and exceeds the plan as well. The major part of the net sales revenues was earned in Slovenia (61%). Here, the favourable results were achieved thanks to the enlarged storage capacities, both newly built and the additionally hired capacities. Furthermore, we acquired some new customers in Slovenia during the reporting term. In subsidiaries, the highest growth was recorded in Serbia, followed by Bosnia and Herzegovina and Croatia, thanks to improved structure of clients in new warehouse facilities. In the second half-year we expect even better operation as a result of additional storage capacities in Serbia and Croatia. Therefore, much effort in both these countries was dedicated to customer acquisition.

The **Intercontinental Services** Division represents 31% of the net sales revenues of the Group and is both above the plan and the comparable achievement of last year's term. In the **Sea-Freight** operations, the goals for the first half-year were exceeded, along with a high growth recorded in this business segment over the figures of the comparable term a year ago, in particular in the RO-RO product thanks to car handling in the Port of Koper. The greater part of this improvement relates to Slovenia, but also the subsidiary in Split (Croatia) was notable and above the plan. The Sea-freight in other branches is involved in an active development stage; in the future, positive trends are expected in Croatia, Bosnia and Herzegovina, Serbia and Macedonia.

Slightly below the targets is the **Shipping Agency**, which is still struggling to obtain the agency for a Shipowner with container ships, which ought to reflect in a better achievement of the plan.

The **Air-freight** product has achieved the targets on the level of the entire Intereuropa Group. Good results were achieved thanks to efficient sales of the air-freight segment and the dynamic development of the courier services in the Balkans. The plan was achieved in all countries except Croatia, where the growth is impeded due to the Zagreb Airport, being less attractive for freight transport, and Slovenia, where the active presence of global airlines aggravates a more aggressive growth.

The results achieved in the **UPS** product exceeded the goals set. Slovenia and Bosnia and Herzegovina showed the highest growth of net sales revenues, thanks to promising development of the product in BiH. Moreover, the favourable result in Slovenia is greatly attributable to establishing the UPS Hub Terminal in Brnik Airport, which offers good potential for growth in Slovenia.

1.2. Financial result

In the first half-year 2007, the Intereuropa Group generated a Net Profit or Loss of €24.7 million and exceeded the plan by 12.1 percent.

The operating result was €5.0 million and surpassed the plan. Compared with the first half-year 2006, the result was higher by €1.4 million, or 39 percent. The earnings before interest, tax and depreciation (EBITDA) came to €11.2 million, and equal to a figure higher by €2.3 million (or one quarter higher) than in comparable term a year ago.

That can be attributed to successful implementation of activities aiming to improve the productivity in the Group, such as marketing and direct sales, acquisition of new customers, cost management, expanding the corporate network, and implementation of new projects.

Compared with the first half-year 2006, we succeeded in increasing the added value and sales productivity per employee by 6 or 3 percent resp. We plan to achieve or even improve these indexes by the end of the year.

Tables: Financial results of the Intereuropa Group for January-June 2007, in thousand €

Item / Index	Jan-Jun 2007	Plan 2007	Jan- Jun 2006	Index 2007/plan	Index 2007/2006
Net sales revenues	119,330	118,915	106,419	100	112
EBITDA*	11,208	11,097	8,948	101	125
Operating Profit or Loss	5,008	4,898	3,595	102	139
Net profit or loss	24,728	22,052	4,106	112	602
Net sales revenues per employee/ month	8.707	8.801	8.417	99	103
Value added per employee/ month	2.405	2.453	2.273	98	106

* EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortisation

Item / Index	30.06. 2007	Plan 31.12.2007	31.12. 2006	Index 2007/plan	Index 2007/2006
Balance Sheet Total*	333,416	294,198	289,777	113	115
Capital*	186,460	180,128	181,340	104	103
Short-term assets/ short-term liabilities	1.10	1.02	1.30	108	85
Net Return on Equity (yearly basis) **	16.8%	16.0%	4.7%	105	361

* as of the last day of the reporting period ** average capital of the report. period

The annual **Net Return On Equity** comes to 16.8 percent, as planned, and exceeds the figure achieved last year by nearly three times (resulting from the sale of the share in Banka Koper d.d.). If this transaction be excluded, the net return on equity would be 4.6 percent p.a.

The value of balance sheet total of €333 million was 15 percent higher than at the beginning of the year. On the Assets side, there was a rise in fixed assets recorded - by €44 million (or by 29 percent), and the rise in short-term operating receivables by €19 million (or 32 percent). On the Liabilities side, we can see increased indebtedness in the amount of €29 million (or by 58 percent). High financial stability of the Group is assured by an adequately high share of equity in assets (56 percent) and a favourable Current Ratio (short-term assets/ short-term liabilities), which despite higher borrowing points to good solvency of the Group.

1.3. Investments in Fixed Assets

In the first half-year 2007, the investments in fixed assets realized by the **Intereuropa Group** totalled € 49,877 thousand, thereof €43,200 thousand in real estate and €6,677 thousand in equipment. The annual plan of investments was completed at the rate of 39.1 percent.

Table: Overview of Investment in January-June 2007, in thousand €

Company	Real estate		Equipment		TOTAL		% of annual realiz.
	Plan	Realization	Plan	Realization	Plan	Realization	
Intereuropa d.d.	34,101	25,550	3,266	564	37,367	26,113	69.9
Consolidated Companies	74,689	17,651	15,566	6,113	90,254	23,763	26.3
TOTAL for the GROUP	108,790	43,200	18,832	6,677	127,622	49,877	39.1

The investments in fixed assets undertaken by the Parent Company **Intereuropa d.d.** amounted to € 26,113 thousand. The greatest investment of the half-year was the purchase of land for the construction of logistics centre in Moscow, worth €25 million. In addition to that, the Parent Company has renovated and restored several facilities in the Logistics Solutions Division and completed the renovation and purchase of the equipment in Celje Branch.

The consolidated companies invested €23,763 thousand in fixed assets. The highest amount was spent on investments by Intereuropa-East d.o.o. Moscow €10 million for the purchase of land, and €2,8 million for the purchase of 20 combinations of freight vehicles. Other major investments were made in the completion stage of the warehouse in Dobanovci near Belgrade (€4,4 million), the construction of warehouse in Samobor in Croatia (€2,6 million), the purchase of ten combinations of freight vehicles by ZTS d.o.o. Uzhgorod and five truck combinations for the transportation of cars by Intereuropa Transport d.o.o. (€2,3 million), and in the third stage of the warehouse construction in Sarajevo.

1.4. Human Resources management

Employment trends

As of 30 June 2007, there were 2,413 employees in the Group, or 103 more than at the year end 2006. There are 20 new recruits in the Parent Company. In the Croatian part of the Group, the increase is attributed to the purchase of the haulier with 21 employees. The number of staff has risen in other companies too, in particular in the Ukrainian company and in Sarajevo where truck drivers were taken on.

Table: Employees in the Intereuropa Group according to countries

	country	30.06.2007	31.12.2006	Variance 30.06.07-31.12.06	Index jun/dec
1	Slovenia	1,317	1,297	20	102
2	Croatia	633	605	28	105
3	Other countries	463	408	55	113
	TOTAL	2,413	2,310	103	104

Human Resources Development

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

Plan jan-jun 2007	Actual jan-jun 2007	Index actual/plan	Actual / employee	No. of hours	No. of hours /employee
150,000	98,211	65	40.70	18,579	7.7

In the reporting period, 49 % of the employees were included in various forms of training and education to acquire new knowledge, which was more than in the first half-year 2006 (29%). We only used nearly two thirds of the funds earmarked for training and education: more participants will be involved in the second half-year. Moreover, an intense staff exchange within the Group is being implemented this year, in order to transfer the know-how and good practices between the branches /units and companies.

On the Group level, the average hours spent in training /education per employee was 7.7 hour, which is an improved result. In the first half-year 2006, the average hours spent in training/ education per employee was 5.6. The participants were included in training on language skills, information technology, occupational safety, communication and sales techniques, customs broking and quality management.

The 'Best Employer 2006' Research

The Intereuropa employees from Slovenia, Croatia and Bosnia and Herzegovina were involved in an international research on the employee satisfaction and commitment that was undertaken in 10 countries of Central and Eastern Europe. The positive aspects of Intereuropa in the area of customer satisfaction include good relations with fellow workers, the correlation between the customer satisfaction and their work output, clearly defined and challenging work assignments, understanding the business goals of the Company, a high reputation of the Group, and a strong support of the management to a successful work of workers.

Concern for employees

After dedicated work, our employees can use the holiday accommodation facilities at the seaside, in spas and mountains, for holiday and recreation at favourable prices. In the first half-year, we recorded 28% more overnight stays than in first half-year 2006. To contribute to the well-being of our staff and to strengthen good mutual relations, we organise sport programs and social events. This year's Intereuropa Games ('the 23rd Intereuropiada') on the Group level was organised in Sarajevo and attended by the record number of employees.

Our employees in Slovenia are included in the additional pension savings scheme, as a result of our concern and awareness of the pension issue in the future.

Major Activities Planned

Intereuropa wishes to introduce a modern and comprehensive information system to cover and support the HR management and development. At the beginning of 2008, the IT solution in the SAP information system will assure efficient operation of the HR administration, organization management, payroll account, HR development, education, HR cost planning and Staffing for the Slovenian part of the Intereuropa Group. That solution will be gradually extended to the companies outside Slovenia.

Based on the analysis of knowledge and competence requirements for each particular work/ job, the Project on HR Systemization and Rewarding Renovation is underway and negotiations with the representative trade unions are being carried out to conclude the Collective Wage Agreement for the Company.

We will raise the level of knowledge of our staff with dedicated training/further education courses and work-study programs, and also encourage our employees for further education. In the second half-year, a wider-scale training involving the key users and end users of the IT application supporting the sales processes is scheduled.

Based on the findings from the Research on the Employee Satisfaction and Commitment, we will design Team-building programmes for the management and employees in individual organizational units, introduce the assessment of leaders and as a follow-up, the training programmes on management and leadership skills – and implement the Intereuropa management school as a measure towards improving the satisfaction of employees.

1.5. Total Quality Management

Already at the beginning of this year, the Metrology Institute of the Republic of Slovenia invited us to take part in the Award for business excellence in the Republic of Slovenia. After having taken part in the seminar on self-assessment according to the business excellence model in April, we started working on this model as well.

In april, the Managing Board of Intereuropa d.d. conducted an inspection and screening on the situation in quality management, approved the current quality-related policy and adopted the Quality Report for the year 2006. In addition, an external audit in three certified companies (Intereuropa d.d., Intereuropa Transport d.o.o. and Intereuropa, logističke usluge d.o.o., Zagreb) was performed, and the HACCP system was verified in the branches of the Logistics Solutions Division of Intereuropa d.d.

Among the more relevant activities in the first half-year, we should mention the initiation of the Project Introducing the Quality Management in Intereuropa RTC d.d. Sarajevo, too.

We expect the fifth company in our Group to become certified by the end of the year 2007.

1.6. Creating Value for Shareholders

Share Trading

In 2007, the good performance of the Intereuropa Group reflected on the growth of the IEKG share, which greatly improved its value and gained 89 percent. The Slovenian Stock Exchange Index (SBI) rose by 65.6 percent. The second major factor that fuelled the growth of the IEKG share was the speculation on a potential take-over of Intereuropa d.d.

In the first half-year, there were 4,231 transactions with the Intereuropa share. Total turnover came to € 38.8 million, or 321 thousand per day on average. Trading comprised 1,115,710 IEKG shares, or 14.1 percent of all Intereuropa shares.



Figure: Movements of average prices and trading with IEKG shares, and the SBI20 Index in the 1st half-year 2007

Key Data on Intereuropa Share

Table: Key Data on Intereuropa Share in the first half-year 2007, in €

	30.6.2007	31.12.2006 *	Index 2007/2006
Number of ordinary shares issued	7,902,413	7,902,413	100
Book value of ordinary shares ²	21.45	20.99	102
Average rate as of the end of the year	48.22	25.51	189
weighted average rate	36.35	23.63	154
highest rate	50.00	26.79	187
lowest rate	26.60	19.22	138
Market capitalisation in thousand €	381,054	201,623	189
Turnover in thousand €	38,841	13,748	283
Net earnings per share ³ (Jan-June)	2.93	0.32	916
Gross dividend per share ⁴	0.83	1.04	80

*EUR exchange rate = SIT 239.64

² book value of share = capital at the end of accounting period/ number of shares issued

³ net earnings per share = net profit of the accounting period/ number of shares issued on a yearly level

⁴ dividend will be paid out end of August 2007, pursuant to the Resolution by AGM of 06.07.2007

The Net Earning per Share ratio in the first half-year 2007 came to €2.93 per share. On the yearly level, this ratio amounts to €3.25 per share; if the effect of the sale of the participation in Banka Koper d.d. is excluded, the ratio comes to €0.65 per share.

Ownership structure

In the first half-year 2007, we recorded an increase in shareholdings of foreign investors – legal entities. The equity structure of foreign investors rose from 0.78 percent as of 31.12.2006 to 3.56 percent as of 30.06.2007. The Share Register showed 5,076 shareholders as of 30.06.2007.

Table: The shareholders structure as of 30.06.07

	30.06.2007		31.12.2006		Index Jun 07/Dec 06	Number of shareholders as of 30.6.07
	no. of shares	Share- holding	no. of shares	Share- holding		
Natural persons	1,710,909	21.65%	1,654,055	20.93%	103	4,855
- thereof, employees	557,181	7.05%	606,301	7.67%	92	510
Luka Koper d.d. (Port of Koper Corp.)	1,960,513	24.81%	1,960,513	24.81%	100	1
Enterprises	544,551	6.89%	493,117	6.24%	110	152
Financial companies	2,424,252	30.68%	2,532,540	32.05%	96	62
Kapitalska družba d.d. *	787,262	9.96%	787,262	9.96%	100	5
Slovenska odškodninska družba d.d.	474,926	6.01%	474,926	6.01%	100	1
TOTAL	7,902,413	100.00%	7,902,413	100.00%		5,076

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

As of 31 December 2006, the top ten shareholders were holding 4,756,920 IEKG shares or 60.2% of all shares, whereas at the end of June 2007 they held 4,642,011 IEKG shares, which represents a shareholding of 58.7 percent in the equity structure of the Company.

Table: Major shareholders as of 30.06.2007

	Shareholder	30.06.2007		31.12.2006		index jun07/dec06
		no. of shares	Share- holding	no. of shares	Share- holding	
1.	LUKA KOPER, D.D.	1,960,513	24.81%	1,960,513	24.81%	100
2.	KAPITALSKA DRUŽBA, D.D.	719,797	9.11%	719,797	9.11%	100
3.	SLOVENSKA ODŠKODNINSKA DRUŽBA D.D.	474,926	6.01%	474,926	6.01%	100
4.	INFOND ID, D.D.	347,469	4.40%	348,139	4.41%	100
5.	ISTRABENZ D.D.	287,993	3.64%	299,516	3.79%	96
6.	ZAVAROVALNICA TRIGLAV, D.D.	213,640	2.70%	213,640	2.70%	100
7.	VS PROBANKA GLOBALNO NALOŽBENI SKLAD	200,000	2.53%	257,987	3.26%	78
6.	VS TRIGLAV STEBER I, D.D.	180,040	2.28%	232,776	2.95%	77
9.	KD RASTKO, delniški vzajemni sklad	134,626	1.70%	130,626	1.65%	103
10.	PS MODRA LINIJA - DELNIŠKI SKLAD	123,007	1.56%	119,000	1.51%	103

Tables: Shares held by members of Managing Board and Supervisory Board, as of 30.06.2007

Managing Board	no. of shares	Share-holding
ANDREJ LOVŠIN, M.A., President of Managing Board	49,650	0.628 %
MARKEŽIČ ZVEZDAN, Deputy President of Managing Board	3,094	0.039 %
JONKE ONDINA, Member of Man.Board– Human Resources Executive	3,080	0.039 %

Supervisory Board	no. of shares	Share-holding
NEVIJA PEČAR, Deputy President of Supervisory Board	4,185	0.05 %
VINKO REBULA, Member of Supervisory Board	450	0.01 %

Own shares

Intereuropa d.d. does not have its own share portfolio.

Dividend policy

The Managing Board of Intereuropa d.d. has declared a stable, long-term policy for paying dividend in the Corporate Development Plan.

Dividend in the year 2007

The 17th Annual General Meeting of Intereuropa d.d. was held on 6 July 2007, in which the shareholders decided on the dividend payout. Entitled to receive this year's dividend are the shareholders entered as such in the Share Register (kept in the central register with the KDD d.d.) as of 10.07.2007; the dividend is fixed at SIT 200.00 or €0.83 gross and payable by 31.08.2007.

Gross dividend per share	Dividend payout in the year	
	2007	2006
in SIT	200.00	250.00
in EUR	0.83	1.04

EUR exchange rate = SIT 239.640

2. OPERATION OF THE COMPANY INTEREUROPA d.d.

Tables: Operations of Intereuropa d.d. in January-June 2007, in thousand €

Item / Index	Jan-Jun 2007	Plan 2007	Jan- Jun 2006	Index 2007/plan	Index 2007/2006
Net sales revenues	68,062	65,373	58,602	104	116
Continental Transport	23,932	24,891	21,823	96	110
Logistics Solutions	7,682	7,353	7,175	104	107
Intercontinental Services	33,584	30,391	26,791	111	125
Other services	2,863	2,738	2,814	105	102
EBITDA*	4,310	3,457	3,543	125	122
Operating Profit or Loss	1,948	1,064	1,177	183	166
Net Profit or Loss	23,119	19,371	2,555	119	905
Net sales revenues per employee/ month	25.017	24.155	22.137	104	113
Value added per employee/month	5.520	5.344	5.061	103	109

* EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortisation

Item / Index	30.06. 2007	Plan 31.12.2007	31.12. 2006	Index 2007/plan	Index 2007/2006
Balance Sheet Total*	261,628	217,449	226,678	120	115
Capital*	169,506	158,633	165,905	107	102
Current assets/Short-term liabilities .	1.12	0.88	1.46	126	77
Net Return on Equity (yearly level) **	16.4%	14.0%	3.1%	117	525

* as of the last day of the reporting period ** average capital of the report. period

Basic findings on the operations of Intereuropa d.d. in the period January – June 2007:

- **Net sales revenues** €68.1 million exceed the plan target by 4% and rose 16% above the comparable period in 2006. In the business segments structure, the net sales revenues surpassed the plan in two segments - Logistics Solutions and Intercontinental Services, whereas the Continental Transport was 4% below the plan, and by 6 percentage points better than in the first quarter of the year, which points to a positive trend.
- The **Operating result** of € 1.9 million was 83% above the plan for the reporting term. That has resulted from the improved sales and productivity, changes to the sales structure and cost management (direct costs and expenses for the allowances for current assets).
- The **Net Profit or Loss** of €23.1 million has surpassed the plan by 19% and outstripped the result achieved in the last year's first quarter by several times. In the comparable period last year we generated €23.4 million of financial revenues by the sale of our interest in Banka Koper d.d., which considerably improves the net profit or loss and net return on equity.
- **Net Return On Equity** was 16.4% p.a., which is 2.4 percentage point above the Plan and by 13.3 percentage point better than last year's result. If the profit from the sale of the interest in Banka Koper d.d. is excluded, the net return on equity would be 3.1% p.a.
- **Employee-related indexes** show that we succeeded in improving the sales efficiency over the comparable term last year, and in terms of plan targets.
- In the structure of Liabilities, the **share of capital** representing 65% and the **current ratio** at 1.12 prove to the financial stability of Intereuropa d.d. over a long term.

We regard the financial results of Intereuropa d.d. as successful and the Company is expected to accomplish the targets by the year-end.

C. FINANCIAL REPORT

The financial statements of the Parent Company and the consolidated financial statements for the Group are prepared in accordance with the law and the International Financial Reporting Standards (IFRS).

The same accounting guidelines were applied in the consolidated financial statements as in those of the Parent Company, as indicated in the Accounting Report for the financial year 2006.

As of 30.06.2007, the Intereuropa Group comprised the controlling company Intereuropa d.d. and the members (controlled companies), as follows:

in 000 €	Country of Registered office	% of ownership as of 30.06.2007
Companies directly controlled by the Parent Company Intereuropa d.d.		
Intereuropa Transport, d.o.o., Koper	Slovenia	100
Interagent, d.o.o., Koper	Slovenia	100
Intereuropa IT, d.o.o., Koper	Slovenia	100
Interzav, d.o.o., Koper	Slovenia	71.28
Intereuropa, Logističke usluge, d.o.o., Zagreb	Croatia	99.96
Intereuropa sajam, d.o.o., Zagreb	Croatia	51.00
Intereuropa Skopje, d.o.o., Skopje	Macedonia	99.56
Intereuropa RTC, d.d., Sarajevo	Bosnia in Herzegovina	89.29
Intereuropa-East, d.o.o., Moscow	Russia	100
A.D.Intereuropa logističke usluge, Belgrade	Serbija	73.62
Intereuropa S.A.S., Saint Pierre de Chandieu	France	67.60
TEK ZTS d.o.o., Uzhgorod	Ukraine	66.67
Schneider & Peklar GmbH, Wien	Austria	100
Intereuropa Transport & Spedition GmbH, Troisdorf	Germany	90.48
Intereuropa Kosova L.L.C., Prishtina	Kosovo	90.00
Companies indirectly controlled by the Parent Company Intereuropa d.d.		
Intereuropa Transport dooel, Skopje	Macedonia	99.56
Itar, d.o.o., Zagreb	Croatia	99.96

In addition to these, the companies AC-Interauto d.o.o., Koper, and Adriaфин d.o.o., Koper, and the jointly-controlled company Intereuropa-FLG, d.o.o. are included in the Group under the equity method.

The new indirectly controlled company, Itar d.o.o., Zagreb, was included in the consolidated financial statements of the Group for the first time.

1. FINANCIAL REPORT FOR THE INTEREUROPA GROUP

1.1. Financial Statements of the Intereuropa Group

INCOME STATEMENT OF INTEREUROPA GROUP for the reporting term 1 Jan – 30 June 2007

in 000 €	January -June 2007	January -June 2006	I 07/06
1. NET SALES REVENUES	119,330	106,419	112
2. CAPITALISED OWN PRODUCTS AND SERVICES	0	0	-
3. OTHER OPERATING REVENUES	778	1,196	65
4. COST OF GOODS, MATERIAL AND SERVICES	85,233	76,403	112
5. LABOUR COSTS	21,745	19,796	110
6. DEPRECIATION AND AMORTIZATION	6,876	6,514	106
a) Amortization and other intangible long-term assets write-downs and tangible fixed assets write-offs	6,200	5,353	116
b) Current asstes revaluation and amortization adjustments	676	1,161	58
7. OTHER OPERATING EXPENSES	1,246	1,307	95
8. OPERATING PROFIT OR LOSS (1+2+3-4-5-6-7)	5,008	3,595	139
9. FINANCIAL REVENUES FROM STAKES	24,028	1,245	1,930
10. FINANCIAL REVENUES FROM LOANS GIVEN	51	113	45
11. FINANCIAL REVENUES FROM OPERATING RECEIVABLES	655	1,079	61
12. FINANCIAL EXPENSES FROM FINANCIAL INVESTMENTS IMPAIRMENT AND WRITE OFFS	7	0	-
13. FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES	1,148	574	200
14. FINANCIAL EXPENSES FROM OPERATING LIABILITIES	141	207	68
15. PROFIT OR LOSS FROM ORDINARY ACTIVITIES (8+9+10+11-12-13-14)	28,446	5,251	542
16. OTHER REVENUES	0	0	-
17. OTHER EXPENSES	0	0	-
ACTIVITIES (16-17)	0	0	-
19. Corporation tax	3,768	1,101	342
20. Deferred taxes	-50	44	-
21.a Net profit or loss of the minority shareholders	240	225	107
21.b Net profit or loss of the majority shareholder (15+18-19-20-21.a)	24,488	3,881	631
21. NET PROFIT OR LOSS FOR THE PERIOD (21.a+21.b)	24,728	4,106	602
Basic net earnings per share (in €)	3.10	0.49	631
Adjusted net earnings per share (in €)	3.10	0.49	631

BALANCE SHEET OF INTEREUROPA GROUP as of 30.06.2007

in 000 €	30.6.2007	31.12.2006	I 07/06
ASSETS	333,416	289,777	115
A. LONG-TERM ASSETS	237,975	191,364	124
I. Intangible assets and long-term active accrued items	11,102	10,099	110
II. Tangible fixed assets	198,033	153,672	129
III. Immovable property	13,869	14,259	97
IV. Long-term financial investments	14,503	12,931	112
V. Long-term operating receivables	2	2	100
VI. Deferred tax receivables	466	401	116
B. SHORT-TERM ASSETS	89,229	95,620	93
I. Assets available-for-sale	1,417	26,437	5
II. Inventories	93	79	118
III. Short-term financial investments	3,004	4,376	69
IV. Short-term operating receivables	80,739	61,195	132
V. Cash	3,976	3,533	113
C. SHORT-TERM ACTIVE ACCRUED ITEMS	6,212	2,793	222
LIABILITIES	333,416	289,777	115
A. CAPITAL	186,460	181,340	103
I. Called capital	32,976	32,976	100
II. Capital reserves	49,403	49,403	100
III. Profit reserves	12,008	12,008	100
IV. Revaluation surplus	5,998	25,516	24
V. Net profit/loss brought forward	56,595	50,205	113
VI. Net profit/loss for the financial year	24,488	6,387	383
VII. Consolidation capital adjustment (exchange rate translation differences)	1,517	1,379	110
VIII. Capital of minority shareholders	3,475	3,466	100
B. PROVISIONS AND LONG-TERM PASSIVE ACCRUED ITEMS	3,079	2,997	103
C. LONG-TERM LIABILITIES	62,849	31,804	198
I. Long-term financial liabilities	60,733	27,482	221
II. Long-term operating liabilities	701	480	146
III. Deferred tax liability	1,415	3,842	37
D. SHORT-TERM LIABILITIES	81,028	73,636	110
I. Liabilities included in disposal group	0	0	-
II. Short-term financial liabilities	19,339	22,853	85
III. Short-term operating liabilities	61,689	50,783	121
E. SHORT-TERM PASSIVE ACCRUED ITEMS	0	0	-

CASH FLOW STATEMENT OF INTEREUROPA GROUP for the reporting term 1 Jan – 30 June 2007

	in 000 €	January -June 2007	January -June 2006
A.	Cash flows from operations		
a)	Profit and loss account items	11,647	5,339
	Operating revenues (except revaluation) and financial revenues from operating receivables	120,308	107,450
	Operating expenses excluding depreciation and long-term provisions (except revaluation) and financial revenues from operating receivables	-108,369	-97,613
	Corporation tax and other taxes not included in operating expenses	-292	-4,498
b)	Changes in working capital (and deferred and accrued items, provisions and deferred tax assets and liabilities) of operating items in the balance sheet	-17,307	-7,463
	Opening less closing operating receivables	-24,474	-8,466
	Opening less closing inventories	-14	26
	Closing less opening operating liabilities	7,181	977
c)	Surplus inflows from operations	-5,660	-2,124
B.	Cash flows from investments		
a)	Inflows from investments	27,719	8,182
	Inflows from received interest	51	754
	Inflows from profit shares in others	386	1,227
	Inflows from disposal of intangible long-term assets	0	0
	Inflows from disposal of tangible fixed assets	497	827
	Inflows from disposal of long-term financial investments	25,420	70
	Offset decrease in short-term financial investments	1,365	5,304
b)	Outflows for investments	-49,602	-9,174
	Purchase of group companies after deduction of acquired cash	-609	0
	Outflows for acquisition of intangible long-term assets	-740	-2,824
	Outflows for acquisition of tangible fixed assets and investment property	-47,847	-4,718
	Outflows for acquisition of long-term financial investments	-406	-37
	Offset increase in short-term financial investments	0	-1,595
c)	Surplus inflows (outflows) from investments	-21,883	-992
C.	Cash flows from financing		
a)	Inflows from financing	37,611	11,518
	Capital increase	0	0
	Inflows from received long-term loans	32,947	3,760
	Offset increase in received short-term loans	4,664	7,758
b)	Outflows for financing	-9,628	-7,914
	Outflows for interest paid	-1,056	-624
	Outflows for decrease in capital (paid dividends and other profit participations)	-309	-279
	Outflows for repayment of long-term loans	-8,263	-7,011
	Offset decrease in short-term loans	0	0
c)	Surplus inflows (outflows) from financing	27,983	3,604
D.	Net increase/decrease in cash	440	488
E.	Exchange rate effect	3	-68
F.	Cash at beginning of period	3,533	3,584
G.	Cash at the end of period (D+E+F)	3,976	4,004

STATEMENT OF CHANGES IN EQUITY OF INTEREUROPA GROUP for the period 1 January - 30 June 2007

in 000 €	Share capital	Capital reserves	Legal reserves	Revaluation surplus	Retained net profit/loss	Net profit or loss for the financial year	Consolidation capital adjustment (exchange rate translation differences)	Capital of minority share holders	Total capital
Initial balance 1.1.2007	32,976	49,403	12,008	25,516	50,205	6,387	1,379	3,466	181,340
Entry of net profit or loss for the financial year	0	0	0	0	0	24,488	0	240	24,728
Increase in surplus from revaluation of financial investments	0	0	0	1,438	0	0	0	0	1,438
Transfer of surplus from revaluation into revenues (due to financial investment sales)				-23,392					-23,392
Cancellation of tax deferred liabilities to the benefit of capital	0	0	0	2,436	0	0	0	0	2,436
Exchange rate translation differences	0	0	0	0	0	0	138	74	212
Total recognised revenues and expenses in capital in the financial year	0	0	0	-19,518	0	24,488	138	314	5,422
Other increases of capital components	0	0	0	0	3	0	0	4	7
Other redistribution of capital components	0	0	0	0	6,387	-6,387	0	0	0
Dividend payout	0	0	0	0	0	0	0	-309	-309
Final balance on 30.6.2007	32,976	49,403	12,008	5,998	56,595	24,488	1,517	3,475	186,460

STATEMENT OF CHANGES IN EQUITY OF INTEREUROPA GROUP for 1 January - 30 June 2006

in 000 €	Share capital	Capital reserves	Legal reserves	Revaluation surplus	Retained net profit/loss	Net profit or loss for the financial year	Consolidation capital adjustment (exchange rate translation differences)	Capital of minority share holders	Total capital
Initial balance 1.1.2006	32,976	49,403	11,096	18,977	49,876	9,245	1,303	3,181	176,057
Entry of net profit or loss for the financial year	0	0	0	0	0	3,881	0	225	4,106
Increase in surplus from revaluation of financial investments	0	0	0	542	0	0	0	0	542
Increase of tax deferred liabilities from capital	0	0	0	-135	0	0	0	0	-135
Exchange rate translation differences	0	0	0	0	0	0	488	-5	483
Total recognised revenues and expenses in capital in the financial year	0	0	0	407	0	3,881	488	220	4,996
Increase from new companies purchase	0	0	0	0	0	0	0	14	14
Other increases of capital components	0	0	0	0	47	0	0	16	63
Other redistribution of capital components	0	0	0	0	9,245	-9,245	0	0	0
Dividend payout	0	0	0	0	0	0	0	-279	-279
Final balance on 30.6.2006	32,976	49,403	11,096	19,384	59,168	3,881	1,791	3,152	180,851

1.2. Notes to Financial Statements of the Intereuropa Group

a) Notes to the INCOME STATEMENT

The **Net Sales Revenues** amounted to EUR 119,330 thousand. Compared to the first half-year 2006, these revenues were 12% above the last year's figure, while the cost of goods, materials and services were growing at the same rate.

Other Operating Revenues amount to EUR 778 thousand and comprise:

- Paid receivables for which the allowance was made in preceding years,
- Profit from the sale of tangible fixed assets, and
- Other revenues.

In the Item **Amortisation/Depreciation Expenses and Write-offs**, the depreciation rose by 16% as a result of new investments in storage capacities. Depreciation /Write-offs and adjustments or allowances for current assets represent the allowance for trade receivables, which were on a downward trend by 42%.

Other operating expenses amounting to EUR 1,246 thousand mainly include the expenses for the municipal land contributions.

The **Operating Profit** for this year's first half-year came to EUR 5,008 thousand and was by EUR 1,413 thousand higher than the figure achieved in the comparable statement a year ago.

Financial revenues from shares in the amount of EUR 24,028 thousand stand for the profit attained from the sale of financial investments, amounting to EUR 23,578 thousand (principally relating to the profit in the disposal of the shares in Banka Koper d.d.; the remaining part (EUR 450 thousand) represents the net profits received from shareholdings in other companies, and the net profits from the associated and jointly-controlled company.

Financial expenses from financial liabilities came to EUR 1,148 thousand and grew by 100 % (or EUR 574 thousand) from higher interest expenses for bank loans received.

Profit or loss from ordinary activities came to **EUR 28,446 thousand**. It is much higher than last year's figure (by EUR 23,195 thousand) primarily resulting from the capital gains and the higher Operating Profit.

Taking into account the tax on corporate profit, the Group generated the **Net Profit** of EUR 24,728 thousand in the first half-year 2006.

b) Notes to the BALANCE SHEET

ASSETS

LONG-TERM ASSETS

In the Group's **Tangible fixed assets**, we have recorded a rise of 29% (or EUR 44,361 thousand) thanks to higher investments in tangible fixed assets that were higher than depreciation expenses.

Most of the **Long-term financial investments** relate to the Parent Company. The rise of 12 % primarily stands for the prevailing revaluation of the item to fair value.

SHORT-TERM ASSETS

In **Short-term assets**, we recorded a decreased quantity of the assets held for sale (resulting from the sale of the investment in the shares of Banka Koper d.d. that was stated among the assets held for sale as at 31.12.2006), and the decrease in short-term financial investments (resulting from the decrease of deposits). Among the short-term receivables, there was an increase in short-term operating receivables due from others (primarily on the account of initial investments in the newly-founded subsidiary in the Ukraine), and an increase in trade receivables.

SHORT-TERM DEFERRED COSTS (EXPENSES) AND ACCRUED REVENUES

The Deferred costs and accrued revenues were recognised in the amount of EUR 6,212 thousand. They mainly stand for short-term accrued revenues in the amount of direct costs incurred, which are expected to be covered.

LIABILITIES

CAPITAL

Due to increased long-term financial indebtedness, the share of capital (equity) in the total structure of Liabilities fell by 7 percentage points, to 56%. The changes in individual items of Capital (Equity) are presented in the Notes to the Statement of Changes in Equity.

PROVISIONS & LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES

As of the Balance Sheet Date, the Group had EUR 3,079 thousand of unused long-term provisions. The prevailing part of this Item comprises the provisions for pensions and similar obligations.

LONG-TERM LIABILITIES

Long-term financial liabilities stand for 97% of all long-term liabilities, which are as at the Balance Sheet Date recognized at EUR 60,733 thousand and are 121 percent higher than at the comparable Balance Sheet cut-off date. Also their participation in the financing sources rose by 9 percentage points, so they stand for 18% in the Liabilities structure and are of a short-term nature.

Long-term deferred tax liabilities (offset by deferred tax receivables) amount to EUR 1,415 thousand. They represent a long-term tax liability from the revaluation of financial investments by the Parent Company to the fair value.

SHORT-TERM LIABILITIES

Short-term financial liabilities of the Group amount to EUR 19,339 thousand and consist of short-term credit facilities with domestic banks to maintain the current liquidity.

Short-term operating liabilities amount to EUR 61,689 thousand. The greatest part of these liabilities (86%) stands for the liabilities to suppliers.

c) Notes to THE CASH FLOW STATEMENT

The expenses exceeded the revenues by EUR 5,660 thousand due to the increased operating receivables, despite the fact that revenues were higher than expenses.

Net cash used in operating activities was also recorded in investing activities, amounting to EUR 21,883 thousand. Income comprised primarily the proceeds from the sale of long-term financial investments and the profits from shares held in other companies. Expenses were spent on acquisition of tangible fixed assets.

The Net cash used in operating and investing activities covered the financing activity by a net cash amount of EUR 27,983 thousand.

The cash and cash equivalent at the end of period came to EUR 3,976 thousand, and resulted from the Net Cash Flow achieved in the reporting period and from the Cash and cash equivalent at the beginning of the period.

d) Notes to the STATEMENT OF CHANGES IN EQUITY

In the first half-year 2007, the Group's equity:

- increased as a result of:

- ▶ Net profit/loss in the amount of EUR 24,728 thousand, held by the majority and minority equity interest in the reporting period,
- ▶ Increase in the Retained Net Profit from the preceding year, by the change in the Net Profit of the Group members amounting to EUR 7 thousand,
- ▶ Increase in the consolidation exchange differences from translation, amounting to EUR 212 thousand;

- decreased due to

- ▶ Dividends/ participation in profit payout to minority equity interest – amounting to EUR 309 thousand.
- ▶ Offset Increase in the surplus from revaluation from fin. investments, amounting to EUR 19,518 thousand.

In the first half-year 2006, the Group's equity:

- increased as a result of:

- ▶ Net profit/loss in the amount of EUR 4,106 thousand, held by the majority and minority equity interest in the reporting period,
- ▶ Offset Increase in the surplus from revaluation from fin. investments, valued at EUR 407 thousand,
- ▶ Increase in the Retained Net Profit from the preceding year, by the change in the Net Profit of the Group members amounting to EUR 63 thousand,
- ▶ Acquisition of new controlled companies, by EUR 14 thousand,
- ▶ Increase in the consolidation exchange differences from translation, amounting to EUR 483 thousand;

- decreased due to

- ▶ Dividends/ participation in profit payout to minority equity interest – amounting to EUR 279 thousand.

2. FINANCIAL REPORT FOR THE PARENT COMPANY INTEREUROPA d.d.

2.1. Financial Statements of the Parent Company Intereuropa d.d.

INCOME STATEMENT OF INTEREUROPA d.d. for the period 1 January - 30 June 2007

in 000 €	January -June 2007	January -June 2006	I 07/06
1. NET SALES REVENUES	68,062	58,602	116
2. OTHER OPERATING REVENUES	475	774	61
3. COST OF GOODS, MATERIAL AND SERVICES	52,651	44,954	117
4. LABOUR COSTS	10,708	9,854	109
5. DEPRECIATION AND AMORTIZATION	2,644	2,838	93
a) Amortization and other intangible long-term assets write-downs and tangible fixed assets write-offs	2,362	2,366	100
b) Current asstes revaluation and amortization adjustments	282	472	60
6. OTHER OPERATING EXPENSES	586	553	106
7. OPERATING PROFIT OR LOSS (1+2-3-4-5-6)	1,948	1,177	166
8. FINANCIAL REVENUES FROM STAKES	24,700	1,658	1,490
9. FINANCIAL REVENUES FROM LOANS GIVEN	234	184	127
10. FINANCIAL REVENUES FROM OPERATING RECEIVABLES	210	438	48
11. FINANCIAL EXPENSES FROM FINANCIAL INVESTMENTS IMPAIRMENT AND WRITE OFFS	7	0	-
12. FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES	676	244	277
13. FINANCIAL EXPENSES FROM OPERATING LIABILITIES	51	33	155
14. PROFIT OR LOSS FROM ORDINARY ACTIVITIES (7+8+9+10-11-12-13)	26,358	3,180	829
15. OTHER REVENUES	0	0	-
16. OTHER EXPENSES	0	0	-
17.NET PROFIT OR LOSS FROM EXTRAORDINARY ACTIVITIES (15-16)	0	0	-
18. Income tax	3,224	579	557
19. Deferred taxes	15	46	-
20. NET PROFIT OR LOSS FOR THE PERIOD (14+17-18-19)	23,119	2,555	905
Basic net earnings per share (in €)	2.93	0.32	905
Adjusted net earnings per share (in €)	2.93	0.32	905

BALANCE SHEET OF INTEREUROPA d.d. as of 30 June 2007

in 000 €	30.6.2007	31.12.2006	I 07/06
ASSETS	261,628	226,678	115
A. LONG-TERM ASSETS	201,502	160,009	126
I. Intangible assets and long-term active accrued items	2,778	2,412	115
II. Tangible fixed assets	101,491	76,590	133
III. Immovable property	13,154	13,535	97
IV. Long-term financial investments	84,079	67,472	125
V. Long-term operating receivables	0	0	-
VI. Deferred tax receivables	0	0	-
B. SHORT-TERM ASSETS	54,840	64,598	85
I. Assets available-for-sale	1,417	26,437	-
II. Inventories	49	46	107
III. Short-term financial investments	7,650	5,314	144
IV. Short-term operating receivables	45,529	32,133	142
V. Cash	195	668	29
C. SHORT-TERM ACTIVE ACCRUED ITEMS	5,286	2,071	255
LIABILITIES	261,628	226,678	115
A. CAPITAL	169,506	165,905	102
I. Called capital	32,976	32,976	100
II. Capital reserves	49,403	49,403	100
III. Profit reserves	11,096	11,096	100
IV. Revaluation surplus	5,980	25,498	23
V. Net profit/loss brought forward	46,932	42,273	111
VI. Net profit/loss for the financial year	23,119	4,659	496
B. PROVISIONS AND LONG-TERM PASSIVE ACCRUED ITEMS	1,435	1,449	99
C. LONG-TERM LIABILITIES	41,530	14,952	278
I. Long-term financial liabilities	40,190	11,190	359
II. Long-term operating liabilities	19	19	100
III. Deferred tax liability	1,321	3,743	35
D. SHORT-TERM LIABILITIES	49,157	44,372	111
I. Liabilities included in disposal group	0	0	-
II. Short-term financial liabilities	15,211	16,682	91
III. Short-term operating liabilities	33,946	27,690	123
E. SHORT-TERM PASSIVE ACCRUED ITEMS	0	0	-

CASH FLOW STATEMENT OF INTEREUROPA d.d. for the period 1 January - 30 June 2007

	January -June 2007	January -June 2006
in 000 €		
A. Cash flows from operations		
a) Profit and loss account items	5,039	-133
Operating revenues (except revaluation) and financial revenues from operating receivables	68,621	59,227
Operating expenses excluding depreciation and long-term provisions (except revaluation) and financial revenues from operating receivables	-63,943	-55,402
Corporation tax and other taxes not included in operating expenses	361	-3,958
b) Changes in working capital (and deferred and accrued items, provisions and deferred tax assets and liabilities) of operating items in the balance sheet	-14,230	-3,588
Opening less closing operating receivables	-17,872	-2,033
Opening less closing inventories	-3	-84
Closing less opening operating liabilities	3,645	-1,471
c) Surplus inflows from operations	-9,191	-3,721
B. Cash flows from investments		
a) Inflows from investments	26,951	9,336
Inflows from received interest	188	562
Inflows from profit shares in others	1,122	1,782
Inflows from disposal of intangible long-term assets	0	0
Inflows from disposal of tangible fixed assets	228	324
Inflows from disposal of long-term financial investments	25,413	4
Offset decrease in short-term financial investments	0	6,664
b) Outflows for investments	-45,158	-9,549
Purchase of group companies after deduction of acquired cash	0	-137
Outflows for acquisition of intangible long-term assets	-440	-2,582
Outflows for acquisition of tangible fixed assets and investment property	-26,917	-1,688
Outflows for acquisition of long-term financial investments	-15,291	-2,865
Offset increase in short-term financial investments	-2,510	-2,277
c) Surplus inflows (outflows) from investments	-18,207	-213
C. Cash flows from financing		
a) Inflows from financing	29,000	5,792
Capital increase	0	0
Inflows from received long-term loans	29,000	2,160
Offset increase in received short-term loans	0	3,632
b) Outflows for financing	-2,043	-1,786
Outflows for interest paid	-572	-245
Outflows for decrease in capital (paid dividends and other profit participations)	0	0
Outflows for repayment of long-term loans	-945	-1,541
Offset decrease in short-term loans	-526	0
c) Surplus inflows (outflows) from financing	26,957	4,006
D. Net increase/decrease in cash	-441	72
E. Exchange rate effect	-32	-8
F. Cash at beginning of period	668	520
G. Cash at the end of period (D+E+F)	195	584

STATEMENT OF CHANGES IN EQUITY OF INTEREUROPA d.d. for the period 1 January - 30 June 2007

in 000 €	Share capital	Capital reserves	Legal reserves	Revaluation surplus	Retained net profit/loss	Net profit or loss for the financial year	Total capital
Initial balance 1.1.2007	32,976	49,403	11,096	25,498	42,273	4,659	165,905
Entry of net profit or loss for the financial year	0	0	0	0	0	23,119	23,119
Increase in surplus from revaluation of financial investments	0	0	0	1,438	0	0	1,438
Transfer of surplus from revaluation into revenues (due to financial investment sales)	0	0	0	-23,392	0	0	-23,392
Decrease of tax deferred liabilities to the benefit of capital	0	0	0	2,436	0	0	2,436
Total recognised revenues and expenses in capital in the financial year	0	0	0	-19,518	0	23,119	3,601
Other redistribution of capital components	0	0	0	0	4,659	-4,659	0
Final balance on 30.6.2007	32,976	49,403	11,096	5,980	46,932	23,119	169,506

STATEMENT OF CHANGES IN EQUITY OF INTEREUROPA d.d. for the period 1 January – 30 June 2006

in 000 €	Share capital	Capital reserves	Legal reserves	Revaluation surplus	Retained net profit/loss	Net profit or loss for the financial year	Total capital
Initial balance 1.1.2006	32,976	49,403	11,096	18,969	43,250	7,267	162,961
Entry of net profit or loss for the financial year	0	0	0	0	0	2,555	2,555
Increase in surplus from revaluation of financial investments	0	0	0	542	0	0	542
Increase of tax deferred liabilities from capital	0	0	0	-135	0	0	-135
Total recognised revenues and expenses in capital in the financial year	0	0	0	407	0	2,555	2,962
Other redistribution of capital components	0	0	0	0	7,267	-7,267	0
Final balance on 30.6.2006	32,976	49,403	11,096	19,376	50,517	2,555	165,923

2.2. Notes to Financial Statements of the Parent Company Intereuropa d.d.

a) Notes to the INCOME STATEMENT

Net Sales Revenues amount to EUR 68,062 thousand. Compared with the same period a year ago, that means a 16% growth (or EUR 9,460 thousand), while the cost of goods, materials and services were higher by 17 % (or EUR 7,697 thousand).

Other Operating Revenues amount to EUR 475 thousand and comprise:

- Paid receivables for which the allowance was made in preceding years,
- Profit from the sale of tangible fixed assets, and
- Other income.

In the structure of the item **Depreciation and Write-offs** amounting to EUR 2,644 thousand, the depreciation costs (standing for a 89-% share) were not essentially changed from the last year's comparable term.

Depreciation /Write-offs and adjustments or allowances for current assets showed a downward trend by EUR 190 thousand, resulting from the allowances made for receivables which were lower than last year in the comparable term.

Other operating expenses amounting to EUR 586 thousand mainly comprise the expenses for the municipal land contributions.

The **Operating Profit** for this year's first half-year came to EUR 1,948 thousand and was by EUR 771 thousand higher than the figure achieved in the comparable statement a year ago, which can be primarily attributed to the effect of higher growth of income categories than expenses.

Most **financial revenues from shares** in the amount of EUR 24,700 thousand stand for the profits attained from the sale of financial investments (EUR 23,577 thousand, principally relating to the profit in the disposal of the shares in Banka Koper d.d.); the remaining part (EUR 1,123 thousand) represents the net profits realized and received from shareholdings in the companies in the Group that were remitted to the Parent Company by virtue of resolutions adopted by the General Meetings during the first half-year 2007, and financial revenues from the shares held in the associated companies, and dividends.

The **Profit or loss from ordinary activities** came to EUR 26,358 thousand. It was higher than the last year's figure thanks to the capital gains realized in the sale of the shareholding in Banka Koper, as well as a result of higher Operating Profit.

Taking into account the expense for corporate profit tax, the Parent Company of the Intereuropa Group generated the **Net Profit** of EUR 23,119 thousand in the first half-year 2007.

b) Notes to the BALANCE SHEET

ASSETS

LONG-TERM ASSETS

Long-term assets stand for 77 % of all assets and were higher by EUR 41,493 thousand than on the cut-off date of the comparable term a year ago on the account of new investments in tangible fixed assets and financial investments.

In the **Tangible fixed assets** we recorded a rise of 33% over the comparable figure a year ago thanks to more investments in tangible fixed assets that were higher than depreciation expenses.

The **long-term financial investments** were higher by EUR 16,607 thousand. This increase can be primarily attributed to the capital increase of the consolidated company Intereuropa East d.o.o. and to the increased long-term loans to the companies in the Group.

SHORT-TERM ASSETS

In Short-term assets, we recorded a lower quantity of the assets held for sale (resulting from the sale of the investment in the shares of Banka Koper d.d. that was stated among the assets held for sale as at 31.12.2006).

The higher amount of short-term financial investments has resulted from short-term loans granted to the companies in the group.

Among the short-term receivables, there was an increase in short-term operating receivables due from others (primarily on the account of initial investments in the newly-founded subsidiary in the Ukraine), and an increase in trade receivables.

SHORT-TERM DEFERRED COSTS (EXPENSES) AND ACCRUED REVENUES

The Deferred costs and accrued revenues were recognised in the amount of EUR 5,286 thousand. They mainly stand for short-term accrued revenues in the amount of direct costs incurred, which are expected to be covered.

LIABILITIES

CAPITAL

The capital expresses equity financing of the Company and is regarded as its liability to the owners. As of 30.06.2007, it amounts to 65 % of all liabilities in broader sense. The explanation of the changes in this item is found in the Statement of Changes in Equity.

PROVISIONS & LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES

As of the Balance Sheet Date, the Company still has EUR 1,435 thousand of unused long-term provisions. The highest share thereof relates to the provisions for pensions and years-of-service rewards.

LONG-TERM LIABILITIES

The long-term liabilities are recognised in the amount of EUR 41,530 thousand. Their share in the liabilities structure rose by 9 percentage points. This increased amount has resulted from higher Long-term financial liabilities that relate to the long-term loans raised from banks.

Long-term deferred tax liabilities (offset by deferred tax receivables) amounted to EUR 1,321 thousand. The prevailing basis for them is the revaluation of financial investments to fair value.

SHORT-TERM LIABILITIES

Short-term financial liabilities amount to EUR 15,211 thousand and consist of short-term credit facilities with domestic banks to maintain the current liquidity.

The **Short-term operating liabilities** amounted to SIT 33,946 thousand and were 23% higher than at the comparable Balance Sheet Date a year ago.

c) Notes to THE CASH FLOW STATEMENT

The expenses exceeded the revenues by EUR 9,191 thousand due to the increased operating receivables, despite the fact that revenues were higher than expenses.

Net cash used in operating activities was also recorded in investing activities, amounting to EUR 18,207 thousand. Income comprised primarily the proceeds from the sale of long-term financial investments and the profits from shares held in consolidated and other companies. The expenses were mainly spent on the purchase of tangible fixed assets, investment in the companies in the Group (capital increase of Intereuropa East d.o.o.), and loans granted to the companies in the Group.

The Net cash used in operating and investing activities covered the financing activity by a net cash amount of EUR 26,957 thousand.

The cash and cash equivalent at the end of period came to EUR 195 thousand, and resulted from the Net Cash Flow achieved in the reporting period and from the Cash and cash equivalent at the beginning of the period.

d) Notes to the STATEMENT OF CHANGES IN EQUITY

In the first half-year 2007, the equity of the Company Intereuropa d.d. increased as a result of:

- ▶ Net profit/loss of the period, amounting to EUR 23,119 thousand, and decreased on the account of:
 - ▶ Offset Decrease in the surplus from revaluation from fin. investments, amounting to EUR 19,518 thousand.

In the first half-year 2006, the equity of the Company Intereuropa d.d. increased as a result of:

- ▶ Net profit/loss of the period, amounting to EUR 2,555 thousand, and Offset Increase in the surplus from revaluation from fin. investments, amounting to EUR 407 thousand.

D. CONCLUSION

During the first half-year 2007, the Group generated €119,3 million of net sales revenues and a net profit or loss of €22.7 million. We have achieved the sales and financial goals and by investments in the growth and development of the Group, we are creating favourable platform for successful operations in the future.

In line with the corporate vision and strategy, our sales activities were focused on key accounts - major customers on the Group level. A concerted action on the logistics market involving all our companies in the Group can bring synergy effects that improve our productivity and economy.

The growth achieved in the Group does not only reflect through higher net sales revenues, which have risen by 12.1 percent since last year, but it is also shown in the growing number of employees and companies in the Group. With our activities focused on cost management, improvement of productivity and better use of the funds/ means employed, we were able to achieve the Operating Profit of €5.0 million and outstripped the last year's figure by 39 percent.

In the company Intereuropa Transport d.o.o., the positive effects of the recovery scheme are already felt above all in an improved integration of this company in the operations in the Group, as well as in cutting the cost. The recovery of the company Schneider&Peklar GmbH has not yielded the expected results yet; therefore we will shortly adopt additional measures addressing the HR and marketing issues.

The first half-year was also earmarked by exceptional investing activities: nearly 50 million EUR was invested in various new projects and modernisation of logistical infrastructure. Most funding went to the projects on the construction of logistics hubs in Moscow and Kiev; from the completed investment in the new logistics hub in Dobanovci (Belgrade) we gained a new storage area of 8,600 square meters. In September, we will open the new logistics hub in Samobor (Croatia). In addition to the expansion of our corporate network by investing in company-owned infrastructure, we are actively analysing potential targets for acquisition in SE Europe, in the countries where such an entry on the market is viewed to be the most efficient approach.

In our financial operations, we have also achieved the goals set: the Net Profit or Loss of €24.7 million, and a net return on equity of 16.8%.

Thanks to good performance of the Group and additionally fuelled by speculations on a potential takeover of the Company, we saw a high growth of the IEKG share which gained 89 percent in the reporting period. Now the Intereuropa share ranks among the comparable shares in the SBI20-group, also in terms of the price/book value ratio (P/B).

Compared with the first half-year 2006, the results of the Intereuropa Group have greatly improved and comply with the plan, therefore we view the reporting period as successful.

By the end of this year (2007) we expect an effective launch of new capacity in Moscow, Belgrade and in Croatia; on that ground, we hope to achieve the sales targets. Along with that, we hope that our efforts in cost management will bring the expected results in terms of the Profit or Loss and the Net Profit.

INTEREUROPA d.d.
President of the Managing Board
Andrej Lovšin, M.A.

