

**INTEREUROPA GROUP**

Intereuropa, Global logistics service, Ltd.Co.

*Unaudited Interim Report  
on the Operation of  
**INTEREUROPA GROUP,**  
January – March 2008*



**Intereuropa**<sup>®</sup>

Global Logistics Service

The Company INTEREUROPA d.d. is publishing this **Unaudited Report on the Operation of Intereuropa Group, January – March 2008** 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 Report of the Operation of Intereuropa Group, January - March 2008 shall also be published on the web site of INTEREUROPA d.d. [www.intereuropa.si](http://www.intereuropa.si), on 19 May 2008.

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## A. INTRODUCTION

During the first quarter 2008, the Group has recorded €63 million of net sales revenue or 14.5 percent higher than in the same period last year. The Parent Company Intereuropa d.d. generated €35 million of net sales revenue, which is 4.8% above the comparable achievement last year

The 5.5% setback behind the sales target on the Group level can be largely attributed to the delayed completion of infrastructure in the Logistics Hub in Russia and the resulting lower sales in the product car handling logistics.

On the Group level, our Net Profit or Loss for the reporting period came to € 1.7 million and outstripped the plan by 22.2%. Thereof, the Parent Company Intereuropa d.d. achieved €1.1 million.

### The key achievements of this period:

- Net sales turnover **à** €63 million
- Net Profit or Loss **à** €1.7 million
- Net Return on Equity **à** 3.8 % (yearly level)

### Company Fact Sheet

<b>The Parent Company</b>	<b>Intereuropa, Globalni logistični servis, delniška družba (Global Logistics Service, Ltd. Co.)</b>
Short Name	Intereuropa d.d.
Country of the Parent Company	Slovenia
Registered Office of the Parent	Vojkovo nabrežje 32, 6000 Koper
Company ID Number	5001684
Tax ID number	56405006
<b>Transaction Account</b>	10100-0000006785, at Banka Koper d.d., Koper
Entry in the Register of Companies	Registered with the District Court in Koper, file no. 1/00212/00
Share capital	€32,976,185.11
Number of shares issued and paid-in	7,902,413 ordinary no-par value shares
Shares Listing	IEKG are listed in the Prime Market of the Ljubljana Stock Exchange (Ljubljanska borza d.d.).
Managing Board	Andrej Lovšin, M.Sc., President of the Management Board Zvezdan Markežič, Deputy President of the Management Board Ondina Jonke, Member – Human Resources Executive
President of the Supervisory Board	Boštjan Rigler

<b>The Intereuropa Group</b>	
Number of employees	2,705 employees
Vehicle fleet	611 company-owned trucks and other delivery vehicles
Total warehousing area	223,660 qm of own warehouse facilities
Total land area	2,211.003 qm
Membership in international organizations	FIATA, IATA, FETA, FONASBA, BIMCO, IRU
Quality Certificates	ISO 9001:2000 Certificate for 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, and Intereuropa RTC d.d. Sarajevo, ISO 9001:2000 Certificate for shipping agency services in subsidiary Interagent d.o.o. Koper
Own branch network	Slovenia, Croatia, Serbia, Kosovo, Bosnia and Herzegovina, Macedonia, Austria, Germany, France, the Ukraine, Russia, Montenegro

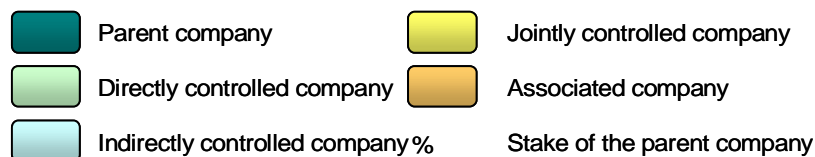
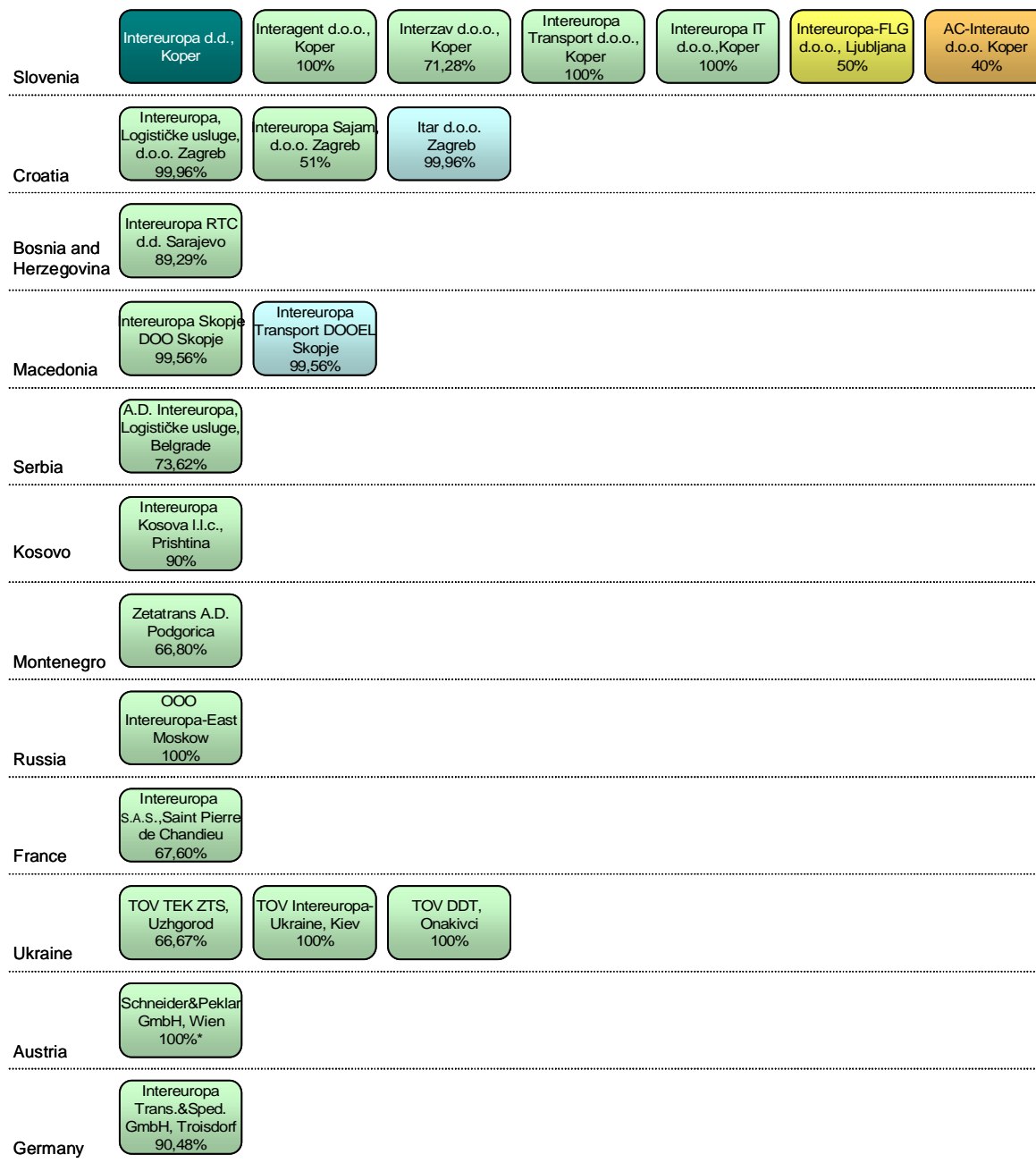
### **Major events in the reporting period January- March 2008**

- On 1 January, our subsidiary Intereuropa Transport & Spedition GmbH, Troisdorf, Germany opened its own branch in Stuttgart dedicated to support the full and part-load service for the customers based around Stuttgart.
- On 16 January, the General Meeting was held in Podgorica (Montenegro) and appointed the new Board of Directors of the Company Zetatrans A.D. The corporate plans and development of Intereuropa in the Montenegrin market were presented in the press conference, too.
- On 18 January, the bankruptcy procedure for the Austrian subsidiary of Intereuropa, Schneider & Peklar GmbH, Vienna, was instituted.
- On 20 February, a press conference was held in the Health Centre Koper highlighting the delivery of a new ambulance for emergency medicine and critical care to the Prehospital Emergency Care of the Health Centre Koper, worth € 120,000, by the representatives of four local corporations – Intereuropa, Luka Koper, Banka Koper and Istrabenz, within their joint donors' action.
- On 28 February was the 28<sup>th</sup> ordinary session of the Supervisory Board of Intereuropa d.d. The Supervisory Board dealt with the Report by the Managing Board on the operation of the Intereuropa Group in the year 2007 and adopted it, acknowledging that the Group's performance was very good.
- At the end of February, Intereuropa established regular car transports by railway from the Port of Koper to Russia. Each train is loaded with 160-180 automobiles, all of which are carried to Tuzser (Hungary), where the cars are re-loaded and continue their voyage towards their end destination – the new Intereuropa Logistics Hub Moscow-Czechow.
- On 26 March, the 11<sup>th</sup> event awarding the Top Businessman of the Primorska Region was held in the Epicenter Hall in Postojna. This is an event to pronounce the best performing commercial and private entities and leading personalities of the Primorska Region. This year, Intereuropa sponsored this notable event that arouses great interest.

### **Most important events after the reporting period:**

- On 11 April, the Equity Investment Fund NFD1 Delniški investicijski sklad, investicijska družba d.d., Ljubljana purchased 430 Intereuropa shares (designated IEKG) and now holds 395,248 IEKG shares or 5.002% of all voting rights in the Company.
- On 15 April, Intereuropa took part in the Days of Slovenian Capital in Ljubljana, organised by the Ljubljana Stock Exchange, and presented its corporate development plans, sales income estimate and prospects of the current investment project in Russia, by which the Intereuropa Group is assuming an increasingly important role in car handling logistics in the Russian market.
- On 17 April, the Supervisory Board adopted in its 31 ordinary session the Audited Annual Report of the Intereuropa Group 2007. The Board also discussed and adopted the Report by the Supervisory Board on the results of reviewing the Audited Annual Report of Intereuropa d.d. for 2007, and endorsed the Managing Board's proposal on the appropriation of accumulated profit – the dividend payout at €0.58 per share in gross amount.

## The Organization of the Intereuropa Group



\* Discontinuing operations

## **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 revenue: 10.0% p.a.
- § Continental Transport: 15.1% p.a.
- § Logistics Services: 7.2% p.a.
- § Intercontinental Transport: 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.

In 2007, we upgraded our strategic baselines with a focus on penetrating new markets in Europe. In line with this strategy, we started with the construction of a logistic centre in Czechow near Moscow (the Russian Federation). A similar logistic centre – though on a smaller scale - is planned for Kiev by the end of the current year (2008). With the projects gained under the upgraded strategy, we aim to generate some €80 million by the year-end 2008, and envision to invest more than 100 million €. That will contribute towards achieving the sales targets from the underlying strategic baselines already before the year 2011. Moreover, we implement the expansion strategy beyond the markets covered to date through acquisition of businesses in the South-East Europe.

In addition to penetrating new markets, our principal goal is to become the first and foremost logistics provider in the SE Europe: we are implementing it by further development and investing in the markets in which our presence has a long tradition and our company is well recognised.

### **Our plan for 2008 envisions (in €million):**

- Net sales revenue totalling: 335.0 (13% growth)
- Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA): 42.1
- Operating Profit or Loss: 25.1
- Net Profit or Loss: 12.7 (ROE 6.1%, ROA 2.5%)

## B. BUSINESS REPORT

### 1. OPERATING PERFORMANCE OF INTEREUROPA GROUP

#### 1.1. Sales achievements

##### Economic environment and trends

The broader economic 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.

Table: Economic environment of the Intereuropa Group

Countries	GDP growth, in %		Industr. prod. growth in %		Inflation in %		Growth of exports in %		Growth of imports in %	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Slovenia	6.07%	4.11%	6.6%	-	3.61%	3.95%	13.0%	9.7%	14.1%	10.3%
Croatia	5.75%	4.25%	6.5%	6.1%	2.88%	5.54%	6.7%	7.0%	5.9%	6.5%
Bosnia and Herzegovina	5.83%	5.50%	8.0%	10.0%	1.33%	4.80%	14,7% (n)	15,4% (n)	22,4% (n)	9,7% (n)
Macedonia	5.00%	4.50%	3.0%	2.7%	2.20%	7.00%	8.2%	8.4%	8.5%	8.8%
Serbia	7.30%	4.00%	5.0%	5.0%	6.80%	11.32%	20,0% (n)	17,9% (n)	22,0% (n)	12,3% (n)
Russia	8.10%	6.80%	7.7%	5.5%	9.01%	11.41%	7.9%	7.4%	18.6%	17.7%
France	1.88%	1.37%	1.1%	1.5%	1.61%	2.50%	4.4%	5.0%	4.4%	5.0%
Ukraine	7.30%	5.58%	6.0%	6.5%	12.84%	21.92%	4.3%	1.3%	8.6%	8.4%
Austria	3.44%	1.89%	7.5%	4.6%	2.20%	2.80%	6.1%	6.7%	6.0%	6.7%
Germany	2.53%	1.41%	6.1%	4.2%	2.28%	2.50%	6.5%	4.6%	4.9%	4.4%
Kosovo	-	-	-	-	-	-	-	-	-	-
Montenegro	7.50%	7.20%	3.0%	3.0%	3.40%	4.83%	35,3% (n)	22,1% (n)	29,9% (n)	11,9% (n)

Sources:

International Monetary Fund, World Economic Outlook Database, April 2008

IMF Rating

Eurostat

(n) Nominal growth rate

(2008): The data relating to the year 2008 is an estimate.

JAPTI - the Public Agency of the R. Slovenia for Entrepreneurship and Foreign Investment

Statistical Office of Kosovo

UMAR

Banka Slovenije (Slovenian Central Bank)

After the on-going trend of high economic growth worldwide, a considerable slow down is expected this year, even stronger than expected last autumn. Over the last five years, the average global economic growth was 4.6% and peaked last year with 4.9%, which is the highest growth recorded after the World War II. Such accelerated development was fuelled by the on-going growth in the emerging countries which remains the underlying factor of growth despite this year's slow-down. In January, the IMF corrected its forecast from autumn 2007 on the economic growth for the current year to 4.2%, mainly on the account of the lower growth rate expectations for the USA and other developed countries that are exposed to the financial crisis effects.

## Sales Revenue by Intereuropa Group

In the first quarter 2008, the net sales revenue of €63 million was generated on the level of the Group which - though 5.5% behind the target sales turnover – surpassed the result achieved in the first quarter last year. Our plan was based on the dynamics of the construction of the logistics capacities in Russia and putting them to operation. Accordingly, the three-month plan of sales is lower by €17.1 million than if the annual sales plan were distributed by each quarter evenly.

We have considerably improved the sales results of the preceding year in all the business segments. The highest growth was recorded in Logistics Solutions where it nearly reached the target. The Continental Transport remains to be the most important business area in the corporate sales structure, which generates more than one half of the entire net sales revenue. The car-handling product of the Intercontinental Transport Area saw the greatest setback behind the plan, mainly resulting from the delayed completion of the infrastructure for car transports by railway in Russia. Additional income from car transports by train is expected in the next period.

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

	Business area	Jan-Mar 2008	Structure	Index 2008/plan	Index 2008/2007
1	Continental Transport	33,682	54%	97	113
2	Logistics Solutions	7,314	12%	99	123
3	Intercontinental Transport	20,423	32%	89	113
4	Other services	1,533	2%	106	127
	<b>TOTAL</b>	<b>62,951</b>	<b>100%</b>	<b>94</b>	<b>114</b>

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

		Jan-Mar 2008	Structure	Index 2008/plan	Index 2008/2007
1	EU Member States	43,404	69%	96	105
2	Non-EU countries	19,547	31%	91	141

The **Continental Transport** Area contributes 54% of the net sales revenue of the Group. The **Groupage Services** product has exceeded both the target and the last year's achievement. In Slovenia, the most efficient were the operations in Ljubljana and Sežana, in terms of surpassing the plan and with increased number of consignments carried. The plans were exceeded in Macedonia, France, and Montenegro. After the reporting period closed, the cooperation with a major partner in Germany came to an end, which was reflected already in March. Although we have already assured a reliable service for our customers, this change will be felt in the future sales results in Slovenia and Croatia.

Our **Express Service** has brought better results than in the comparable term of the preceding year, in particular in Serbia and Bosnia and Herzegovina. Our activity was focused on process streamlining, keeping watch over the costs of our transport contractors, and standardization of the contracts with customers. Despite tougher competition and downward trend of rates in the market we acquired a new major customer.

The greatest volume of our **Road Transport** product was generated by Intereuropa Transport d.o.o., though it remained behind the plan. This company is involved in an intense recovery scheme, but these efforts are aggravated by the rising fuel prices and unfair competition in the market. Nevertheless, our intensified commercial activities have brought fruit and we are about to sign a contract with a multinational automotive corporation. Among the new road transport units in other subsidiaries with own fleet management, the best results were achieved by the company in Skopje.

The **Customs Services** product has surpassed the last year's result. An increased output of the (SAD and transit) documentation issued in Slovenia has been recorded, however, the income per unit is lower.

In the **Railway Transport**, we have outstripped both the last year's results and the target. The highest surplus of the sales target was recorded in the subsidiaries in Bosnia and Herzegovina and Kosovo.



The **Logistics Solutions** Area represents 12% of the net sales revenues on the Group level. In the reporting period, all the units have exceeded the results of the preceding year, which can be attributed to a number of newly opened warehouse facilities in 2007 and the inclusion of the new subsidiary to the Group – Zetatrans A.D. Podgorica (Montenegro).

In our **Warehousing** product, the plans were surpassed by all the business units in the Group except those in Skopje (Macedonia) and Prishtina (Kosovo). In the Slovenian part of the Group, we are slightly behind the plan due to a delayed opening of the new warehouse capacities in Celje – in May instead of January.

The **Intercontinental Transport** represents 32% of the net sales revenue of the Group and is higher than the comparable achievement a year ago.

The target for the first quarter in the **Sea-Freight** operations was not achieved. Last year's sales turnover was exceeded in Croatia, Bosnia and Herzegovina, Serbia and Kosovo. In the Ukraine and Montenegro we are behind the plans, however, the sea-freight segment is only at its initial stage: better sales results are expected in the second half of the year. March was a good month for our units in Croatia: we hope to achieve the targets by the half-year or end of the current year.

The product **Car logistics** was included in the sea-freight (Ro-Ro) before, with this year it is a separate unit. Despite increased sales turnover, this segment has not achieved the planned volume yet primarily on the account of incomplete infrastructure for car transports by railway.

Our **Shipping Agency** product has achieved the targets and exceeded the last year's achievement. We have acquired some new customers and are still the leading shipping agent in terms of the number of ships represented in the Port of Koper. In addition, we also recorded an increase in container operations that outstripped the revenue of the comparable period a year ago by 73%.

In the product **Airfreight Services**, a slight underachievement was recorded on the level of the Group: this is a reasonable development in terms of season-dependend nature of this business, with the second half-year always better than the first. In Slovenia and Croatia we find there is a shift of air freight shipments to seafreight, in particular the consolidated containerized shipments. Our units in Serbia, Kosovo and Montenegro have been performing well.

We are satisfied with the **UPS product** too, having achieved the targets in Slovenia thanks to high efficiency of the Brnik Hub and increased number of parcels. Bosnia and Herzegovina remains slightly behind the target, despite the highest growth rates recorded there compared with the first quarter last year.

## 1.2. Financial result

In the first quarter of the year 2008, the Intereuropa Group has generated a **Net Profit** of €1.7 million and exceeded the plan by 22.2%. Due to the one-off event last year (the sale of the interest in Banka Koper d.d.), the Net Profit is not comparable with last year's achievement. If this transaction be excluded, the growth of the Net Profit would be 2.4% p.a. on the Group level.

The **Earnings Before Interest, Taxes, Depreciation and Amortisation** (EBITDA) was €7.9 million. This achievement was by 2.2 million or 40 percent above the last year's figure.

The **operating result** amounted to €4.2 million and outstripped the preceding year's achievement by 63% or €1.6 million. However, the target has not been achieved, which is not unusual for the first quarter of the financial year. The grounds for better operating results can be attributable to the expansion of the Group to new geographical markets and the use of new infrastructure built thanks to great investments in the past. However, the new infrastructure is not being used in full yet, therefore we expect the favourable effects to continue in the next reporting periods.

Tables: Financial results of the Intereuropa Group for January – March 2008, in € thousand

Item / Index	Jan-Mar 2008	Plan 2008	Jan-Mar 2007	Index 2008/plan	Index 2008/2007
Net sales revenues	62,951	66,647	54,988	94	114
EBITDA*	7,901	8,626	5,653	92	140
Operating Profit or Loss	4,222	4,522	2,590	93	163
Net profit or loss	1,732	1,417	22,393	122	8
Net sales revenues per employee/ month	8.138	8.300	8.311	98	98
Value added per employee/ month	2.541	2.611	2.330	97	109

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

Item / Index	31.03. 2008	Plan 31.12.2008	31.12. 2007	Index 2008/plan	Index 2008/2007
Balance Sheet Total*	425,448	462,917	408,571	92	104
Capital*	184,908	200,833	186,154	92	99
Short-term assets/ short-term liabilities	0.66	0.91	0.61	73	109
Net Return on Equity (yearly basis) **	3.8%	6.1%	16.0%	61	23

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

On the yearly level, the **Net Return On Equity** was 3.8% and behind the plan by 2.2%. This result is not comparable due to the sale of the interest in Banka Koper d.d. in 2007 (as a one-off event). Excluding this transaction, the net return on equity on the yearly level would be 4% lower than in 2007.

At the end of the reporting period, the **Balance Sheet Total** amounts to €425 million and is 4% above the figure achieved at the year-end 2007. On the Assets side, there was a rise recorded in fixed assets - by €11 million (or by 4%), and in short-term operating receivables by €5 million (or 8%). On the Liabilities side, we can see increased indebtedness by €10 million and a change in maturity, pointing to long-term financial liabilities. Financial liabilities at the end of the reporting period represent 40% in the Liabilities structure. The share of equity in assets (43%) and the Current Ratio (short-term assets/ short-term liabilities) reflect increased financial liabilities resulting from high investments in emerging markets in accordance with the corporate development strategy.

### 1.3. Investments in Fixed Assets

In the first quarter 2008, the investments in fixed assets realized by the **Intereuropa Group** totalled € 14,812 thousand, thereof 13,012 thousand in real estate and 1,800 thousand in equipment. The annual plan of investments was completed at the rate of 25.4 %.

*Table: Overview of Investment in January – March 2008, in € thousand*

Company	Real estate		Equipment		TOTAL		% of annual realiz.
	Plan	Realiz.	Plan	Realiz.	Plan	Realiz.	
Intereuropa d.d.	8,966	2,666	3,204	342	12,170	3,007	24.7
subsidiaries	36,638	10,346	9,475	1,458	46,113	11,804	25.6
<b>TOTAL</b>	<b>45,604</b>	<b>13,012</b>	<b>12,679</b>	<b>1,800</b>	<b>58,283</b>	<b>14,812</b>	<b>25.4</b>

In the first quarter of the year, the investments in fixed assets undertaken by the Parent Company **Intereuropa d.d.** amounted to €3.0 million. The greatest investment of the reporting period was the second construction stage of the warehouse in our unit in Celje, worth €2.3 million. In addition, there was the reconstruction of the hall for the throughput-warehouse in Maribor, the purchases of two forklift trucks for the unit in Ljubljana, equipment for access control and work-time registration system in several units, and loading ramps and transport line for the UPS delivery vans.

Our **Subsidiaries** invested € 11.8 million in fixed assets. The highest investment of the reporting period was made by the OOO Intereuropa-East, Moscow, worth €9.4 million for the completion of the facilities in the Logistics Hub Moscow (Czechow). Other major investments worth mentioning are the completion of the logistics centre in Samobor (Croatia), the purchase of trucks in Croatia and Montenegro, and the modernization of computes/ IT equipment.

## 1.4. Human Resources Management

### Employment trends

As of 31.03.2008, there were 2,705 employees in the Group, or 34 more than at the end of the year 2007. In most companies, incl. the Parent Company, there were practically no differences with the year-end 2007. Only the subsidiary OOO-Intereuropa East, Moscow, showed an increase in employment by 35 staff members dealing with the investment.

Table: Employees in the Intereuropa Group according to countries

	Country	31.03.2008	31.12.2007	Jan-Mar Variance 2008-2007	Index 08/07
1	Slovenia	1.325	1.326	-1	100
2	Croatia	675	678	-3	100
3	Other countries	705	667	38	106
	<b>TOTAL</b>	<b>2.705</b>	<b>2.671</b>	<b>34</b>	<b>101</b>

### Human Resources Development

Table: Education and Training in the Intereuropa Group

Plan Jan-Mar 2007 (in €)	Actual Jan-Mar 2007 (in €)	Index actual/plan	Actual/ employee	No. of hours	No. of hours/ employee
120.000	61.057	51	23	10.442	4

The inflow of new knowledge has been provided by new recruitment, organizing training on all levels of operation, and by internal transfer of knowledge and good practices between the Group members.

During the reporting period, there were 10,442 hours dedicated to in-service education and training, which is 4 hours per employee. There were 29% of employees or 4% more than last year (25%) included in our training forms - but only one half of the planned scheme was implemented. The Parent Company held the highest share in the training scheme or 9 hours per employee (compared with 6 hours in first quarter last year).

Our attention focused on the development and training in **leadership skills**. The participants of the Second Intereuropa School of Management dealt with the topic Successful leadership in the Module 2. Fifteen key employees from the subsidiaries abroad were included in this School, aiming to achieve the uniform standards of leadership.

As usual, the greatest share of training was dedicated to **logistics** (for users of the new software supporting the sales; novelties in customs clearing, origin of goods, transit procedures, proper packaging).

A lot of hours were spent on **foreign language courses** for the English and Italian language.

We have performed the prescribed internal and external training and tests on **occupational safety and health**, fire safety, handling with dangerous goods (ADR), and introduced specific and technical skills, such as computer-related skills, work-time registration, a workshop on efficient resolving of complaints and conflict situations, and various other forms of technical training and qualification.

Our efforts were dedicated to encourage the **internal transfer of knowledge** and “good practices” within the Group.

### **Introduction of Information support to HR function and Payroll Account**

The purpose of introducing the information support to the HR function and Payroll Account was the harmonization of information solutions supporting the processes in the Group, the elimination of errors incurring from the transmissions from one IT solution to another, and the integration of these data on the level of the Slovenian part of the Group without the need for interface programming or making double entries.

In January 2008, we completed the first stage of the Project introducing this solution to the Slovenian part of the Intereuropa Group. The new application was used in the payout for all the companies for which the payroll account is executed in the Slovenian part of the Group, involving ca.1,400 employees or 6 different payroll account systems.

As a subproject under the new IT solution implementation project, we centralized and unified the work-time registration system in the Slovenian part of the Group and integrated it with the Payroll Account Module.

The next project phase, envisioned to last for the entire reporting year, is the synchronisation of the HR records with the application for work-time registration, and the establishing of the “HR Development Module” and the “Training Within the Module” and the subproject of access control in the Koper commercial building.

### **Creating the organizational culture and work atmosphere in the company**

We have implemented a variety of activities contributing to promote and maintain good health and well-being of our employees, and also granted financial aid to our staff or their family members who had to cope with inferior financial and difficult health condition (€21 thousand), bestowed gifts on our female co-workers for the Women’s Day, offered our holiday accommodation facilities (in Kranjska Gora, Rogla, the Olimje and Čatež Spa), and started with preparations for the 24th Intereuropa Games (Intereuropiada).

### **Concern for health and occupational safety**

There were 135 employees referred to the preventive, preliminary, periodical or special medical checks. Then followed the preventive medical checks of employees aged above 45 who are using the screen for more than 4 hours daily at their workplace.

We introduced certain restrictions for older employees with health problems, relating to hoisting and carrying a heavier load, prohibition of work at height, shorter intervals for check-ups, work outside noisy areas, prohibition of night work, and imposed the use of personal protection equipment.

During the reporting term, 8 employees were injured at work in the Slovenian part of Intereuropa d.d., and 4 in the subsidiaries. The analysis of accidents proved that the injuries occurred mainly due to the personal factor of each individual (lack of care /attention, improper approach to work, by fault of others – crash, neglecting the use of personal protective equipment, etc.).

Occupational safety and health, as well as fire safety will need more attention in the future, also to comply with the new legislation that imposes additional requirements on employees.

## **1.5. Total Quality Management**

### **Maintaining the ISO 9001:2000 System**

In the companies with certification, we have issued the obligatory report on quality management for the year 2007. The management review showed that the quality management system is being maintained, however, changes are required in the processes measurement, assessment of suppliers and implementation of the recommendations made by external or internal audits.

We have updated the Quality Management Manual in accordance with the changes to the powers / authorizations in the Company, and completed the Rules of Procedure with the rules on the customer audits or external audits resp., under the 'other party' principle.

The persons responsible in other units were requested to review the adequacy of the QM indices, to determine the QM goals for 2008, to assess the suppliers and to address the recommendations made by external or internal audits.

### **Establishing the Environmental Management System under the ISO 14001:2004 Standard**

Activities on appointing the Environmental Manager (Project Manager for Environmental Management) were launched in the first quarter of the year.

In March, we engaged some technical services and staff members from the Logistics Solutions Area to prepare the data on the quantity of waste and fractions thereof collected according to the business units for the year 2007, and we prepared the obligatory report on the quantity of waste for the Slovenian Environment Agency (ARSO). This report has covered the entire Intereuropa d.d. for the first time.

### **Internal quality of service auditing**

In the first half of March, we prepared the internal audit on

- Quality Management Process applied by the Managing Board in Koper (of Intereuropa d.d.) and the Management Boards of Intereuropa, Logističke usluge, d.o.o., Zagreb.
- Human Resources Management process
- Investment and property (real estate) management process
- Project Management process.

The findings from the internal audits were used to improve the business processes.

### **External quality of service audit by the Customer**

There were two external audits under the 'other party' principle. The audits were executed by the customer.

- Timab in FIP PE Koper
- Ecolab in FLR PE Maribor

Both audits show that the customers have no major comment to the operation.

### **External quality of service audit by the certification authority**

External audits for certification of the companies (Intereuropa d.d., Intereuropa Transport d.o.o., and Intereuropa Logističke usluge, d.o.o. Zagreb) are scheduled to start in April. In March, the preparations were made for external audits of all the three certified companies.

The units in Ljubljana, Jesenice, the Managing Board and Joint Services in Koper, Intereuropa Transport d.o.o. and the subsidiary in Rijeka will be audited.

### **Development**

From some customers, we have perceived the need for certification under the ISO 9001:2000 standard in the subsidiary Intereuropa Transport & Spedition GmbH.

## 1.6. Creating Value for Shareholders

### Share Trading

The adverse trend of the rates in the Ljubljana Stock Exchange, which has persisted since October 2007, has been traced during the first quarter of this year as well. The unaudited business results 2007 of the companies listed on the Stock Exchange that were released in February did not turn the rates of shares upwards.

The Slovenian Stock Exchange Index (SBI20) lost 23.7% of its value during the first three months 2008. The IEKG share lost 15.4% during this term. As at 31 March 2008, the average rate was € 32.09 and the market capitalisation was €253,588 thousand.

The turnover achieved by the Intereuropa share during the first quarter this year was € 10,491 thousand, with the average daily turnover of €175 thousand. The trading comprised 285,685 of IEKG shares. Compared with the same term last year, the turnover recorded in the first three months 2008 was lower by twenty %.

The book value of the share as of the cut-off day was EUR 20.22 €

The **Net Profit per Share ratio** in the term January-March 2008 came to EUR 0.14 per share <sup>2</sup>.

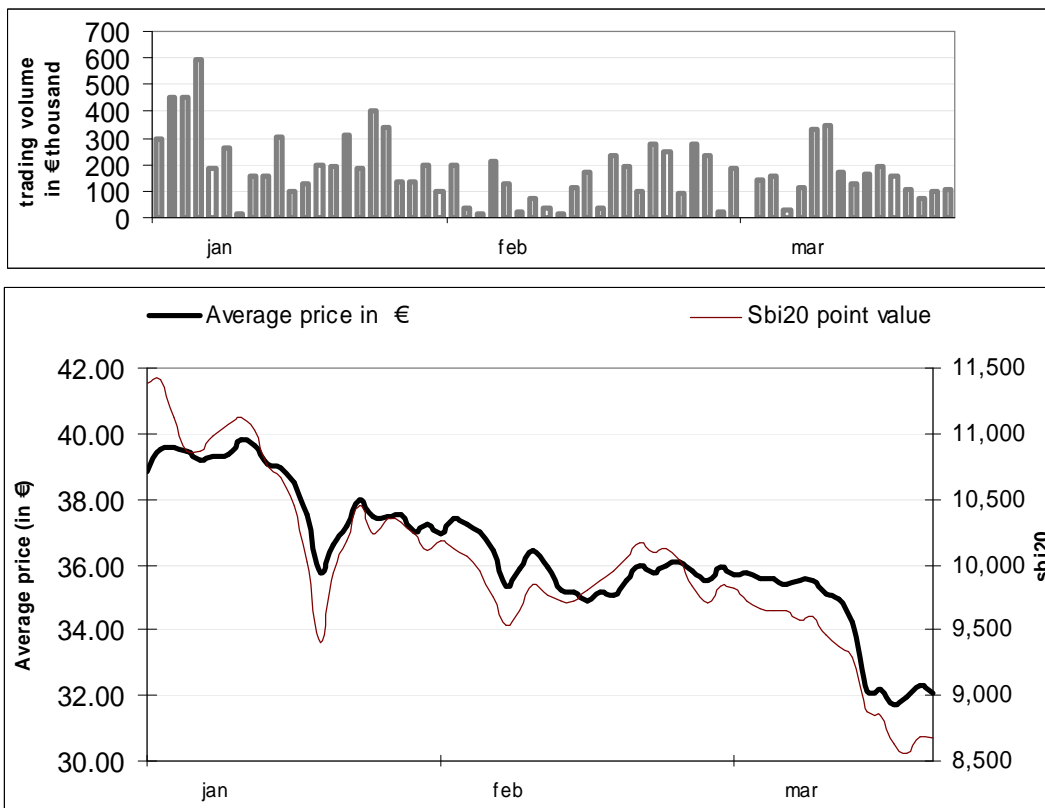


Figure: The movement of the IEKG Share price and turnover, against the Slovenian Stock Exchange Index (SBI) in January –March 2008

<sup>1</sup> Capital at the end of accounting period/ number of ordinary shares issued

<sup>2</sup> Net profit or loss from the accounting period/ number of ordinary shares

## Ownership structure

Among the top ten shareholders, there was a major change in the shareholding of the Equity Investment Fund NFD1 Delniški investicijski sklad d.d., which has increased its shareholding from 3.83% (as at 31.12.2007) to 4.95% (as at 31.03.2008) through the purchase of 88,524 IEKG shares. In the middle of April this shareholder informed us that it has achieved the significant share in our company: 5.002 percent.

The shareholdings held by foreign investors fell by 0.3 percentage points below the figure as at 31<sup>st</sup> December 2007. Foreign investors held 201,109 IEKG shares as at 31.03.2008, or 2.5%.

On the last day of March, there were 5,958 shareholders entered in the Share Register of Intereuropa d.d., or 363 shareholders more than on 31<sup>st</sup> December 2007.

Table: The shareholders structure as of 31.03.2008

	31.03.2008		31.12.2007		Number of shareh. as of 31.03.2008	index mar08/dec07
	no. of shares	Share-holding	no. of shares	Share-holding		
Natural persons	1,773,056	22.44%	1,769,269	22.39%	5,703	100
- thereof, employees	516,480	6.53%	524,612	6.64%	494	98
Luka Koper d.d.(Port of Koper Corp.)	1,960,513	24.81%	1,960,513	24.81%	1	100
Enterprises	235,923	2.99%	218,008	2.76%	183	108
Financial companies	2,680,233	33.91%	2,701,935	34.19%	65	99
Kapitalska družba d.d. *	777,762	9.84%	777,762	9.84%	5	100
Slovenska odškodninska družba d.d.	474,926	6.01%	474,926	6.01%	1	100
<b>TOTAL</b>	<b>7,902,413</b>	<b>100.00%</b>	<b>7,902,413</b>	<b>100.00%</b>	<b>5,958</b>	<b>100</b>

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

Table: Major shareholders as of 31.03.2008

	Shareholder	31.03.2008		31.12.2007		index mar08/dec07
		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.	NFD I DELNIŠKI INVESTICIJSKI SKLAD D.D.	391,273	4.95%	302,749	3.83%	129
5.	INFOND ID, D.D.	323,489	4.09%	337,839	4.28%	96
6.	BANKA CELJE D.D.	287,993	3.64%	287,993	3.64%	100
7.	ZAVAROVALNICA TRIGLAV, D.D.	213,640	2.70%	213,640	2.70%	100
6.	VS PROBANKA GLOBALNO NALOŽBENI SKLAD	170,000	2.15%	170,000	2.15%	100
9.	VS TRIGLAV STEBER I, D.D.	144,777	1.83%	170,147	2.15%	85
10.	KD RASTKO, delniški vzajemni sklad	123,117	1.56%	123,117	1.56%	100



Tables: Shares held by members of Managing Board and Supervisory Board, as of 31.03.2008

<b>Managing Board</b>	<b>no. of shares</b>	<b>Share-holding</b>
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 %

<b>Supervisory Board</b>	<b>no. of shares</b>	<b>Share-holding</b>
NEVIJA PEČAR Deputy President of Supervisory Board	4,185	0.053 %
VINKO REBULA, Member of Supervisory Board	450	0.006 %

### Own shares

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

The Company does not have any authorized capital and has not increased its share capital stock.

### Dividend policy

The Managing Board will re-define the Dividend Policy and bring it in line with the new policy of the expansion of the Group to foreign markets, in the updated Corporate Development Plan 2012 of the Intereuropa Group 2012.

## 2. OPERATION OF THE COMPANY INTEREUROPA d.d.

Tables: Operations of Intereuropa d.d. in January-March 2008, in thousand €

Item / Index	Jan-Mar 2008	Plan 2008	Jan-Mar 2007	Index 2008/plan	Index 2008/2007
Net sales revenues	34,686	37,438	33,109	93	105
Continental Transport	11,868	12,946	11,259	92	105
Logistics Solutions	3,868	4,029	3,765	96	103
Intercontinental Transport	17,384	18,899	16,674	92	104
Other services	1,566	1,563	1,411	100	111
EBITDA*	2,269	2,517	2,459	90	92
Operating Profit or Loss	1,096	1,287	1,286	85	85
Net Profit or Loss	1,137	465	22,216	245	5
Net sales revenues per employee/ month	12.504	13.147	12.257	95	102
Value added per employee/month	2.850	2.877	2.739	99	104

\* EBITDA: Poslovni izid pred obrestmi, davki in amortizacijo

Item / Index	31.03 2008	Plan 31.12.2008	31.12. 2007	Indeks 2008/plan	Indeks 2008/2007
Balance Sheet Total*	326,652	354,163	313,071	92	104
Capital*	159,753	157,224	159,127	102	100
Current assets/Short-term liabilities .	0.68	0.65	0.53	105	129
Net Return on Equity (yearly level) **	2.9%	0.4%	17.1%	707	17

\* 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 – March 2008:

- The **Net Sales Revenue at €34.7 million** is 7% below the plan although the turnover achieved was 5% higher than in the first quarter last year. According to business segments, the highest growth rate was recorded in Continental transport (+5%).
- The **Operating result of €1.1 m** was 15% below the plan and the comparable achievement of the last year. Apart from the fall in the sales, the less favourable realization of the Operating Result than planned is attributable to the higher cost of materials (the seasonal cost of heating), higher expenses for allowances for receivables, and the fall in the sale of fixed assets. Compared with the last year, the operating costs are higher on the account of a rise in the **labour cost** as a result of the amended payroll system.
- The **Net Profit /Loss of €1.14 million** outstripped the plan for the reporting period by 145%. If the one-off transaction (the sale of interest in Banka Koper) were excluded, this year's Net Profit/Loss is lower by one quarter than the comparable term last year. The plan was exceeded thanks to considerably higher financial revenues from shares (only one fourth thereof are stated in the plan) and lower expenses for interest.
- The annual **Net Return On Equity is 2.9% p.a.**, which is 2.5 percentage point above the Plan and 1.0 percentage point below the last year's result (excluding the sale investment in Banka Koper). The reasons for underachievement were explained in the preceding item.
- The **employee-related indexes** show that sales efficiency and added value per employee were slightly improved over the last year's achievements. The former is 5% behind, the latter 1 percent.
- In the structure of Assets, the **share of capital** represents 49% (51% as at 31<sup>st</sup> December 2007), and the **current ratio** is 0.74 (0.57% as at 31<sup>st</sup> December 2007). A significant influence on the improved current ratio is attributable to the changed maturity of the loans raised and the growth of short-term loans granted.

## 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 2007.

The newly included companies in the Group in this year's first quarter (against the comparable three months last year) are:

- ITAR d.o.o., Zagreb (Croatia),
- Zetrans A.D. Podgorica (Montenegro),
- TOV Intereuropa – Ukraine, Kiev (Ukraine),
- TOV DDT, Onakivci, (Ukraine).

### **Discontinuing Operation**

After the bankruptcy proceeding was instituted in the subsidiary Schneider & Peklar GmbH, Vienna (Austria) in January 2008, the company was excluded from the Group with effect from the end of 2007. For the sake of comparison, we deducted the revenues and expenses of the company Schneider & Peklar GmbH, Vienna, from the comparable data in consolidated income statement and presented the effect in the item Loss after taxes from the stoppage of operation in the amount of €142 thousand.

## 1. FINANCIAL REPORT FOR THE INTEREUROPA GROUP

### 1.1. Financial Statements of the Intereuropa Group

#### CONSOLIDATED INCOME STATEMENT OF INTEREUROPA GROUP for the reporting term 1 Jan – 31 Mar 2008

in € thousand	January - March 2008	January - March 2007	I 08/07
<b>NET SALES REVENUES</b>	<b>62,951</b>	<b>54,988</b>	<b>114</b>
Other operating revenues	648	142	456
Costs of goods, materials and services	43,100	38,958	111
Labour costs	11,755	9,763	120
Write-offs	4,121	3,425	120
a) Depreciation and revaluation operating expenses associated with intangible long-term assets and tangible fixed assets	3,679	3,063	120
b) Current assets revaluation adjustments and write-offs	442	362	122
Other operating expenses	401	394	102
<b>OPERATING PROFIT OR LOSS</b>	<b>4,222</b>	<b>2,590</b>	<b>163</b>
Financial revenues from stakes	27	23,407	0
Financial revenues from loans given	299	11	2,718
Financial revenues from operating receivables	413	299	138
Financial expenses from impairment and write-offs of financial investments	11	7	157
Financial expenses from financial liabilities	2,369	456	520
Financial expenses from operating liabilities	308	149	207
<b>PROFIT OF LOSS FROM ORDINARY ACTIVITIES</b>	<b>2,273</b>	<b>25,695</b>	<b>9</b>
Corporation tax	487	3,147	15
Deferred tax	54	13	415
<b>NET PROFIT OR LOSS FROM ORDINARY ACTIVITIES</b>	<b>1,732</b>	<b>22,535</b>	<b>8</b>
Net profit or loss after tax from suspension of operation	0	-142	-
<b>NET PROFIT OR LOSS FOR THE PERIOD</b>	<b>1,732</b>	<b>22,393</b>	<b>8</b>
Net profit or loss of the minority shareholders	242	109	222
Net profit or loss of the majority shareholder	1,490	22,284	7
<b>Basic and adjusted earnings per share in €</b>	<b>0.19</b>	<b>2.82</b>	<b>7</b>

The Notes to the Financial Statements are integral part of Financial Statements and have to be read as a whole.

**CONSOLIDATED BALANCE SHEET OF INTEREUROPA GROUP as of 31.03.2008**

in € thousand	31.3.2008	31.12.2007	I 08/07
<b>ASSETS</b>	<b>425,448</b>	<b>408,571</b>	<b>104</b>
<b>LONG-TERM ASSETS</b>	<b>330,312</b>	<b>320,187</b>	<b>103</b>
Intangible fixed assets and deferred items	8,302	8,105	102
Tangible fixed assets	296,491	285,086	104
Investment property	12,031	12,831	94
Long-term financial investments	13,265	13,979	95
Long-term operating receivables	23	23	100
Deferred tax assets	200	163	123
<b>SHORT-TERM ASSETS</b>	<b>88,482</b>	<b>83,927</b>	<b>105</b>
Assets for sale	1,326	2,105	63
Inventories	137	150	91
Short-term financial investments	3,046	3,368	90
Short-term operating receivables	75,286	69,924	108
Cash	8,687	8,380	104
<b>SHORT-TERM DEFERRED ITEMS</b>	<b>6,654</b>	<b>4,457</b>	<b>149</b>
<b>SHORT-TERM ASSETS (with SHORT-TERM DEFERRED ITEMS)</b>	<b>95,136</b>	<b>88,384</b>	<b>108</b>
<b>LIABILITIES</b>	<b>425,448</b>	<b>408,571</b>	<b>104</b>
<b>CAPITAL</b>	<b>184,908</b>	<b>186,154</b>	<b>99</b>
<b>Capital of majority shareholder</b>	<b>173,182</b>	<b>174,143</b>	<b>99</b>
Called-up capital	32,976	32,976	100
Capital reserves	49,403	49,403	100
Reserves from profit	12,156	12,008	101
Revaluation surplus	5,518	6,029	92
Net profit/loss brought forward	75,560	49,557	152
Net profit or loss for the financial year	1,490	26,063	6
Consolidation capital adjustment (exchange rate translation differences)	-3,921	-1,893	207
<b>Capital of minority shareholders</b>	<b>11,726</b>	<b>12,011</b>	<b>98</b>
<b>PROVISIONS AND LONG-TERM ACCRUED ITEMS</b>	<b>3,294</b>	<b>3,304</b>	<b>100</b>
<b>LONG-TERM LIABILITIES</b>	<b>103,944</b>	<b>81,331</b>	<b>128</b>
Long-term financial liabilities	100,591	77,796	129
Long-term operating liabilities	2,473	2,517	98
Deferred tax liability	880	1,018	86
<b>SHORT-TERM LIABILITIES</b>	<b>133,302</b>	<b>137,782</b>	<b>97</b>
Short-term financial liabilities	71,035	83,640	85
Short-term operating liabilities	62,267	54,142	115

The Notes to the Financial Statements are integral part of Financial Statements and have to be read as a whole.

## 1.2. Notes to Financial Statements of the Intereuropa Group

### a) Notes to the INCOME STATEMENT

The **Net sales revenue** of Intereuropa Group of €62,951 thousand was 14 % (or €7,963 thousand) above the figure achieved in the comparable term last year, while **costs of goods, material and services** increased by 11 % (or €4,142 thousand).

**Other operating revenue of** €648 thousand mainly stand for the revenues from paid receivables for which the allowance for receivables was made in the preceding years, and the revenues from the damages received from insurance companies.

**Amortisation and depreciation expense, write-offs** came to €4,121 thousand and stand for the amortisation of the intangible and depreciation of tangible fixed assets €3,679 thousand, and the remaining part €442 thousand relates to the allowance for trade receivables.

The **Operating Profit or Loss** for the reporting term came to €4,222 thousand and was 63 % (or €1,632 thousand) above the figure achieved in the comparable term last year, resulting from a higher rise in net sales revenue which exceeded the growth of operating expenses.

The **Financial revenue from shares** in the amount of €27 thousand stand for the net profit attained from the jointly controlled company, whereas the last year's figure primarily reflects the profit realized by the proceeds from the disposal of shares held in Banka Koper d.d.

In the **Financial Expenses**, the expenses for bank loans raised for investments in tangible fixed assets have grown by €1,913 thousand over the comparable term last year.

The **Profit or loss from ordinary activities** came to €2,273 thousand. It is lower than last year by €23,422 thousand primarily as a result of the capital gains achieved last year.

Taking into account the tax on corporate profit, the Intereuropa Group generated the **Net Profit or Loss of €1,732 thousand** in the first quarter this year.

## b) Notes to the BALANCE SHEET

### LONG-TERM ASSETS

In **Tangible fixed assets (Plant, Property and equipment)**, we have recorded a rise of 4% (or by € 11,405 thousand) thanks to new investments in tangible fixed assets that were higher than depreciation.

Most of the **Long-term financial investments** relate to the Parent Company. The 5% decrease has resulted from the revaluation to fair value following the decreased value of securities in the Stock Exchange.

### Short-term assets

The **Short-term assets (excl. Accruals and Deferrals)** show an increase by 5% (or € 4,555 thousand), attributable to higher trade receivables.

**Assets held for sale** valued €1,326 thousand represent the real property held for sale.

**Short-term financial investments** €3,046 thousand primarily relate to short-term deposits and short-term loans granted to other companies.

As of 31.03.2008, the **Short-term Deferred Costs and Accrued Revenues** were recognized in the amount of € 6,654 thousand. They mainly comprise short-term accrued revenues in the amount of direct costs incurred, which are expected to be covered, and accrued (uninvoiced) customs duty.

The **Capital** of the Group was recognised at € 184,908 thousand and was 1% lower than on the comparable cut-off date (or €1,246 thousand).

The decrease is primarily attributable to:

- Revaluation from fin. Investments to lower market value by €511 thousand (lower prices in the stock exchange),
- Decrease in exchange differences from translation in the Group, amounting to € 2,028 thousand, and;
- Participation in profit payout to minority equity interest at €566 thousand.

The increase in capital is attributable to the net profit of the Group in the reporting period, amounting to €1,732 thousand. The share of capital in the structure of Liabilities is 43%.

### **Provisions & Long-term Accrued Costs and Deferred Revenues**

As of the Balance Sheet Date, the Group had €3,294 thousand of unused long-term provisions. The prevailing part comprises the provisions for pensions and similar obligations.

The **financial and operating liabilities (incl. Deferred Tax Liabilities) of the Group** amount to € 237,246 thousand or 56 % of all Liabilities.

Whereas the long-term financial liabilities were up by € 22,795 thousand, the short-term financial liabilities were down by € 12,605 thousand: the total effect of the increased financing comes to € 10,190 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 – 31 March 2008

in € thousand	January - March 2008	January - March 2007	I 08/07
<b>NET SALES REVENUES</b>	<b>34,686</b>	<b>33,109</b>	<b>105</b>
Other operating revenues	122	91	134
Costs of goods, materials and services	26,432	25,440	104
Labour costs	5,636	4,941	114
Write-offs	1,444	1,309	110
a) Depreciation and revaluation operating expenses associated with intangible long-term assets and tangible fixed assets	1,173	1,173	100
b) Current assets revaluation adjustments and write-offs	271	136	199
Other operating expenses	200	224	89
<b>OPERATING PROFIT OR LOSS</b>	<b>1,096</b>	<b>1,286</b>	<b>85</b>
Financial revenues from stakes	803	23,953	3
Financial revenues from loans given	730	91	802
Financial revenues from operating receivables	135	101	134
Financial expenses from impairment and write-offs of financial investments	0	7	-
Financial expenses from financial liabilities	1,328	256	519
Financial expenses from operating liabilities	92	50	184
<b>PROFIT OF LOSS FROM ORDINARY ACTIVITIES</b>	<b>1,344</b>	<b>25,118</b>	<b>5</b>
Corporation tax	198	2,889	7
Deferred tax	9	13	69
<b>NET PROFIT OR LOSS FOR THE PERIOD</b>	<b>1,137</b>	<b>22,216</b>	<b>5</b>
<b>Basic and adjusted earnings per share in €</b>	<b>0.14</b>	<b>2.81</b>	<b>5</b>

The Notes to the Financial Statements are integral part of Financial Statements and have to be read as a whole.



**BALANCE SHEET OF INTEREUROPA d.d. as of 31 March 2008**

in €thousand	31.3.2008	31.12.2007	I 08/07
<b>ASSETS</b>	<b>326,652</b>	<b>313,071</b>	<b>104</b>
<b>LONG-TERM ASSETS</b>	<b>255,333</b>	<b>253,616</b>	<b>101</b>
Intangible fixed assets and deferred items	3,396	3,146	108
Tangible fixed assets	107,383	104,739	103
Investment property	11,307	12,102	93
Long-term financial investments	133,247	133,629	100
<b>SHORT-TERM ASSETS</b>	<b>65,229</b>	<b>55,429</b>	<b>118</b>
Assets for sale and discontinuing operations	591	1,366	43
Inventories	51	60	85
Short-term financial investments	33,639	22,147	152
Short-term operating receivables	30,715	31,770	97
Cash	233	86	271
<b>SHORT-TERM DEFERRED ITEMS</b>	<b>6,090</b>	<b>4,026</b>	<b>151</b>
<b>SHORT-TERM ASSETS (with SHORT-TERM DEFERRED ITEMS)</b>	<b>71,319</b>	<b>59,455</b>	<b>120</b>
<b>LIABILITIES</b>	<b>326,652</b>	<b>313,071</b>	<b>104</b>
<b>CAPITAL</b>	<b>159,753</b>	<b>159,127</b>	<b>100</b>
Called-up capital	32,976	32,976	100
Capital reserves	49,403	49,403	100
Reserves from profit	11,096	11,096	100
Revaluation surplus	5,496	6,007	91
Net profit/loss brought forward	59,645	40,262	148
Net profit or loss for the financial year	1,137	19,383	6
<b>PROVISIONS AND LONG-TERM ACCRUED ITEMS</b>	<b>1,835</b>	<b>1,834</b>	<b>100</b>
<b>LONG-TERM LIABILITIES</b>	<b>69,173</b>	<b>47,397</b>	<b>146</b>
Long-term financial liabilities	68,540	46,540	147
Long-term operating liabilities	19	19	100
Deferred tax liability	614	838	73
<b>SHORT-TERM LIABILITIES</b>	<b>95,891</b>	<b>104,713</b>	<b>92</b>
Short-term financial liabilities	62,920	73,298	86
Short-term operating liabilities	32,971	31,415	105

The Notes to the Financial Statements are integral part of Financial Statements and have to be read as a whole.

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

### a) Notes to the INCOME STATEMENT

**Net sales revenues** at €34,686 thousand were higher by 5% (or €1,577 thousand) than the figure achieved in the comparable period last year.

**Other Operating Revenues** amount to €122 thousand, thereof 75% represent the paid receivables for which the allowance was made in preceding years,

**Amortisation and depreciation expenses, write-offs** at €1,444 thousand stands for the amortisation of intangible and depreciation of tangible fixed assets at €1,173 thousand; the amount 271 thousand relates to the write-offs and allowance for current assets.

The **Operating Profit** for this year's First Quarter came to €1,096 thousand and was lower by €190 thousand than the figure achieved in the comparable period a year ago.

The **Financial revenue from shares** €804 thousand stands for the net profits (to be) transferred by the consolidated companies to the Parent based on the Resolutions by the General Meetings adopted in this year's first quarter.

In the **Financial Expenses**, the expenses for loans raised from banks have grown by €1,062 thousand over the amount in the comparable term last year.

**The Profit or loss from ordinary activities is €1,344 thousand.** It is lower than last year's figure by €23,774 thousand due to the effect of the capital gains realized last year, and a slightly lower Operating Profit achieved in the reporting term.

Taking into account the tax on corporate profit (€207 thousand), the Parent Company Intereuropa d.d. generated a **Net Profit** or Loss of **€1,137 thousand** in the first quarter this year.

## b) Notes to the BALANCE SHEET

The **Long-term assets** rose by 4 % over their amount at 31.12.2007, primarily resulting from the new investments made in plant, property and equipment (tangible fixed assets).

### **Long-term investments**

The amount of long-term investments has not essentially changed during the reporting period. On the one hand, the Financial assets available for sale were reduced owing to their revaluation to fair value following the decreased value of securities in the Stock Exchange, the loans granted to subsidiaries have risen, on the other hand.

The **Short-term assets (excl. Accruals and Deferrals)** show an increase by 18% (or € 9,800 thousand), which is mainly attributable to the increase in the loans granted to subsidiaries.

**Assets held for sale** valued €591 thousand represent the real property held for sale.

The **Short-term financial investments** amounting to €33,639 thousand mainly comprise the loans granted to the companies in the Group (€33,145 thousand).

As of 31.03.2008, the **Short-term Deferred Costs and Accrued Revenues** were recognized in the amount of € 6,090 thousand. They mainly comprise short-term accrued revenues in the amount of direct costs incurred, which are expected to be covered, and accrued (uninvoiced) customs duty.

### **Capital**

As of 31.03.08, the capital amounts to 49 % of all liabilities in broader sense, which points to a nearly 50% level of self-financing. Its increase in the reporting period is attributable to the Net Profit or Loss (€ 1,137 thousand), while and it has decreased on the account of the surplus from revaluation of financial investments to fair value (€511 thousand).

### **Provisions & Long-term Accrued Costs and Deferred Revenues**

As of the Balance Sheet Date, the Company had € 1,836 thousand of unused long-term provisions. The prevailing part comprises the provisions for pensions and similar obligations.

The **Financial and operating liabilities (incl. deferred tax liabilities)** comprise €165,064 thousand and stand for 51% Liabilities in the broader sense. Whereas the long-term financial liabilities were up by €22,000 thousand, the short-term financial liabilities were down by €10,378 thousand: the total effect of the increased financing comes to €11,622 thousand.

## D. CONCLUSION

During the first three months 2008, we have considerably improved the sales results in all business segments and on the level of the Group: the achieved net sales turnover of €63 million is 14.5 percent higher than the comparable period last year. These sales results reflect the expansion of operations to new geographical areas, but also the commencement of the use of some newly acquired capacities.

The operating result of €4.2 million outstripped the preceding year's achievement by 63%. Although the planned target was not achieved, the actual figure is still within the expected result for the first quarter. However, the new infrastructure is not being used in full yet, therefore we expect the favourable effects to continue in the coming periods.

We have generated a Net Profit of €1.7 million which outstripped the plan by 22%. If we exclude the profit from the sale of the interest in Banka Koper d.d., we have succeeded to surpass the Net Profit of the comparable last year's term (by 2.4 percent) despite much bigger financial load for investments.

The investment cycle that was very intense during the year 2007, is gradually slowing down. The majority of investments made in plant, property and equipment (€ 14.8 million) relates to the completion of some major investment projects from the preceding year.

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

