

Connecting paths of success



ANNUAL
REPORT

2017



Intereuropa®

Global Logistics Service

Annual Report

of the Intereuropa Group
and controlling company
Intereuropa d.d. for the
year 2017

PUBLISHER: Intereuropa, Global Logistics Services, Ltd.
Co., Koper

TEXT WRITTEN BY: Intereuropa, d.d., Koper

DESIGNED BY: AV Studio d.o.o., Velenje

TRANSLATOR: Amidas d.o.o., Ljubljana

PHOTOGRAPHS BY: Foto Belvedere, Koper and
Intereuropa archive

Koper, april 2018

Note: "The English version of the Annual Report 2016 of Intereuropa Group and controlling company Intereuropa d.d. constitutes a translation of the original Slovenian version. Only the Slovenian version is legally binding."

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Intereuropa®
Global Logistics Service

Introduction

Reliable to the destination

Through an innovative approach and integrated transport plan we ensure secure, on-time and reliable logistics solutions. We make sure that each link in the chain of logistical transactions functions optimally. In this way we open and connect up the pathways of your success. And we have done this for more than 70 years.

01





01 INTRODUCTION

1.1 KEY OPERATING INDICATORS OF THE INTEREUROPA GROUP

The business results of the Intereuropa Group in 2017 were characterised by high growth in sales revenue and a reduction in debt.

Revaluations of fixed assets (primarily real estate), which were carried out on the basis of appraisals of the fair value of real estate received during the compilation of the 2017 financial statements, had a significant impact on the Intereuropa Group's equity and its operating results. A material error in the financial statements of the Intereuropa Group in previous years was also recognised in that regard. A detailed description is provided on page 120 of the financial report.

TABLE 1: INCOME STATEMENT (IN EUR THOUSAND)

| | 2014** | 2015** | 2016* | 2017 | Index 2017/2016 |
|-----------------------------------------------|---------|---------|---------|---------|--------------------|
| Sales revenue | 140,769 | 134,613 | 135,596 | 149,889 | 111 |
| EBITDA | 11,258 | 10,759 | 13,338 | 12,737 | 95 |
| Operating profit (EBIT) | 4,524 | 4,224 | 7,606 | 311 | 4 |
| Profit or loss from ordinary operations | -107 | 762 | 5,037 | -2,028 | - |
| Net profit or loss | -199 | 288 | -1,604 | -1,979 | - |
| Value added | 36,727 | 36,335 | 39,903 | 39,910 | 100 |
| Net earnings/loss per ordinary share (in EUR) | 0.01 | 0.04 | -0.13 | 0.01 | - |
| Gross dividends per share (in EUR) | 0.00 | 0.00 | 0.00 | 0.00 | - |

* Data for 2016 were recalculated due to the recognition of a material error in the financial statements of the Intereuropa Group in previous years. A detailed explanation is provided on page 120 of the financial report.

** Data for 2014 and 2015 were not recalculated due to the recognition of a material error according to the situation as at 1 January 2016.

EBITDA: operating profit + depreciation/amortisation + revaluation operating expenses for intangible assets and property, plant and equipment – revaluation operating revenues from the reversal of impairments of intangible assets and property, plant and equipment

Value added: EBITDA + labour costs

TABLE 2: STATEMENT OF FINANCIAL POSITION (IN EUR THOUSAND)

| | 2014** | 2015** | 2016* | 2017 | Index 2017/2016 |
|-------------------------------------|---------|---------|---------|---------|--------------------|
| Total assets | 295,228 | 291,893 | 242,099 | 233,759 | 97 |
| Non-current assets | 247,038 | 242,639 | 204,983 | 192,354 | 94 |
| Current assets | 48,190 | 49,254 | 37,116 | 41,405 | 112 |
| Equity | 147,110 | 147,137 | 124,341 | 121,136 | 97 |
| Financial and operating liabilities | 142,647 | 138,473 | 115,802 | 109,297 | 94 |

* Data for 2016 were recalculated due to the recognition of a material error in the financial statements of the Intereuropa Group in previous years. A detailed explanation is provided on page 120 of the financial report.

** Data for 2014 and 2015 were not recalculated due to the recognition of a material error according to the situation as at 1 January 2016.

TABLE 3: PERFORMANCE INDICATORS

| | 2014** | 2015** | 2016* | 2017 | Index 2017/2016 |
|--------------------------------|--------|--------|--------|--------|--------------------|
| Return on equity | -0.1 % | 0.2 % | -1.2 % | -1.6 % | - |
| Return on assets | -0.1 % | 0.1 % | -0.6 % | -0.8 % | - |
| Productivity (in EUR thousand) | 101.34 | 98.25 | 99.83 | 112.83 | 113 |
| Return on revenue | -0.1 % | 0.2 % | -1.2 % | -1.3 % | - |

* Data for 2016 were recalculated due to the recognition of a material error in the financial statements of the Intereuropa Group in previous years. A detailed explanation is provided on page 120 of the financial report.

** Data for 2014 and 2015 were not recalculated due to the recognition of a material error according to the situation as at 1 January 2016.

Net return on equity: net profit or loss / average equity.

Net return on assets: net profit or loss / average assets.

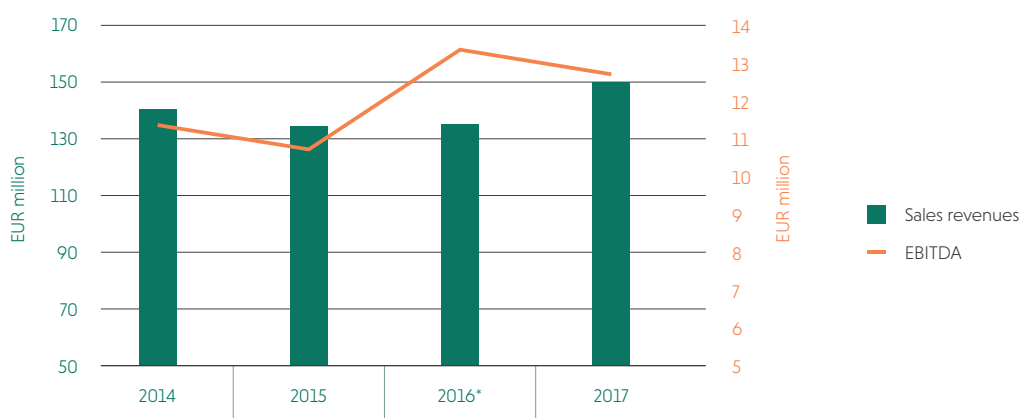
Productivity: sales revenue / number of employees.

Return on revenue: net profit or loss / total revenues.

TABLE 4: NUMBER OF EMPLOYEES (BY MAN-HOURS PAID)

| | 2014 | 2015 | 2016 | 2017 | Index 2017/2016 |
|----------------------------------------|-------|-------|-------|-------|--------------------|
| No. of employees in the Group | 1,389 | 1,370 | 1,358 | 1,328 | 98 |
| No. of employees at the parent company | 607 | 607 | 596 | 577 | 97 |
| No. of employees at subsidiaries | 783 | 763 | 763 | 751 | 99 |

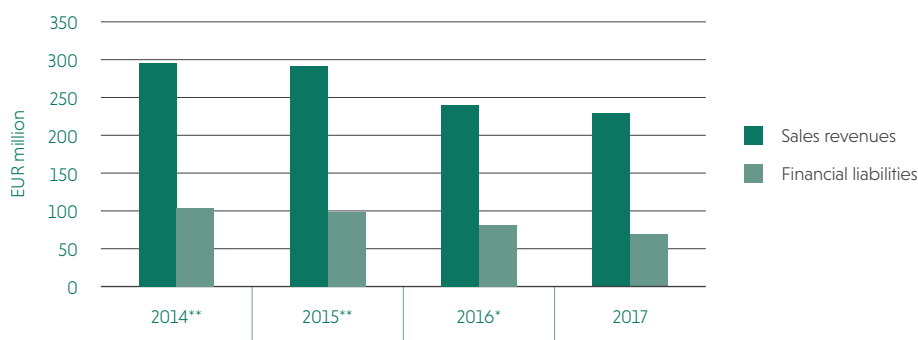
FIGURE 1: CHANGES IN THE SALES REVENUE AND EBITDA OF THE GROUP IN THE PERIOD 2014 TO 2017



* Data for 2016 were recalculated due to the recognition of a material error in the financial statements of the Intereuropa Group in previous years. A detailed explanation is provided on page 120 of the financial report.

The Group recorded an 11% increase in sales revenue in 2017. EBITDA was down by EUR 0.6 million or 4.5% relative to the previous year, primarily due to other operating expenses from provisions created for liabilities from past operations, provisions additionally created for lawsuits and lower rental income due to the sale of a major property at the end of 2016, which at the same time facilitated the reduction of the Group's debt.

FIGURE 2: CHANGES IN THE ASSETS AND FINANCIAL LIABILITIES OF THE GROUP IN THE PERIOD 2014 TO 2017



* Data for the previous years were recalculated due to the correction of a material error. Changes are explained in detail on page 120.

** Data for 2014 and 2015 were not recalculated due to the recognition of a material error according to the situation as at 1 January 2016.

Financial liabilities were down by EUR 8.2 million relative to the balance at the beginning of the year, and accounted for 31% of total equity and liabilities at the end of the year.

1.2 PRESENTATION OF THE INTEREUROPA GROUP

1.2.1 PRESENTATION OF ACTIVITIES

The Intereuropa Group provides comprehensive logistics services. A full range of services is provided through the following three key business lines:

- the land transport segment comprising groupage, domestic transport, road transport, railway freight and customs clearance services;
- the logistics solutions segment comprising warehousing and distribution services; and
- the intercontinental transport segment comprising sea freight, car logistics and shipping agency services, and air freight.

The Group also offers additional services, such as the leasing of business premises, parking services at customs terminals, trade fair logistics and insurance brokerage services.

The Intereuropa Group's competitive advantages in the provision of services include:

- a good market position on key markets;
- professional and qualified staff;
- brand recognition;
- our own warehouse infrastructure at key locations in the region;
- a high-value customs guarantee; and
- our own business network.

1.2.2 BASIC DATA AS AT 31 DECEMBER 2017

TABLE 5: PARENT COMPANY

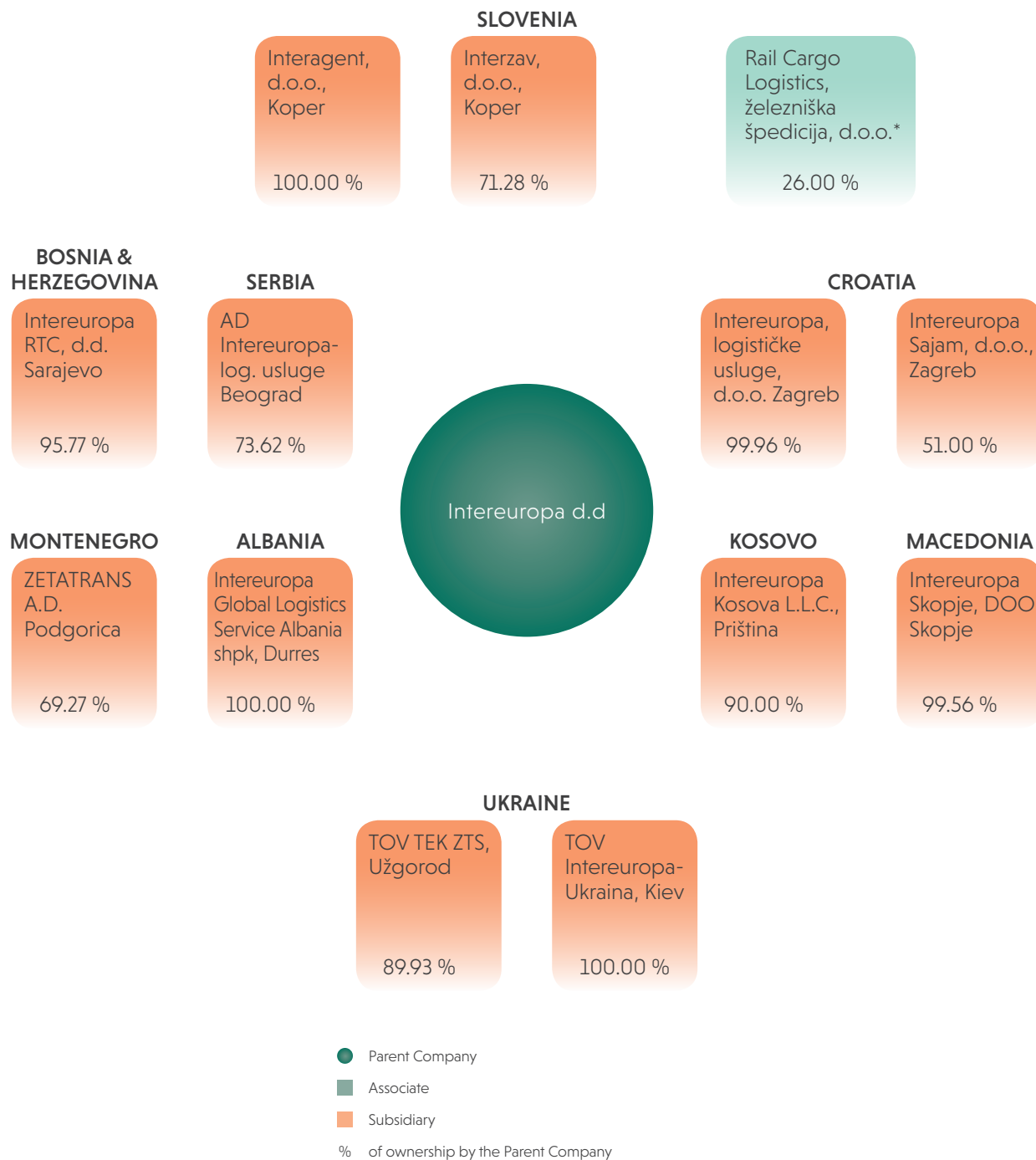
| | |
|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Abbreviated name | Intereuropa d.d. |
| Country of the parent company | Slovenia |
| Registered office of the parent company | Vojkovo nabrežje 32, 6000 Koper |
| Contact details | tel.: +386 5 664 1000 e-mail: info@intereuropa.si web: http://www.intereuropa.si |
| Registration no. | 5001684 |
| Tax no. | 56405006 |
| Entry in the companies register | Registered with the Koper District Court, entry no. 1/00212/00 |
| Share capital of the Company | EUR 27,488,803 |
| No. of issued shares | 27,488,803 no-par-value shares, of which 16,830,838 ordinary shares (IEKG) and 10,657,965 preference shares (IEKN) |
| Share listing | IEKG shares are listed on the prime market of the Ljubljana Stock Exchange |
| Management Board | Ernest Gortan, MSc, President of the Management Board Marko Cegnar, member of the Management Board Marko Rems, member of the Management Board (since 5 July 2017) |
| Supervisory Board | Vojko Čok, Chairman of the Supervisory Board (member since 10 September 2017; Chairman since 25 October 2017) Matija Vojsk, MSc (since 30 June 2017) Rok Rape, DSc (10 September 2017) Jure Fišer Tjaša Benčina (since 20 November 2017) Zlatka Čretnik (since 20 November 2017) |

TABLE 6: INTEREUROPA GROUP

| | |
|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| No. of employees | 1,369 |
| Total warehousing area* | 221,000 m ² |
| Total land area | 1,662,000 m ² |
| Membership in international organisations | IATA, FONASBA, BIMCO, GS1 |
| Membership in international logistics networks | WCA, FETA, HCL |
| Quality certificates | The ISO 9001: 2008 certificate is held by the following companies: Intereuropa d.d., Koper Intereuropa, logističke usluge, d.o.o., Zagreb Intereuropa RTC d.d., Sarajevo |
| Important certificates: | AEO (Authorised Economic Operator) certificate for the following companies: Intereuropa d.d., Koper Intereuropa, logističke usluge, d.o.o., Zagreb AD Intereuropa logističke usluge, Belgrade |
| Own branch network | Slovenia, Croatia, Montenegro, Bosnia and Herzegovina, Serbia, Kosovo, Macedonia, Albania and Ukraine |

* Closed warehousing area without tents and canopies owned by Intereuropa

1.2.3 ORGANISATIONAL CHART OF THE INTEREUROPA GROUP



* Intereuropa FLG d.o.o., Ljubljana was renamed to Rail Cargo Logistics d.o.o., Ljubljana on 3rd February.

1.2.4 PRESENTATION OF INTEREUROPA GROUP COMPANIES

| Companies as at 31 December 2017* | Management board/ director as at 31 December 2017 | Supervisory body | Chairman of the supervisory body/ representative of IE d.d. on the supervisory body as at 31 December 2017 | Business | | | | Distinction |
|----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------|----------------|---------------------|----------------------------|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | | Land Transport | Logistics Solutions | Intercontinental Transport | Other services | |
| Intereuropa d.d., Koper | • Ernest Gortan, MSc, President of the Management Board • Marko Cegnar, member of the Management Board • Marko Rems, member of the Management Board | Supervisory Board | • Vojko Čok, Chairman of the Supervisory Board | • | • | • | • | • Leading provider of comprehensive logistics services in Slovenia; • 24 freight and delivery vehicles; • 123,800 m ² of company-owned and 8,500 m ² of leased warehousing area**. |
| Interagent d.o.o., Koper | • Sandi Križman, Director | General Meeting of Shareholders | • Representative of Intereuropa d.d. by authorisation of the Management Board | | | • | | • Company specialising in shipping agency services |
| Interzav, d.o.o., Koper | • Mojca Žbontar, Director | General Meeting of Shareholders | • Representative of Intereuropa d.d. by authorisation of the Management Board | | | | • | • Insurance transaction broker |
| Intereuropa, logističke usluge, d.o.o., Zagreb | • Darko Skrnički, President of the Management Board • Petra Končnik, member of the Management Board | Supervisory board | • Marko Cegnar, Chairman of the Supervisory Board | • | • | • | • | • Leading provider of comprehensive logistics services in Croatia; • 23 freight and delivery vehicles; • 50,500 m ² of company-owned and 2,900 m ² of leased warehousing area. |
| Intereuropa Sajam, d.o.o., Zagreb | • Krešimir Lipovčić, Director | Supervisory board | • Matjaž Učič, Chairman of the Supervisory Board | • | • | | • | • Company specialising in trade fair logistics services. • 2 delivery vehicles; • 100 m ² of company-owned warehousing area. |
| Intereuropa RTC d.d. Sarajevo | • Drago Kajtezović Knez, Director | Supervisory Board | • Ernest Gortan, MSc, Chairman of the Supervisory Board | • | • | • | • | • Leading provider of comprehensive logistics services in Bosnia and Herzegovina; • 15 freight and delivery vehicles; • 6,700 m ² of company-owned and 3,500 m ² of leased warehousing area. |
| AD Intereuropa- logističke usluge Beograd | • Nemanja Kačavenda, General Director | Board of Directors | • Ernest Gortan, MSc, Chairman of the Board of Directors | • | • | • | | • One the leading providers of comprehensive logistics services in Serbia; • 5 freight and delivery vehicles; • 21,100 m ² of company-owned warehousing area. |
| Intereuropa Kosova L.L.C, Priština | • Arben Mustafa, Director • Andrej Kariš, Director | General Meeting of Shareholders | • Representative of Intereuropa d.d. by authorisation of the Management Board | • | • | • | • | • Only provider of comprehensive logistics services in Kosovo; • 4 delivery vehicles; • 1,800 m ² of leased warehousing area. |
| Zetatrans A.D. Podgorica | • Tomaž Koder, executive director | Board of Directors | • Ernest Gortan, MSc, Chairman of the Board of Directors | • | • | • | • | • Leading provider of comprehensive logistics services in Montenegro; • 7 freight and delivery vehicles; • 16,600 m ² of company-owned and 2,000 m ² of leased warehousing area. |
| Intereuropa Skopje DOO, Skopje | • Nebojša Cvetanovski, Director | Independent supervisor | • Ernest Gortan, MSc, independent supervisor | • | • | • | • | • Leading provider of groupage services in Macedonia; • 3 delivery vehicles; • 2,100 m ² of company-owned warehousing area. |
| Intereuropa Global Logistics Service Albania, Drač | • Dashamir Mandija, Director | General Meeting of Shareholders | • Representative of Intereuropa d.d. by authorisation of the Management Board | • | | • | | • Company specialising in land and sea freight services. |
| TOV TEK ZTS, Užgorod | • Anatolly Nikolajevič Parfenyuk, Director | General Meeting of Shareholders | • Miha Romih, MSc, Chairman of the General Meeting of Shareholders | • | | | | • Company specialising in railway freight and international road transport services; • 19 freight and delivery vehicles; |
| TOV Intereuropa- Ukraina, Kiev | • Igor Bibikov, Director | General Meeting of Shareholders | • Representative of Intereuropa d.d. by authorisation of the Management Board | • | | | | • The Company did not operate in 2017. |

* Intereuropa Transport d.o.o., Koper - termination of the liquidation procedure, the company was deleted from the court register on 28. 12. 2017

** Own warehousing areas = closed warehousing areas owned by Intereuropa (without tents and canopies)

1.3 LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD



Dear Shareholders,

The Intereuropa Group generated EUR 149.9 million in sales revenue in 2017, an increase of 11% relative to 2016. Growth was achieved on the majority of markets where the Group is present, mostly notably in Slovenia, Serbia, Montenegro and Macedonia, where we achieved double-digit growth in sales. We are also proud of the fact that we increased sales in all three business lines and in all key products. In accordance with established strategic objectives, we achieved significant growth in complex logistics products with higher value added. The Group achieved 15% growth in the logistics solutions segment. To that end, we made use of leased warehouse capacities in Slovenia and Bosnia and Herzegovina due to the full utilisation of the Group's own capacities.

The sales margin achieved by the Group was down slightly, as the result of both constant pressure from the market on the selling prices of services and insufficient transport capacities, which was reflected in higher prices of transport services. As a result, margins were down in the road transport, air freight and container shipping segments, where the Group also recorded the highest growth in sales.

We believe that we made the best of the favourable economic conditions on the market, primarily through organisational measures and systematic activities that contributed to the Group's increased focus on sales.

A great deal of attention was given last year to activities aimed at managing growth, with a primary focus on increasing employee productivity. Here it should be noted that the number of Group employees was down slightly, despite growth in the physical volumes of services. We covered new needs for labour in warehouses primarily through workers hired via employment agencies. The labour market was characterised by increased demand for operational staff, increased pressure on rising labour costs and thus a higher employee turnover rate. The Group's aim is to develop an organisational culture receptive to the challenges presented by a dynamic business environment. The Group therefore continued to implement measures aimed at improving the relationship between employees. We carried out the periodic measurement of the organisational climate at companies in Slovenia and Croatia. The results of that measurement form the basis for additional measures.

We also continued with activities to computerise and standardise business processes within the Group. At the subsidiary in Croatia, we implemented the integrated, Group-wide WexVS IT solution and with it supported all key logistical and operational processes. As part of the upgrading of support for domestic transport services, the Group introduced a new solution for the receipt and dispatch of shipments. That solution functions on mobile phones with the Android operating system, and represents a step towards the modernisation and simplification of operational work.

The Intereuropa Group generated EBITDA of EUR 12.7 million in 2017, while operating profit (EBIT) amounted to EUR 311 thousand. The Group generated a net loss of EUR 2 million. Revaluations of fixed assets (primarily real estate), which were carried out on the basis of appraisals of the fair value of real estate at all Intereuropa Group companies, had a significant impact on the Intereuropa Group's operating results and equity.

The 2017 financial year was also characterised by the continuing reduction of liabilities to creditor banks. The Group repaid EUR 8.1 million in loans, in part through the sale of non-essential assets, and thus reduced finance costs and the associated risks. Amortisation and depreciation was also a source for the repayment of loans, as the amount of investments in fixed assets in 2017 was 42% of annual amortisation and depreciation costs, or EUR 2.7 million.

I would like to thank our esteemed shareholders, employees and business partners for the trust that you place in us. I firmly believe that the Intereuropa Group is capable of meeting the challenges presented by a competitive and dynamic business environment. In accordance with the Company's established strategy, we are well on our way to ensuring the long-term development of the Intereuropa Group.

Ernest Gortan, MSc
President of the Management Board



1.4 REPORT OF THE SUPERVISORY BOARD FOR 2017

Intereuropa d.d.'s Supervisory Board actively and responsibly monitored and supervised the operations of the Company and the Intereuropa Group in 2017. It was briefed periodically on various aspects of the company's performance, and adopted the appropriate resolutions in this regard and monitored the implementation thereof. Topics linked to the work of the Supervisory Board's committees were discussed by the Audit Committee and the Nomination and Remuneration Committee, while the Supervisory Board adopted resolutions and recommendations on the basis of their findings. The Supervisory Board and Management Board built sound mutual relations during the year through constructive dialogue. The Supervisory Board performed its work in accordance with the powers and competences prescribed by the regulations, the Company's Articles of Association and its own Rules of Procedure.

1.4.1 COMPOSITION OF THE SUPERVISORY BOARD

The Company's Supervisory Board functioned in a composition of six members in 2017. Its composition was unchanged in 2017. Following the expiration of the terms of office of members of the Supervisory Board Klemen Boštjančič, Miro Medvešek and Maša Čertalič, MSc, the General Meeting of Shareholders appointed the following new members to four-year terms of office: Matija Vojsk, MSc, whose term of office began on 30 June 2017, and Vojko Čok and Rok Rape, DSc, whose terms of office began on 10 September 2017. Jure Fišer was unanimously appointed Chairman of Intereuropa d.d.'s Supervisory Board on 12 July 2017. After an additional two newly appointed members assumed their functions, Vojko Čok was unanimously appointed Chairman of the Supervisory Board at the latter's session on 25 October 2017.

The terms of office of the Supervisory Board's employee representative Nevija Pečar and Ljubo Kobale expired on 19 November 2017. At its session of 8 November 2017, the Works Council of Intereuropa d.d. thus appointed Tjaša Benčina and Zlatka Čretnik to serve as employee representatives of Intereuropa d.d.'s Supervisory Board for a term of office of four years. The Supervisory Board of Intereuropa d.d. was briefed on their appointment during its session of 21 November 2017.

1.4.2 WORK OF THE SUPERVISORY BOARD IN 2017

The work of the members of the Supervisory Board, including the work of its committees, was professional and focused on the effective performance of their function. All members of the Supervisory Board attended sessions regularly. The work of the Supervisory Board was also strongly supported in terms of content by the proposals of its committees. The Supervisory Board continuously informed interested parties about its most important resolutions.

The Supervisory Board met at 15 sessions, six of which were correspondence sessions. Members were well prepared for topics of discussion and made constructive proposals and comments. They adopted responsible decisions in accordance with the Supervisory Board's Rules of Procedure, the Company's internal acts and legally prescribed competences on the basis of professionally prepared, written and oral information provided by the Management Board. Materials were received on time, so that members could prepare for and discuss individual items on the agenda. In addition to members of the Supervisory Board, members of the Management Board and the Secretary of the Supervisory Board participated in discussions of topics during sessions of the Supervisory Board, as did the Company's other experts for certain points.

During the course of the year, in accordance with its statutory powers and its powers under the Articles of Association, the Supervisory Board discussed all the necessary elements of the operations and work of Intereuropa d.d. and the Intereuropa Group.

With regard to its supervision of the Company's operations, the Supervisory Board was particularly active in the following areas:

- It discussed and approved interim reports regarding the current operations of the entire Intereuropa Group and of individual subsidiaries on a quarterly basis. It also monitored the compliance of reports with adopted business and strategic plans.
- It adopted the audited annual report of the Intereuropa Group for 2016, together with the report of the certified auditor KPMG Slovenija, d.o.o., and was briefed in advance on the findings of the audit.
- Together with the Management Board, the Supervisory Board drafted the agenda and proposed resolutions with justifications for the 30th General Meeting of Intereuropa d.d., which was held on 30 June 2017, and also drafted a proposal for the General Meeting of Shareholders on the appointment of new members to the Supervisory Board.
- It adopted amended Rules on the Remuneration of the Management Board for Work Performance.

- It was briefed on amendments to the Rules of Procedure of the Management Board.
- It adopted the revised Rules of Procedure of the Supervisory Board's Audit Committee.
- It was briefed on the annual risk management report.
- It was briefed quarterly on sales activities and changes in the balance of receivables.
- It approved the planning documents of the parent company Intereuropa d.d., subsidiaries and the Group for 2018, and confirmed the financial calendar for 2018, which includes scheduled significant publications.
- It carried out activities in connection with the appointment of a new member of the Management Board, and made the necessary arrangements for that person's employment contract. The Supervisory Board appointed Marko Rems to a four-year term of office as member of the Company's Management Board, effective 5 July 2017.
- It discussed and approved the semi-annual and annual report on the work of the Internal Audit Department.
- It assessed the effectiveness of the work of Intereuropa d.d.'s Supervisory Board according to the methodology of the Slovenian Directors' Association, and adopted the appropriate measures for improvements on the basis of the results of that assessment.
- It discussed the report of the Management Board on the implementation of the Intereuropa Group's Strategic Plan.
- It regularly monitored the Company's activities aimed at the sale of non-essential assets and adopted a strategy on the sale of the real estate within the Intereuropa Group.
- It discussed the reports of the Audit Committee and the Nomination and Remuneration Committee
- It was briefed on other information relating to Intereuropa d.d., the Intereuropa Group and its subsidiaries.

The Management Board reported to the Supervisory Board at the latter's regular sessions with regard to current operations and the financial position of the Company and the Intereuropa Group. The information received by the Supervisory Board based on its resolutions and requests was provided in a timely and transparent manner. The Supervisory Board responded regularly to information received and tasked the Management Board with the implementation of appropriate measures based on that information.

The work of the Supervisory Board was in line with the provisions of applicable legislation, the Articles of Association, the Rules of Procedure of the Supervisory Board, the internal acts of Intereuropa d.d., the Corporate Governance Policy of Intereuropa d.d. and the Slovenian Corporate Governance Code. The Supervisory Board and Management Board are committed to respecting the independence of the members of both bodies, and to taking the appropriate action in circumstances that could lead to a significant change in the status of an individual member of the Management Board or Supervisory Board in relation to the Company. It was determined that all Supervisory Board members meet the criteria of independence. Both bodies thus signed a statement on the fulfilment of the criteria of independence. In their work and decision-making, Supervisory Board members took into account the objectives of the Company, and subordinated any other personal interests or the individual interests of third parties, the Management Board, shareholders and the public to those objectives. Supervisory Board members possess the professional skills and competences required to perform their supervisory tasks. The size and composition of the Supervisory Board facilitate effective discussions and high-quality decision-making based on the diverse experience of its members.

The Supervisory Board believes that its cooperation with the Management Board was appropriate, and compliant with legislation and best practices. To the best of its knowledge and with due care, the Supervisory Board requested the necessary clarifications from the Management Board to assess the position of the Company, and formulated the appropriate resolutions based on those clarifications. The Supervisory Board continuously monitored the implementation of its own resolutions.

The remuneration of members of the Supervisory Board and its committees is disclosed in the Financial report of the parent company, Note 26. Other costs associated with the work of the Supervisory Board and its committees comprise the costs of liability insurance for members of the Supervisory Board, the costs of hired workers, membership fees for the Slovenian Directors' Association and training costs for Supervisory Board members. The aforementioned costs amounted to EUR 27,348 in 2017.

1.4.3 WORK OF THE SUPERVISORY BOARD'S COMMITTEES AND SELF-ASSESSMENT OF ITS WORK

Two committees functioned under the aegis of the Supervisory Board in 2017: the Audit Committee and the Nomination and Remuneration Committee. Resolutions adopted by both committees were discussed and assessed by the Supervisory Board, which adopted the appropriate measures based on the opinions and recommendations presented. All members were included in the work of the Supervisory Board, and through their attendance at sessions and active participation in discussions contributed to the performance of the Supervisory Board's tasks. The work of committees contributed significantly to the effective work of the Supervisory Board.

1.4.3.1 Audit Committee

Composition of the Audit Committee

The Audit Committee worked in the following composition until 9 September 2017: Miro Medvešek, who holds bachelor's degree in economics (chairman), Nevija Pečar, economist (member), Jure Fišer, who holds a bachelor's degree in economics (member) and Barbara Nose, who holds bachelor's degree in economics (external member). The committee met at eight sessions. Following the expiry of his term of office, Miro Medvešek was replaced by Matija Vojsk, MSc under the resolution of the Company's Supervisory Board adopted at the latter's session of 25 October 2017, while Jure Fišer was replaced by Rok Rape, DSc. Following the expiry of her term of office, Nevija Pečar was replaced as member of the Audit Committee by Zlatka Čretnik at the Supervisory Board's session of 21 November 2017. The committee then met at two session until the end of 2017 in the following composition: Matija Vojsk, MSc (chairman), Rok Rape, DSc (deputy chairman), Zlatka Čretnik, who holds bachelor's degree in economics (member) and Barbara Nose, who holds bachelor's degree in economics (external member).

Work of the Audit Committee

The members of the Audit Committee met at ten sessions, one of which was a correspondence session. The committee functioned in accordance with the provisions of the Companies Act and Regulation (EU) No 537 on specific requirements regarding statutory audit of public-interest entities, the Rules of Procedure of the Audit Committee, the recommendations for audit committees of the Slovenian Directors' Association and the resolutions of the Company's Supervisory Board. Presented below are some of the tasks performed by the Audit Committee in accordance with its competences and duties:

- It discussed the audited annual report of Intereuropa d.d. and the Intereuropa Group for the 2016 financial year.
- It discussed the interim reports on the performance of Intereuropa d.d. and the Intereuropa Group.
- It drew up criteria for the selection of the certified auditor of the financial statements, monitored the selection of the certified auditor of the financial statements and drafted a recommendation for the Supervisory Board on the appointment of the certified auditor of the annual and consolidated financial statements for 2017.
- It reviewed the draft agreement on the auditing of financial statements for the 2017 financial year with KPMG Slovenija, d.o.o. and submitted the agreement to the Chairman of the Supervisory Board for signing.
- It met regularly with the certified auditor of the financial statements and monitored the auditing of the annual and consolidated financial statements.
- It reviewed the letter to senior management from the certified auditor of the financial statements, and monitored the responses and measures thereof.
- It reviewed the audit report and the effectiveness of external auditing procedures.
- It monitored reporting on the implementation of the Internal Audit Department's recommendations.
- It discussed the semi-annual and annual report on the work of the Internal Audit Department.
- It performed a self-assessment of the work of the Audit Committee in accordance with the recommendations for audit committees, and briefed the Supervisory Board on its findings.
- It monitored activities aimed at establishing corporate integrity and proposed changes to the system.
- It discussed the quarterly risk management reports, and proposed that the Supervisory Board task the Management Board with adopting the necessary measures to mitigate risks.
- It amended the Rules of Procedure of the Audit Committee and sent them to the Supervisory Board for approval.
- It discussed the draft annual work plan of the Internal Audit Department for 2018 and proposed amendments to that document.
- It discussed the amended Internal Auditing Charter and proposed that the Supervisory Board gives its consent.
- It drew up guidelines in connection with the selection and independence of the external auditor of the financial statements of Intereuropa Group companies, and sent them to the Supervisory Board for approval.
- It discussed the report of the Management Board on the status and planned upgrades to the Intereuropa Group's information system.
- It was briefed on the report of the Management Board regarding the status of litigation and the costs of legal services at Intereuropa d.d.
- It was briefed on the report of the Management Board regarding material transactions and the importance of suppliers at Intereuropa d.d.
- It discussed other information and tasks in accordance with its competences.

The resolutions and minutes of the Audit Committee's sessions were submitted to the Supervisory Board for discussion after each session, while the chairman of the committee also reported on the committee's work at each session of the Supervisory Board. The Audit Committee's cooperation with the Supervisory Board, Management Board, Internal Audit Department and certified audit firm was constructive. The Audit Committee dedicated special attention to ensuring the independence of the auditor of the financial statements by approving the transactions that the audit firm and its network concluded with Intereuropa Group companies. The Audit Committee agreed with the extension of the mandate of the audit firm KPMG Slovenija d.o.o., Ljubljana as auditor of the financial statements of the Company and Intereuropa Group for the 2017 financial year.

1.4.3.2 Nomination and Remuneration Committee

Composition of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee functioned in the following composition until 19 June 2017: Klemen Boštjančič (chairman), Maša Čertalič, MSc (member) and Ljubo Kobale (member). The composition of the aforementioned committee changed during the final quarter of the year due to the expiry of the terms of office of all members. At its session of 25 October 2017, the Supervisory Board appointed Jure Fišer to serve as chairman of the Nomination and Remuneration Committee and Vojko Čok to serve as member of that committee. At its session of 21 November 2017, it also appointed Tjaša Benčina.

Work of the Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee met at four sessions. That committee performed the following tasks in accordance with its competences and the resolutions of the Supervisory Board:

- It concluded a new agreement with the member of the Management Board responsible for the areas of finance, accounting and controlling, real estate management, central procurement and IT support.
- It carried out a structured procedure for the selection of candidates to serve as members of the Supervisory Board, and submitted a list of candidates to the aforementioned body.
- It discussed HR issues relating to the composition of the Company's Management Board.
- It proposed that the Supervisory Board perform a self-assessment of its work.
- It reviewed quantitative and qualitative criteria for setting the variable component of the Management Board's remuneration and proposed that the Supervisory Board approve the payment of a bonus to the Management Board.
- It provided briefings on its work during sessions of the Supervisory Board.
- It performed other tasks in the scope of its competences.

The Supervisory Board assesses that the Nomination and Remuneration Committee discussed all issues that fall under its area of operations, and prepared the appropriate basis for the Supervisory Board's decision-making.

1.4.4 ASSESSMENT OF THE PERFORMANCE OF THE INTEREUROPA GROUP IN 2017

The performance of the Intereuropa Group in 2017 was characterised by an increase in sales revenue as a result of the promotion of sales activities with the aim of strengthening the market position of the leading provider of comprehensive logistics services on the markets of Southeast Europe. The Intereuropa Group generated EUR 150 million in sales revenue last year, an increase of 11% on 2016 and 5% above planned revenue. The Group generated EBITDA of EUR 12.7 million. The Group successfully reduced its debt. It reduced its net debt in 2017 by EUR 6.4 million or 9%. Net debt thus stood at EUR 67.1 million at the end of December. The Intereuropa Group generated a net loss of EUR 2 million in 2017. Those operating results were the consequence of the effects of revaluation of fixed assets (primarily real estate), which were carried out on the basis of appraisals of the fair value of real estate at all Intereuropa Group companies. The parent company Intereuropa d.d. generated a net profit of EUR 340 thousand in 2017, an improvement of EUR 3.8 million relative to the previous year.

1.4.5 APPROVAL OF THE 2017 ANNUAL REPORT

The Supervisory Board discussed the audited annual report of the Intereuropa Group and Intereuropa d.d. for 2017 at its session of 19 April 2018. The annual report was also reviewed in advance by the Supervisory Board's Audit Committee, which adopted a resolution proposing that the Supervisory Board adopt and approve the 2017 annual report. Based on verification of the annual report, financial statements and accompanying notes, verification of the Management Board's proposal on the use of distributable profit and the report of the certified auditor, the Supervisory Board approved the audited annual report of the Intereuropa Group and Intereuropa d.d. for 2017.

Upon receipt of the annual report, the Supervisory Board also took a position regarding the corporate governance statement and the statement of compliance with the reference code, which is included in the business report section of the annual report of the Intereuropa Group and Intereuropa d.d. for 2017, and assessed that it is a reflection of the actual state of corporate governance in 2017.

Vojko Čok,
Chairman of the Supervisory Board



1.5 STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT BOARD

The Management Board is responsible for compiling the annual report of Intereuropa d.d. and the Intereuropa Group and the accompanying financial statements in such a way that it presents a true and fair picture of the financial position and the results of the operations of the Company and its subsidiaries in 2017.

The Management Board also confirms that the appropriate accounting policies were applied in the compilation of the financial statements of Intereuropa d.d. and the Intereuropa Group, that accounting estimates were made according to the principle of prudence and the diligence of a good manager, and that the financial statements of Intereuropa d.d. and the Intereuropa Group present a true and fair picture of their financial position and the results of their operations in 2017.

The Management Board is also responsible for ensuring that accounting is conducted correctly and that appropriate measures are taken to secure property and other assets, and confirms that the financial statements of Intereuropa d.d. and the Intereuropa Group, together with the notes, have been compiled on a going concern basis and in line with current legislation and the International Financial Reporting Standards, as adopted by the EU.

The Management Board hereby confirms that, to the best of its knowledge, the financial report was compiled in accordance with the applicable financial reporting framework and presents a true and fair picture of the assets, liabilities, financial position and operating results of Intereuropa d.d. and the subsidiaries included in the consolidation of the Intereuropa Group. The Management Board also confirms that the business report includes a fair presentation of the development of Intereuropa d.d.'s operations and of its financial position, including a description of the principal types of risk to which Intereuropa d.d. and the subsidiaries included in consolidation are exposed. The business report includes a fair presentation of information regarding material transactions with related parties, and is compiled in accordance with the applicable legislation and the International Financial Reporting Standards.

The President and members of Intereuropa d.d.'s Management Board have been briefed on the constituent parts of the annual report of Intereuropa d.d. and the Intereuropa Group for 2017. By signing below they hereby confirm that they agree with the aforementioned report in full.

Koper, 18 April 2018

Management Board of Intereuropa d.d.

Ernest Gortan, MSc
President of the Management Board



Marko Cegnar
Member of the Management Board



Marko Rems,
Member of the Management Board



1.6 SIGNIFICANT EVENTS IN 2017

- KBS banka d.d. was merged with Nova KBM d.d. on 3 January, resulting in the transfer of all of its obligations and rights to Nova KBM d.d.. In addition to 1,185,292 preference shares (IEKN), Nova KBM d.d. thus became the owner of an additional 2,850,752 ordinary shares (IEKG), bringing its total participating interest in the capital of Intereuropa d.d. to 14.7%.
- Intereuropa FLG d.o.o., Ljubljana was renamed Rail Cargo Logistics d.o.o., Ljubljana on 3 February. A change in ownership was entered in the companies register.
- Intereuropa d.d. was the main sponsor of the Slovenian Logistics Congress held in Portorož on 5 and 6 April.
- On 10 April Intereuropa d.d. began using leased storage capacities in the Šenčur industrial zone, measuring approximately 1,500 m², for the needs of a new logistics project.
- On 12 April the Supervisory Board of Intereuropa d.d. appointed Marko Rems to serve as member of the Management Board responsible for the area of finance. Mr Rems was appointed to a four-year term of office beginning on 5 July.
- At its session held on 20 April, Intereuropa d.d.'s Supervisory Board adopted the audited annual report of the Intereuropa Group for the 2016 financial year, together with the independent auditor's report.
- Based on the relevant agreement, Tatjana Vošinek Pucer, MSc's term of office as member of the Management Board and her employment with the Company were terminated early on 30 April 2017.
- In the scope of its occupational health programme, Intereuropa successfully organised Health Day on 11 May 2017. The event, which included various preventive medical examinations, was attended by the majority of employees in Koper.
- On 29 May the Intereuropa Group and its business partners celebrated the 70th anniversary of the Group's operations at a formal event held in Portorož.
- At the beginning of June, an application for reporting suspected breaches began functioning in the scope of activities aimed at the establishment and development of corporate integrity. The aforementioned application is accessible on the Group's website under the name 'Interžvižgač' (Inter-Whistleblower).
- Employees of the parent company Intereuropa d.d. celebrated the 70th anniversary of the company's establishment on 17 June in Ankaran.
- On 30 June the General Meeting of Shareholders was briefed on the annual report of the Intereuropa Group for 2016, conferred official approval on the Management Board and Supervisory Board, appointed KPMG Slovenija, d.o.o. as the certified auditor of the consolidated financial statements of the Intereuropa Group and the parent company Intereuropa d.d. for 2017, and adopted a decision leaving distributable profit for 2016 in the amount of EUR 3,495,540.28 undistributed in full. Following the expiration of the terms of office of members of the Supervisory Board Klemen Boštjančič, Miro Medvešek and Maša Čertalič, MSc, the General Meeting of Shareholders appointed the following new members to four-year terms of office: Matija Vojsk, MSc, whose term of office began on 30 June 2017, and Vojko Čok and Rok Rape, DSc, whose terms of office began on 10 September 2017.
- Jure Fišer was unanimously appointed to serve as Chairman of Intereuropa d.d.'s Supervisory Board on 12 July.
- On 17 September Intereuropa began serving in its role as the official logistics partner of Celjski sejem d.d. at the 50th MOS trade fair. In response to Intereuropa's invitation, the trade fair was attended by business partners with whom the Group has strengthened business cooperation. Discussions were also held with potential new partners.
- At its session of 25 October, the members of Intereuropa d.d.'s Supervisory Board appointed Vojko Čok to serve as Chairman of that body. At the same session, the Supervisory Board appointed Matija Vojsk, MSc to serve as chairman and Rok Rape, DSc to serve as deputy chairperson of its Audit Committee. The Supervisory Board appointed Jure Fišer to serve as chairman of its Nomination and Remuneration Committee and Vojko Čok to serve as member of that committee.
- At its session of 8 November, the Works Council of Intereuropa d.d. appointed Tjaša Benčina and Zlatka Čretnik to serve as employee representatives of the Supervisory Board. At its session of 21 November, Intereuropa d.d.'s Supervisory Board gave its consent to the appointment of Ms Benčina and Ms Čretnik to four-year terms as members of the Supervisory Board.
- At its session of 21 November, Intereuropa d.d.'s Supervisory Board appointed Tjaša Benčina as Deputy Chairwoman of Intereuropa d.d.'s Supervisory Board and as a member of the Nomination and Remuneration Committee of the aforementioned body. The Supervisory Board also appointed Zlatka Čretnik as member of the Audit Committee of Intereuropa d.d.'s Supervisory Board.
- Intereuropa d.d.'s Management Board concluded a wage increase agreement with Intereuropa's ŠAK-KS 90 trade union, which will be in effect until 2019.

Significant events after the end of the 2017 financial year

- Intereuropa celebrated the 20th anniversary of the first day of Intereuropa's listing on the regulated market of the Ljubljana Stock Exchange, which was 12 January 1998.

Information regarding significant events is continuously published on the Company's website at www.intereuropa.si.

1.7 CORPORATE GOVERNANCE STATEMENT

Intereuropa d.d. is a public limited company, i.e. a public-interest entity, with a two-tier governance system. Corporate governance is based on the laws of the Republic of Slovenia, the Company's Articles of Association, internal acts and the Corporate Governance Policy of Intereuropa d.d. The Company's Articles of Association and the rules of procedures of individual bodies are accessible on the Company's website at www.intereuropa.si in the 'Corporate Governance' section under the 'Investors' tab. The principal guidelines of corporate governance are transparent operations, the clear segregation of responsibilities and tasks between bodies, continuous concern for the independence and loyalty of the members of management and supervisory bodies, and the continuous implementation of improvements to increase the effectiveness of governance.

In 2017 the Company applied the Slovenian Corporate Governance Code, which was adopted by the Ljubljana Stock Exchange and the Slovenian Directors' Association on 27 October 2016, as its reference code.

1.7.1 GENERAL MEETING OF SHAREHOLDERS

The Company's share capital is divided into 16,830,838 ordinary registered no-par-value shares and 10,657,965 no-par-value preference shares. Each no-par-value share represents the same stake and corresponding amount in the Company's share capital. The stake of individual no-par-value shares in the Company's share capital is determined with respect to the number of no-par-value shares issued. No-par-value shares may not be split.

Ordinary no-par-value shares provide their holders the following rights:

- the right to participate in the management of the Company (voting right);
- the right to a share in profits; and
- the right to a corresponding portion of residual assets after the liquidation or bankruptcy of the Company.

No-par-value preference shares provide their holders the following rights:

- the right to a share in profits; and
- the right to a corresponding portion of residual assets after the liquidation or bankruptcy of the Company.

Preference shares give their holders priority in the sharing of profits in the amount of EUR 0.01 (zero point zero one; preferential amount) per share. The preferential amount is paid out in addition to the share in profits received by the holders of ordinary shares, in accordance with the relevant resolution on the use of distributable profit.

1.7.1.1 Functional bases and method of convocation

The right of shareholders to participate in the management of the Company is exercised at the General Meeting of Shareholders. The competences, responsibilities and functioning of the General Meeting of Shareholders are governed by the Companies Act (ZGD-1), the Company's Articles of Association and the Rules of Procedures of the General Meeting of Shareholders, which are published on the Company's website in the 'Corporate Governance' section under the 'Investors' tab.

The General Meeting of Shareholders may be convened by the Company's Management Board at its own initiative, or at the request of the Supervisory Board or shareholders. The annual General Meeting of Shareholders is typically convened by the end of June every year. The Company informs shareholders in a timely manner about the convocation of the General Meeting of Shareholders, which is published on the websites of the AJ PES and Intereuropa d.d., and via the Ljubljana Stock Exchange's SEOnet system.

Materials for the General Meeting of Shareholders, including proposed resolutions for all points on the agenda, are available for viewing at the Company's headquarters in Koper, in the Ljubljana Stock Exchange's SEOnet system and on the Company's website in the 'Corporate Governance' section under the 'Investors' tab, from the date of convocation until the day the General Meeting of Shareholders is held. Proposed resolutions also include the relevant justifications, which provide shareholders sufficient information to make prudent decisions.

Transparency is one of the bases of corporate governance at Intereuropa d.d. The Company therefore encourages all major shareholders to inform the public of their governance policy. To that end, the convocation of the General Meeting of Shareholders included a call to major shareholders to publicly disclose, at a minimum, their voting policy, the type and frequency of governance activities, and the dynamics of communication with the Company's management and supervisory bodies.

1.7.1.2 Conditions for attendance and communication with shareholders

Only shareholders entered in the Company's share register (managed by the Central Securities Clearing Corporation or KDD) and their authorised representatives or proxies who have registered to attend in writing by no later than the close of business on the fourth day prior to the General Meeting of Shareholders have the right to attend and exercise voting rights at the General Meeting of Shareholders. An authorised representative of a shareholder must also submit authorisation when they register. Each share entitles its holder to one vote. Only the holders of ordinary no-par-value shares have the right to vote. The holders of preference shares do not have voting rights, unless the preference amount is not paid within one year, or is not paid in full and the remainder is not paid the following year. Shares have voting rights until that remainder is paid.

According to the Company's Articles of Association, preference amounts should have been paid for the first time with the payment of profits for 2013. Given that the Company has not paid preference amounts for 2013 or 2014, the holders of preference shares obtained voting rights in 2015. Since that time, preference shares are also included in the calculation of controlling interests as required by the law and the Articles of Association. The holders of preference shares will retain voting rights until the Company pays them all preference amounts from 2013 on.

Intereuropa d.d. encourages the active participation of the maximum number of small shareholders at the General Meeting of Shareholders. Thus, the materials issued when the General Meeting of Shareholders is convened also include sample registration and authorisation forms. The Company's website also has an 'Investors' tab, where small shareholders and other investors will find information regarding corporate governance and annual and interim reports, in addition to information regarding the General Meeting of Shareholders.

Shareholders are briefed on adopted resolutions immediately following the conclusion of the General Meeting of Shareholders, on the Company's website and in the Ljubljana Stock Exchange's SEOnet system.

1.7.1.3 General Meeting of Shareholders in 2017

The annual General Meeting of Shareholders of Intereuropa d.d. was held on 30 June 2017. In accordance with the second paragraph of Article 315 of the ZGD-1, the holders of preference shares exercised their voting rights during the General Meeting of Shareholders.

A total of 75.27% of shares with voting rights were represented at the 30th General Meeting of Shareholders. The General Meeting of Shareholders discussed the following points and adopted the following significant resolutions:

- It was briefed on the annual report of the Intereuropa Group for 2016, together with the auditor's opinion, and on the Supervisory Board's written report on the verification of the annual report compiled for 2016.
- It adopted a resolution, whereby distributable profit in the amount of EUR 3,495,540.28 will remain undistributed. A challenging action against the aforementioned resolution was announced, but was not subsequently filed.
- It approved the work of the Company's Supervisory Board and Management Board during the 2016 financial year, and conferred official approval on both bodies for their work in 2016.
- The General Meeting of Shareholders appointed the audit firm KPMG Slovenija, podjetje za revidiranje, d.o.o. to audit the financial statements for the 2017 financial year.
- It appointed three new members to the Supervisory Board, as shareholder representatives, for a term of office of four years: Matija Vojsk, MSc, Vojko Čok and Rok Rape, DSc. Individual members are presented in detail in point 1.7.2 Supervisory Board.

The full text of resolutions adopted by the General Meeting of Shareholders is available on the Company's website at www.intereuropa.si in the subsection 'General Meeting of Shareholders' under the 'Investors' tab.

1.7.2 SUPERVISORY BOARD

1.7.2.1 Composition of the Supervisory Board and its committees

Intereuropa d.d.'s Supervisory Board comprises six members, four of whom are shareholder representatives and two of whom are employee representatives. Members serve a four-year term of office, with the possibility for re-appointment. Supervisory Board members who represent the interests of shareholders are elected by the General Meeting of Shareholders. Employee representatives are elected by the Works Council, and the General Meeting of Shareholders is informed accordingly.

TABLE 7: COMPOSITION OF INTEREUROPA D.D.'S SUPERVISORY BOARD DURING THE 2017 FINANCIAL YEAR

| Name and surname | Function (Chairman, deputy, member of the Supervisory Board) | Initial appointment to function | End of function / term of office | Shareholder/employee representative | Attendance at sessions with respect to total no. of sessions (e.g. 5/7) | Gender | Nationality | Year of birth | Qualifications |
|--------------------|-----------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------|-------------------------------------|-------------------------------------------------------------------------|--------|-------------|---------------|---------------------------------------------------|
| Vojko Čok | Chairman of Supervisory Board since 25 October 2017 | 10. September 2017 | 9. September 2021 | Shareholder representative | 4/4 | M | Slovene | 1948 | Bachelor's degree in economics |
| Matija Vojšk, MSc | Member of the Supervisory Board | 30. June 2017 | 29. June 2021 | Shareholder representative | 6/6 | M | Slovene | 1963 | MSc, MBA |
| Rok Rape, DSc | Member of the Supervisory Board | 10. September 2017 | 9. September 2021 | Shareholder representative | 4/4 | M | Slovene | 1965 | DSc, MBA |
| Jure Fišer | Chairman of Supervisory Board from 12 July 2017 to 24 October 2017; member of the Supervisory Board | 20. June 2015 | 19. June 2019 | Shareholder representative | 15/15 | M | Slovene | 1971 | Bachelor's degree in economics |
| Tjaša Benčina | Deputy Chairwoman of the Supervisory Board | 20. November 2017 | 19. November 2021 | Employee representative | 3/3 | F | Slovene | 1968 | Economist |
| Zlatka Čretnik | Member of the Supervisory Board | 20. November 2017 | 19. November 2021 | Employee representative | 3/3 | F | Slovene | 1968 | Degree in economics (higher education) |
| Klemen Boštjančič | Chairman of the Supervisory Board until 20 June 2017 | 21. June 2013 | 20. June 2017 | Shareholder representative | 9/9 | M | Slovene | 1972 | Bachelor's degree in economics |
| Maša Čertalič, MSc | Member of the Supervisory Board until 10 September 2017 | 11. September 2013 | 10. September 2017 | Shareholder representative | 11/11 | F | Slovene | 1976 | Master's degree in transport-logistics management |
| Miro Medvešek | Member of the Supervisory Board until 10 September 2017 | 11. September 2013 | 10. September 2017 | Shareholder representative | 11/11 | M | Slovene | 1964 | Bachelor's degree in economics |
| Ljubo Kobale | Member of the Supervisory Board until 18 November 2017 | 19. November 2009 | 18. November 2017 | Employee representative | 12/12 | M | Slovene | 1962 | Sales executive |
| Nevija Pečar | Deputy Chairwoman of the Supervisory Board until 18 November 2017 | 19. November 2005 | 18. November 2017 | Employee representative | 12/12 | F | Slovene | 1957 | Economist |

* The Supervisory Board met at a total of 15 sessions in 2017.

** The Supervisory Board's Audit Committee met at 10 sessions.

*** The Supervisory Board's Nomination and Remuneration Committee met at a total of four sessions.

| Professional profile | Independence according to Article 23 of the Code (YES/NO) | Existence of conflicts of interest during financial year (YES/NO) | Membership on supervisory bodies of other companies | Membership on committees (e.g. audit, human resource, or remuneration) | Chairman /member | Attendance at sessions of Audit Committee with respect to total no. of sessions (e.g. 5/7) | Attendance at sessions of the Nomination and Remuneration Committee with respect to total no. of sessions (e.g. 5/7) |
|--------------------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| Corporate governance, finance and management | Yes | No | Sanpaolo Intesa BIH, Sanpaolo Intesa Albania | Member of the Nomination and Remuneration Committee since 25 October 2017 | Member | / | 1/1 |
| Corporate governance, performance management, procurement, marketing and sales | Yes | No | / | Member of the Audit Committee; chairman since 25 October 2017 | Chairman | 2/2 | / |
| Management, restructuring and development of operations | Yes | No | / | Member of the Audit Committee; deputy chairman since 25 October 2017 | Deputy chairman | 2/2 | / |
| Corporate governance and management | Yes | No | Member of the Supervisory Board of Merkur Trgovina d.d. until 29 December 2017 | Member of the Audit Committee until 25 October 2017 Chairman of the Nomination and Remuneration Committee since 25 October 2017 | Member of the Audit Committee and chairman of the Nomination and Remuneration Committee | 8/8 | 1/1 |
| Finance and logistics | Yes | No | / | Member of the Nomination and Remuneration Committee since 21 November 2017 | Member | / | 1/1 |
| Finance and logistics | Yes | No | / | Member of the Audit Committee since 21 November 2017 | Member | 1/1 | / |
| Corporate governance, financial and business restructuring, and M&A | Yes | No | Member of the Management Board of Sava d.d. | Member of the Nomination and Remuneration Committee; chairman until 20 June 2017 | Chairman | / | 3/3 |
| Corporate governance | Yes | No | / | Member of the Nomination and Remuneration Committee until 10 September 2017 | Member | / | 3/3 |
| Finance | Yes | No | / | Member of the Audit Committee; chairman until 10 September 2017 | Chairman | 7/7 | / |
| Corporate governance | Yes | No | / | Member of the Nomination and Remuneration Committee; chairman until 18 November 2017 | Member | / | 3/3 |
| Corporate governance | Yes | No | / | Member of the Audit Committee until 18 November 2017 | Member | 9/9 | / |

The Supervisory Board had two functioning committees in 2017: the Audit Committee and the Nomination and Remuneration Committee.

1.7.2.2 Audit Committee

The Audit Committee functioned in the following composition in 2017:

- Miro Medvešek, chairman until 10 September 2017;
- Matija Vojsk, MSc, chairman since 25 October 2017;
- Nevija Pečar, member until 18 November 2017;;
- Rok Rape, DSc, member since 25 October 2017;
- Jure Fišer, member until 25 October 2017;
- Zlatka Čretnik, member since 21 November 2017; and
- Barbara Nose, independent expert and member since 25 August 2016.

TABLE 8: EXTERNAL MEMBER OF THE AUDIT COMMITTEE

| External committee members (e.g. audit, human resource or remuneration) | | | | | | | | |
|-------------------------------------------------------------------------|-----------------|----------------------------------------------------------------------------------------------|--------|-------------|--------------------------------|---------------|----------------------|---------------------------------------------------------------------|
| Name and surname | Committee | Attendance at sessions of the of committees with respect to total no. of sessions (e.g. 5/7) | Gender | Nationality | Qualifications | Year of birth | Professional profile | Membership in supervisory bodies of company/ unaffiliated companies |
| Barbara Nose | Audit Committee | 10/10 | F | Slovene | Bachelor's degree in economics | 1964 | Certified auditor | Member of the Supervisory Board of Luka Koper d.d. |

The Audit Committee functioned in accordance with its competences, and in the manner set out in the ZGD-1, the Corporate Governance Policy of Intereuropa d.d. and the Rules of Procedure of the Audit Committee. Details regarding the work of the Audit Committee are also included in the report of the Supervisory Board. In accordance with the above, the Audit Committee has the following competences:

- monitoring of the financial reporting process, and the drafting of reports and recommendations to ensure the integrity thereof;
- monitoring of the effectiveness and performance of internal controls at the Company, the internal audit function and the risk management system;
- monitoring of the mandatory audit of the individual and consolidated financial statements;
- verification and monitoring of the independence of the external auditor of the Company's annual report, in particular with regard to the provision of additional audit services, guiding the process to select the auditor and drafting of a proposal for the Supervisory Board on the appointment of a candidate for auditor of the financial statements of the Company and the Group;
- participation in the drafting of the agreement concluded between the auditor and the Company;
- reporting to the Supervisory Board on the results of the mandatory audit, cooperation with the auditor during the audit of the Company's annual report, in particular through two-way communication about the main matters in connection with the audit;
- control over the integrity of the financial information provided by the Company;
- assessment of the compilation of the annual report, including a draft proposal for the Supervisory Board;
- participation in the determination of the most important areas for auditing; and
- cooperation with the internal auditor, in particular through the two-way communication about the main matters in connection with internal auditing.

1.7.2.3 Nomination and Remuneration Committee

The Nomination and Remuneration Committee met at four sessions in 2017, where it primarily discussed HR-related topics and topics relating to the remuneration of the Management Board. The committee's work is presented in more detail in the report of the Supervisory Board. The committee functioned in the following composition:

- Klemen Boštjančič, chairman until 20 June 2017;
- Jure Fišer, chairman since 25 October 2017;
- Vojko Čok, member since 25 October 2017;
- Tjaša Benčina, member since 21 November 2017;
- Maša Čertalič, MSc, member until 10 September 2017; and
- Ljubo Kobale, member until 18 November 2017.

There is no external member on the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee has the following competences:

- proposing of resolutions regarding criteria and the assessment of candidates for members of the Supervisory Board, including a description of roles and qualifications;
- support in the assessment of the Management Board's work;
- proposing of criteria and the assessment of candidates for members of the Company's Management Board that are required for individual appointment;
- support in the development and implementation of a system for the remuneration of Management Board members; and
- support in the Supervisory Board's other HR-related decisions.

1.7.2.4 Competences, work method and remuneration of the Supervisory Board

The Supervisory Board functions within the scope of its competences and in the manner set out in the ZGD-1, the Company's Articles of Association and the Rules of Procedure of the Supervisory Board. The Supervisory Board's commitments regarding corporate governance are set out in Intereuropa d.d.'s Corporate Governance Policy, and include a system for identifying conflicts of interest and ensuring the independence of its members. All members of the Supervisory Board signed a statement underlining their positions on the criteria of independence set out in Annex B: Conflicts of interest, to the Slovenian Corporate Governance Code. That statement is published on the Company's website at (www.intereuropa.si) at the following link: <http://www.intereuropa.si/en/investors/corporate-governance/regulations-and-important-documents>.

Regular sessions of the Supervisory Board must be held at a minimum quarterly. The Rules of Procedure of the Supervisory Board define the areas of the aforementioned body's work. The Supervisory Board reports on its work at the General Meeting of Shareholders. The Supervisory Board notifies the public with regard to significant resolutions adopted at its sessions.

Information regarding the remuneration of members of the Supervisory Board and its committees during the 2017 financial year is disclosed in the financial report of Intereuropa d.d., in note no. 26 Other explanations.

1.7.3 MANAGEMENT BOARD

The tasks and areas of responsibility of the Management Board are defined in the Company's Corporate Governance Policy, while the aforementioned body's work method is set out in the Rules of Procedure of the Management Board and the Company's Articles of Association. The latter states that the Management Board shall comprise a maximum of four members, while the Supervisory Board defines the number of members taking into account the principles of efficiency and economy. Intereuropa d.d.'s Management Board comprised three members for the majority of 2017. Based on the relevant agreement, Tatjana Vošinek Pucer, MSc's term of office as member of the Management Board was terminated early on 30 April 2017. Marko Rems began his term of office as member of the Management Board on 5 July 2017. The Company's Management Board thus comprised the President, Deputy President (until 30 April 2017) and two other members in 2017. The Management Board managed the Company's transactions independently and at its own risk. Individual members of the Management Board represented the Company independently and were responsible for specific work areas in accordance with the Rules of Procedure of the Management Board.

TABLE 9: COMPOSITION OF THE MANAGEMENT BOARD DURING THE 2017 FINANCIAL YEAR

| Name and surname | Function (Chairman, member) | Area of work on the Management Board | Initial appointment to function | End of function/ term of office | Gender |
|-----------------------------|------------------------------------------|-----------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|--------|
| Ernest Gortan, MSc | President of the Management Board | Human resource and general affairs, quality, legal affairs, internal auditing, public relations | 10 June 2009 | 9 June 2019 | M |
| Marko Cegnar | Member of the Management Board | Forwarding and logistics, sales and marketing | 19 March 2016 | 18 March 2020 | M |
| Marko Rems | Member of the Management Board | Finance, accounting and controlling, real estate management and central procurement, and IT support | 5 July 2017 | 4 July 2021 | M |
| Tatjana Vošinek Pucer, MSc* | Deputy President of the Management Board | Finance, accounting and controlling, real estate management and central procurement, and IT support | 25 May 2010 | 30 April 2017 | F |

* In accordance with the agreement on the early termination of her term of office, Tatjana Vošinek Pucer, MSc performed her function until 30 April 2017.

1.7.3.1 Work of the Management Board in 2017

The Management Board managed Intereuropa d.d. and the Intereuropa Group in accordance with established strategic objectives and policies. In performing its tasks and fulfilling its responsibilities, the Management Board observed the principles of corporate governance set out in the Corporate Governance Policy of Intereuropa d.d. and complied with the provisions of the Corporate Governance Code. The Management Board performs its work in accordance with the principles set out in Intereuropa d.d.'s Code of Ethics, applicable regulations, the Rules of Procedure of the Management Board, the Company's Articles of Association and the resolutions adopted by the Company's bodies.

1.7.3.2 Remuneration of the Management Board

The remuneration received by Management Board members comprises fixed and variable components, and is proportionate to the tasks of those persons and the financial position of the Company. The variable component of remuneration is dependent on the performance of the Company, which is determined by the Supervisory Board based on whether the objectives set out in the annual business plan have been achieved or exceeded. The Management Board is also entitled to participate in the Company's profit. The decision in that regard is made by the General Meeting of Shareholders based on a justified proposal by the Supervisory Board.

Information regarding the remuneration of members of the Management Board during the 2017 financial year is disclosed in the financial report of Intereuropa d.d., in note no. 26 Other explanations.

| Nationality | Year of birth | Qualifications | Professional profile | "Membership in supervisory bodies of company/ unaffiliated companies" |
|-------------|---------------|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Slovene | 1968 | MSc | Corporate governance, financial and business restructuring, and development of operations | Non-member |
| Slovene | 1973 | Master's degree in management | Sales, marketing and logistics | Non-member |
| Slovene | 1967 | Bachelor's degree in economics | Financial management with more than 20 years of experience in financial and information systems, implementation and management of financial restructuring, and reorganisation in the required environments | Non-member |
| Slovene | 1964 | MSc | Finance, accounting, controlling, risk management, investments and real estate, and IT support. | Non-member |

1.7.3.3 Management Board members in 2017



Ernest Gortan, MSc,

President of the Management Board

- Year of birth: 1968;
- bachelor's degree in electrical engineering and master's of science degree;
- performed executive and senior management functions in the areas of marketing and logistics at Luka Koper d.d. and BTC Terminal Sežana d.d., where he served as President of the Management Board, and at Secom d.o.o.;
- term of office: from 10 June 2014 to 9 June 2019;
- responsible for human resources and general affairs, quality assurance, legal affairs, internal auditing and public relations.



Marko Cegnar,

member of the Management Board

- Year of birth: 1973;
- master's degree in management;
- performed executive and senior management functions in the areas of sales, marketing, purchasing and logistics at DHL logistika d.o.o., Orbico d.o.o., ITG Tobačna Grosist d.o.o., ISS SERVISYSTEM d.o.o. and DHL Express d.o.o.;
- term of office: from 19 March 2016 to 18 March 2020;
- responsible for forwarding and logistics, sales and marketing.



Marko Rems,
member of the Management Board

- Year of birth: 1967;
- bachelor's degree in economics;
- performed executive and senior management functions in the areas of finance, accounting, information technology, controlling and risk management at the following companies: Družba za upravljanje terjatev bank d.d., Ljubljana, Luka Koper, d.d., Adriatic Slovenija d.d., KD Holding d.d., Ljubljana and Žito d.d., Ljubljana;
- term of office: from 5 July 2017 to 4 July 2021;
- responsible for the areas of finance, accounting and controlling, real estate management, central procurement and IT support.

Tatjana Vošinek Pucer, MSc,
Deputy President of the Management Board

- Year of birth: 1964;
- bachelor's degree in economics and master's of science degree;
- performed executive and senior management functions in the areas of sales and investments at Vipta d.o.o., R&P Express d.o.o. and Iplas n.sol.o., and crisis management tasks at Emona Obala d.d., Koper and Preskrba d.d., Sežana;
- term of office: from 25 May 2015 to 30 April 2017;
- responsible for finance, accounting, controlling, risk management, investments and real estate, and IT support.

1.7.4 DESCRIPTION OF THE DIVERSITY POLICY IN CONNECTION WITH REPRESENTATION ON THE COMPANY'S MANAGEMENT AND SUPERVISORY BODIES

The Company's Corporate Governance Policy and Code of Ethics set out a clear commitment to preventing discrimination, which states that the Company guarantees equal opportunities to all employees regardless of gender, race, skin colour, age, state of health, religious, political or other beliefs, membership in unions, sexual orientation or other personal circumstance. The Company has not yet adopted a stand-alone diversity policy in connection with representation on its management and supervisory bodies. The Company will adopt a diversity policy by the end of 2018. The aforementioned policy will set out the target level of diversity that will be pursued in connection with representation on the Supervisory Board and Management Board, in terms of age, education, gender and the other personal traits of members.

1.7.5 MANAGEMENT AND GOVERNANCE OF GROUP COMPANIES

Governance of the Group is one of the four key pillars of the Strategic Plan of the Intereuropa Group for the period 2015 to 2019. The parent company Intereuropa d.d. and its subsidiaries make up the Intereuropa Group, which is centrally managed by the Management Board of Intereuropa d.d. The policy governing links between the parent company and its subsidiaries is set out in the Corporate Governance Policy of Intereuropa d.d. An effective system for managing and governing subsidiaries is an important factor in the successful achievement of the business objectives of Group companies and in the transparency of their operations.

1.7.5.1 Governance principles for subsidiaries

The parent company strives for global efficiency in the governance of Group companies, while promoting a rapid response to the needs of local markets. At the forefront of the governance of subsidiaries are cooperation between subsidiaries and the sharing of know-how and best practices between Intereuropa Group companies.

The governance of Group companies is based on a combination of control and coordination mechanisms. Centralised decision-making through supervisory bodies ensures the uniformity of strategic policies and important business, HR-related and technical decisions. Control over financial results remains a core element of supervision. In addition to the appointed supervisory bodies of individual subsidiaries, controlling and internal audit departments also play an important role in supervision.

The management bodies of the parent company and subsidiaries communicate regularly with the aim of creating a standard culture within the Intereuropa Group, ensuring the transfer of know-how and best practices, and exploiting various synergies. Of key importance are cooperation and two-way communication at the market-operational level of specific product categories and products between all Intereuropa Group companies.

The effectiveness of the Group at multiple operational levels is achieved through consistent periodic communication and the necessary measures to enhance the exploitation of synergies between Intereuropa Group companies, particularly in the following areas:

- a coordinated and uniform market approach, with an emphasis on common logistics products and core product categories;
- the coordinated management of strategic and key customers;
- the development and optimisation of common logistics products;
- the development of standard IT support at all subsidiaries and for all logistics products;
- the transfer of best practices in the optimisation of processes and in preventive measures to manage risks; and
- employee development, with an emphasis on the acquisition and development of knowledge and competences relating to core product categories and key logistics products.

Intereuropa Group companies operate in accordance with local legislation, resolutions adopted by the management bodies of the parent company and subsidiaries, cooperation agreements entered into between the parent company and individual subsidiaries, and the applicable internal acts adopted by the Management Board of the parent company.

1.7.5.2 Proactive monitoring and supervision of operations

The involvement of Management Board members and the executive staff of Intereuropa d.d. on the supervisory boards, boards of directors and management boards of subsidiaries ensures increased coordination in the implementation of strategic decisions, more comprehensive supervision over the operations of subsidiaries and the improved flow of information.

The operations and the achievement of planned objectives of subsidiaries are monitored regularly on the basis of monthly reporting and quarterly business projections that facilitate a more rapid response to fluctuations in demand through the implementation of proactive measures.

Based on the recommendations of the Audit Committee of the parent company's Supervisory Board, the system used to manage threats and opportunities within the Intereuropa Group will be upgraded in 2018.

1.7.6 AUDITING

1.7.6.1 External auditing

Intereuropa d.d.'s General Meeting of Shareholders appointed the audit firm KPMG Slovenija, podjetje za revidiranje, d.o.o., Ljubljana to audit the financial statements of Intereuropa d.d. and the Intereuropa Group for the 2017 financial year.

The transactions of Intereuropa d.d. and its subsidiaries with audit firms are presented in the Company's financial report as part of the notes to financial statements of the Company and Group.

1.7.6.2 Internal auditing

The Internal Audit Department functions as an autonomous and independent support service at the parent company, and reports organisationally to the Management Board and functionally to the Supervisory Board's Audit Committee.

The bases for its work are set out in the Internal Audit Department's Charter and Rules of Procedure. In addition to the aforementioned underlying documents, the work of internal auditors is also in line with the International Standards for the Professional Practice of Internal Auditing, the Professional Code of Ethics of Internal Auditors, the Code of Internal Auditing Principles, applicable laws and other regulations, and the internal acts of the Company.

The core objective of the Internal Audit Department is to help the senior management of the Intereuropa Group improve corporate governance and risk management, and improve performance and the efficiency of operations in the scope of the Group's adopted development strategy, and business and financial plans.

Internal auditing is carried out in accordance with the Internal Audit Department's strategic and annual plan. The Internal Audit Department's work plan for the 2017 financial year was adopted by the Company's Management Board and discussed by the Audit Committee of the Supervisory Board, which also gave its consent to the plan.

During the 2017 financial year, internal auditors performed internal audit tasks in accordance with the plan for that year, and completed internal audits of 2016 operations. A total of twelve internal audits were conducted, at the parent company and at four major subsidiaries of the Intereuropa Group. The objective of audits was to assess the risk management approach and the functioning of internal controls and business processes, both in terms of the compliance of those processes with legal and internal regulations, and in terms of the success and effectiveness of processes with regard to the adopted policies, established objectives and criteria of the Company. Internal audit reports included recommendations for improvement.

The Internal Audit Department regularly monitors the implementation of issued recommendations. Verification of the implementation of recommendations was carried out in line with planned activities. The Internal Audit Department assesses that the implementation of recommendations was successful during the 2017 financial year. Verification of the implementation of recommendations issued in the scope of audits will continue in 2018.

In addition to internal audit tasks, the Internal Audit Department also performed advisory tasks in 2017. Several advisory tasks were performed at the parent company.

In accordance with its work plan, the Internal Audit Department also dedicated a portion of its time during the 2017 financial year to enhancing the expertise of employees.

In accordance with the programme to ensure and improve the quality of the Internal Audit Department's work, internal auditors carried out internal assessments of the quality of work. An external assessment of the quality of internal audit work was performed in 2015. Based on that assessment, the Internal Audit Department received an opinion that it functions in accordance with the International Standards for the Professional Practice of Internal Auditing.

The Internal Audit Department reports regularly to the Management Board, Audit Committee and Supervisory Board regarding its work. Periodic reports on the work of the Internal Audit Department during the 2017 financial year were discussed by the Company's Management Board, Supervisory Board and the latter's Audit Committee.

1.7.7 DESCRIPTION OF THE MAIN FEATURES OF INTERNAL CONTROLS AND RISK MANAGEMENT AT THE COMPANY IN CONNECTION WITH THE FINANCIAL REPORTING PROCESS

The purpose of internal controls is to ensure the reliability of financial reporting and compliance with valid laws, and other external and internal regulations. Accounting controls are employed to manage the risks associated with the following:

- the credibility of accounting data: of primary importance are bookkeeping documents, as evidence of the existence of business events, that clearly show the content and value of such transactions;
- the completeness of financial data: this is ensured by the Company through precisely defined record-keeping procedures in internal acts, and through control over the functioning of such procedures;
- the accuracy of financial data: this is ensured by the Company through a comparison of data in the information system with data in the underlying bookkeeping documents; and
- the segregation of responsibilities in business processes and authorisations for work in the information system: the precise and consistent definition of tasks and responsibilities of those involved in a specific business event.

When compiling the financial statements of the Group and the notes thereto, risks are mitigated primarily through:

- the transparent organisational structure of the parent company and Group;
- the consistent application of accounting principles and policies; and
- the observation of the timetable for the compilation of the financial statements and the notes thereto.

Internal controls are defined in the Rules on the Consolidation of the Intereuropa Group and in work instructions. For the purpose of compiling the consolidated financial statements, subsidiaries submit reporting packages that are

prepared in accordance with the International Financial Reporting Standards, by the deadlines defined in the annual methodology on the monitoring of operating results. Cross-controls that ensure the reconciliation of data are built into reporting packages. Those packages are also verified by external auditors during the audit of the annual financial statements. In accordance with the recommendation of the Audit Committee of the parent company's Supervisory Board, the Management Board began the upgrading of the system of internal controls as it relates to the financial reporting process.

The information system, with its built-in controls, also plays an important role. The introduction of standard information systems at subsidiaries improves the effectiveness of the exchange of financial data between subsidiaries and the parent company, and thus the control of that information. The authorisation system ensures that users only execute those transactions in the information system for which they are authorised.

1.7.8 INFORMATION REGARDING DIRECT AND INDIRECT HOLDINGS OF THE COMPANY'S SECURITIES IN TERMS OF ACHIEVING A QUALIFYING HOLDING, SPECIAL CONTROLLING RIGHTS, RESTRICTED VOTING RIGHTS AND OTHER EXPLANATIONS REGARDING THE LEGISLATION GOVERNING MERGERS AND ACQUISITIONS

1.7.8.1 Explanations regarding all restrictions on voting rights and regarding treasury shares

The Company's share capital is divided into 27,488,803 shares broken down as follows: 16,830,838 ordinary registered freely transferable no-par-value shares and 10,657,965 freely transferable no-par-value preference shares.

The holders of Intereuropa d.d.'s ordinary shares are not subject to any restriction on voting rights. The Company has no voting rights arising from its treasury shares in accordance with Article 249 of the Companies Act (ZGD-1). Intereuropa d.d. held 18,135 treasury shares (IEKG) with a total book value of EUR 180,000 as at 31 December 2017, representing 0.1077% of ordinary shares and 0.0660% of all shares. Intereuropa d.d. did not purchase or sell treasury shares in 2017.

As at 31 December 2017, 115 ordinary shares were held on a special account of Kapitalska družba d.d., which in accordance with Article 48a of the Book-Entry Securities Act (Official Gazette of the Republic of Slovenia, No. 5/17) is intended for securities waived by their holders and/or securities held by the Republic of Slovenia. Kapitalska družba may not exercise the voting rights attached to those securities.

The holders of Intereuropa d.d.'s preference shares have not been paid preference amounts since 2013, and have thus held voting rights at the General Meeting of Shareholders since 2015 in accordance with the second paragraph of Article 315 of the ZGD-1. Accordingly, 27,470,553 shares out of a total of 27,488,803 shares had voting rights at the General Meeting of Shareholders held on 30 June 2017, representing 99.9336% of the Company's total shares.

1.7.8.2 Major direct and indirect holdings of the Company's securities in terms of achieving a qualifying holding

The Company continuously publishes information regarding the achievement of a qualifying holding, as set out in the Takeovers Act, in the Ljubljana Stock Exchange's electronic information system (SEOnet) and forwards that information to the Securities Market Agency.

Pursuant to Article 105 of the Financial Instruments Market Act, which sets the thresholds for a significant holding, direct holders who hold more than 5% of voting rights are presented in Table 10.

TABLE 10: SHAREHOLDERS WHO HELD MORE THAN 5% OF VOTING RIGHTS AS AT 31 DECEMBER 2017

| Shareholder | No. of ordinary shares 31.12.2017 | No. of preference shares 31.12.2017 | No. of voting rights 31.12.2017* | Proportion of voting rights 31.12.2017 |
|----------------------|--------------------------------------|----------------------------------------|-------------------------------------|-------------------------------------------|
| SID banka d.d. | 0 | 4,942,072 | 4,942,072 | 18.0% |
| NLB d.d. | 240,000 | 4,530,601 | 4,770,601 | 17.4% |
| Nova KBM d.d. | 2,850,752 | 1,185,292 | 4,036,044 | 14.7% |
| Gorenjska banka d.d. | 3,068,990 | 0 | 3,068,990 | 11.2% |
| SKB d.d. | 2,254,980 | 0 | 2,254,980 | 8.2% |

* Pursuant to Article 315 of the ZGD-1, the holders of preference shares obtained voting rights in 2015 because the Company has not paid preference amounts since 2013.

KBS banka d.d. was merged with Nova KBM d.d. on 3 January 2017, resulting in the transfer of all of its obligations and rights to Nova KBM d.d. In addition to 1,185,292 preference shares (IEKN), the latter became the owner of an additional 2,850,752 ordinary shares (IEKG), bringing its total participating interest in the capital of Intereuropa d.d. to 14.7%.

1.7.8.3 Other explanations regarding the legislation governing mergers and acquisitions

The Company does not have a share scheme for employees.

The Company is not aware of any agreements between shareholders that might place any limit on the transfer of securities or voting rights.

The Company has no agreements concluded with members of its management or supervisory body that envisage compensation if they resign or are laid off without justification in the event of a bid as set out in the act governing mergers and acquisitions, or if their employment is terminated.

1.7.9 STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Management Board and Supervisory Board of Intereuropa, Globalni logistični iservis, d.d., Koper verified the compliance of the Company's governance with the Slovenian Corporate Governance Code (hereinafter: the Code), and hereby declare that the work and operations of the Company are in line with the Code, with certain deviations that are explained in detail below.

Recommendation: The management board, together with the supervisory board, draws up and adopts a diversity policy that is implemented with respect to representation on management and supervisory bodies (Point 4 of the Code in its entirety).

Deviation: The Company has not yet adopted a diversity policy, but plans to do so by the end of 2018.

Recommendation: In the event that more than half of the members of the supervisory board are replaced, the corporate governance policy is confirmed, amended or adopted by a reasonable deadline. (Point 9.4. of the Code)

Deviation: More than half of the members of the Supervisory Board were replaced in 2017. Most recently, members were appointed to the Supervisory Board as employee representatives in November 2017. In accordance with the above, the Supervisory Board, in its new composition, had not yet adopted, confirmed or amended the Corporate Governance Policy by the date of this statement of compliance with the Code. The Corporate Governance Policy is expected to be updated during the 2018 financial year.

Recommendation: In addition to other matters, the rules of procedure of the supervisory board include a list of all transactions for which the management board requires the prior consent of the supervisory board based on a supervisory board resolution and the company's articles of association, as well as a system for ordering the services of external experts for the needs of the supervisory board. (Point 12.2. of the Code)

Deviation: The Supervisory Board did not amend its Rules of Procedure in 2017, as the majority of its members were replaced during the year. The Supervisory Board will update its Rules of Procedure in the future and will respect the recommendations of the Code regarding those rules to the greatest extent possible.

Recommendation: At least once a year, the supervisory board discusses the report of the works council on the status of workers' participation in management and takes a position regarding that report. (Point 12.4. of the Code)

Deviation: Intereuropa d.d.'s Works Council did not draft any special reports for the Supervisory Board on the status of workers' participation in management. In 2018 the Supervisory Board will call on the Works Council to draft a report on the status of workers' participation in management and will take a position with regard to that report.

Recommendation: The company has in place separate processes for the ordering of services required for the work of the supervisory board, depending on whether the company is represented by the management board or the supervisory board. (Point 12.9. of the Code)

Deviation: The Company does not have in place separate processes for the ordering of services, depending on whether it is represented by the Management Board or the Supervisory Board. The Company will establish a separate process for ordering services in 2018.

Recommendation: Once a year, the supervisory board defines a training plan for its members and the members of its committees. (Point 13.1. of the Code)

Deviation: The Supervisory Board did not define a training plan for its members and the members of its committees in 2017, but did plan certain costs for training. The Supervisory Board will define a training plan for its members and the members of its committees in 2018.

Recommendation: The deputy chairman of the supervisory board should be appointed from its members who are shareholder representatives. (Point 15.4. of the Code)

Deviation: The Deputy Chairman of the Supervisory Board is a member appointed by employee representatives. The established practice at Intereuropa d.d. is to always appoint the Deputy Chairman of the Supervisory Board from members appointed by employees.

Recommendation: The performance criteria defined by the supervisory board in connection with the variable component of remuneration of management board members must also promote sustainable development and include non-financial criteria, such as compliance with the company's valid rules and ethical standards. (Point 21.1. of the Code)

Deviation: The Supervisory Board includes non-financial criteria in the performance criteria that serve as the basis for the payment of the variable component of remuneration of Management Board members, but does not define separate elements, such as compliance with the Company's valid rules and ethical standards. It is the basic duty of Management Board members to comply with the Company's rules and follow the highest ethical standards. Thus, such conduct does not require additional remuneration. The Supervisory Board will, however include other elements in performance criteria that are crucial for the sustainable development and creation of the long-term value of the Company.

Recommendation: The company provides continuous information about its financial position and legal status through the publication of assessments of its performance, potential deviations from forecasts and changed operating conditions. (Point 29.1. of the Code)

Deviation: The Company does not publish assessments of its performance, as long as that performance is in line with expectations. If major deviations were to occur, the Company would of course make an announcement in this regard.

Recommendation: The company publishes the rules of procedure of management and supervisory bodies and the General Meeting of Shareholders on its website. (Point 29.9. of the Code)

Deviation: The Company has published the rules of procedure of the Supervisory Board, Audit Committee and General Meeting of Shareholders. The Rules of procedure of the Management Board are not published, as the Company deems them to be of an internal nature and they have no impact on the transparency of operations that would be of significance to investors or interested parties.

The Corporate Governance Code is accessible in Slovene and English on the websites of the Ljubljana Stock Exchange (www.ljse.si) and the Slovenian Directors' Association (www.zdruzenje-ns.si).

The statement of compliance with the Corporate Governance Code is an integral part of the 2017 annual report and is published on the Company's website at www.intereuropa.si.

Koper, 18 April 2018

Management Board of Intereuropa d.d.

Ernest Gortan, MSc
President of the Management Board



Marko Cegnar
Member of the Management Board



Marko Rems,
Member of the Management Board



1.8 STATEMENT REGARDING NON-FINANCIAL OPERATIONS

Pursuant to Article 70c of the Companies Act, the Company has drafted a statement of non-financial operations that is required to understand the development, performance and position of the Company, and the impacts of its operations. That statement includes information regarding HR and social matters, environmental matters and energy efficiency, and regarding corporate integrity. The latter includes information regarding respect for human rights, and matters relating to the fight against corruption and bribery. Detailed information regarding HR and social matters, and environmental matters and energy efficiency are presented in section 3. Sustainable development.

1.8.1 BUSINESS MODEL

As a superior and leading provider of comprehensive logistics solutions in the countries of the former Yugoslavia, the Intereuropa Group satisfies the needs of customers for logistics services and ensures the optimal functioning of supply chains for those customers. This is achieved through the use of innovative approaches, flexibility, the teamwork of highly trained employees, a lean organisation and cost-efficiency. The Group also functions in a socially responsible manner, and creates value for owners, employees and other stakeholders.

The range of logistics products is based on the development of three business lines, as follows: (1) land transport, which relies on a broad base of subcontractors, the Group's own extensive network in the countries of the former Yugoslavia and a partner network in other European countries; (2) logistics solutions, the scope of which is based primarily on the warehouse capacities of Group companies, qualified employees and outsourced labour; and (3) intercontinental transport.

The Intereuropa Group also aims to reduce its debt in the future and finance its operations through the optimal combination of equity and debt sources, which it will achieve by increasing cash flows from operating activities and the sale of non-essential assets.

1.8.2 HR AND SOCIAL MATTERS

1.8.2.1 Policy

The Company's commercial success is ensured by employees, as employees drive the operations of every company, and are of particular importance in service activities. Motivated and professionally qualified employees are a key element to the Company's development. Special attention is therefore given to the effective development of employees and the building of a culture of success. Trends in the business environment require logistics companies to ensure a high level of responsiveness, innovation and increasingly complex services.

The Intereuropa Group therefore supports a dynamic approach, innovation, competence, receptiveness to change and the motivation of employees. The Group promotes a lean organisational structure, good communication in foreign languages, and the development of new approaches and ideas. The loyalty, affiliation and trust of employees are likewise crucial to successful operations. The Intereuropa Group develops and maintains key managerial competences, such as the motivation of co-workers, a high degree of professionalism, a high level of personal integrity and the ability to achieve established objectives as a team. Special attention is given to the area of occupational health and safety, and the promotion of health in the workplace.

1.8.2.2 Results of policies, due diligence, indicators and risks

The Intereuropa Group regularly monitors the results of policies covering the area of HR and social matters. Every quarter the parent company's Human Resource Department collects data regarding the employees of subsidiaries, including the number of employees, employee turnover, organised education and training courses, absenteeism, the number of work accidents, etc. In the scope of occupational health and safety activities, it also performs environmental measurements of work conditions, inspects work equipment, and inspects building and fire protection equipment as part of its fire safety activities. Measurement of the organisational climate was carried out for the sixth time at the parent company in 2017, with 33% of employees participating. There was a notable improvement relative to the last measurement in 2015, particularly in the area of employees' personal growth.

TABLE 11: NON-FINANCIAL INDICATORS IN THE AREA OF HR

| Measurement categories | 2016 | 2017 | 2017 plan |
|--------------------------------------------------------------------------------------|--------|--------|----------------|
| No. of hours of functional training (seminars, courses, professional meetings, etc.) | 10,486 | 13,633 | |
| Absenteeism rate due to sick leave (major companies) | | | up to 4% |
| Intereuropa d.d., Koper | 5.1% | 5.6% | |
| Intereuropa, logističke usluge, d.o.o., Zagreb | 5.6% | 4.7% | |
| Intereuropa RTC d.d., Sarajevo | 2.2% | 3.2% | |
| AD Intereuropa logističke usluge, Belgrade | 3.4% | 2.2% | |
| Zetatrans A.D., Podgorica | 3.2% | 1.6% | |
| Rate of workplace accidents* | 1.3% | 1.5% | less than 1.5% |

* Calculation: number of accidents/number of employees.

The reason for the increase in absenteeism due to sick leave at the parent company is the combination of several factors: the increased physical burden on warehouse workers; increased stress factors on office workers as the result of the less-than-optimal organisation of work; and the rising age structure of employees, as well as external factors, such as long queues in the healthcare system, when employees on extended sick leave are forced to wait for examinations and operations. The long-term objective is to reduce the sick leave rate due to disease and workplace injuries to below 4% through measures to promote health.

The proportion of accidents within the Group rose by 0.2 percentage points in 2017, while the number of accidents at Slovenian Group companies was down by 0.3%. A great deal of time and commitment is invested in the continuous raising of awareness and training of employees with regard to correct and healthy work methods, with an emphasis on the risks associated with workplace accidents. A total of 5 thousand hours were earmarked for this type of training, representing 36% of total training hours.

The Group earmarked 13,633 hours for the acquisition of new knowledge and competences in 2017, an increase of just over EUR 3 thousand relative to the previous year. Knowledge and competences are acquired in technical areas, foreign languages, information technology and occupational health and safety.

The Intereuropa Group's focus in 2017 with regard to the promotion of occupational health and safety was on the implementation of measures to improve physical health (stress and depression), and prevent respiratory diseases and various forms of cancer.

The Intereuropa Group offers employees additional benefits aimed at ensuring their affiliation and loyalty. Those benefits include: the use of Intereuropa's holiday facilities (at spas, on the seaside, in the mountains, etc.), New Year's gifts to children and the possibility of part-time work to facilitate the balancing of work and family life.

HR-related risks include higher employee turnover and the appropriate replacement of workers, and ensuring succession, both at Slovenian Group companies and at companies abroad. It was determined that even more attention must be given to the systematic training and retention of the appropriate successors for key jobs within the Group. The absenteeism rate is rising due to increased demand for productivity and the rising average age structure of employees. Slovenian Group companies continue to implement activities in the scope of the plan to promote health with the aim of managing the aforementioned risks.

1.8.2.3 Objectives in 2018

The Intereuropa Group's HR-related activities in 2018 will focus on the establishment of an appealing environment to ensure the maximum commitment and effectiveness of employees. The Group will take steps to establish information support for management by objectives and the management of employee's work efficiency, and will continue with the effective development of their key competences. It will also continue to implement a systematic plan of measures to ensure the health and well-being of employees within the Intereuropa Group.

1.8.3 ENVIRONMENTAL MATTERS AND ENERGY-EFFICIENCY

1.8.3.1 Policy

The Intereuropa Group takes into account prescribed legal norms and follows the guidelines set out in the Energy Act and in European environmental directives. Energy efficiency and a responsible approach to the environment are integral parts of the Group's work processes and business decisions. The Intereuropa Group takes into account prescribed legal norms and follows the guidelines set out in the Energy Act and in European environmental directives in its efforts to reduce hazardous emissions into the environment, limit the loss of energy, and separate and recycle waste. The Intereuropa Group ensures the energy efficiency of buildings and devices, the appropriate management of waste, the compliant handling of hazardous cargoes, measures to reduce light pollution and the monitoring of waste water.

1.8.3.2 Results of policies, due diligence, indicators and risks

The Intereuropa Group has not yet established the systematic monitoring and review of environmental matters and energy efficiency. There are likewise no indicators in place through which it could systematically monitor the results of policies. The latter are only monitored at the level of individual Group companies, and only for certain elements of energy efficiency and specific impacts on the environment.

The energy efficiency of warehouses and business premises was improved in 2017, primarily in Slovenia, Croatia and Bosnia and Herzegovina. In Slovenia, standard oil catchers or collectors, as prescribed by the law, were installed in the warehouses and terminals where cars and trucks are held. In terms of separate waste collection, the Intereuropa Group pursues its long-term objectives to reduce waste and benefit from the expected effects.

The transport activity is a major source of environmental pollution. One of the key criteria in the selection of road transport service providers is thus the number and proportion of a subcontractor's vehicles with environmentally friendly motors. Impacts on the environment are also taken into account in the upgrading of the vehicle fleet and the purchase of forklifts.

The Intereuropa Group is also directly reducing negative impacts on the environment in other business processes by reducing paper administration, through various energy-saving measures in warehouses and buildings, and by raising awareness about the contribution of each individual to the preservation of the environment.

Concern for the environment and energy efficiency is passed on to all employees via internal communications.

The level of risks associated with inappropriate waste management and environmental pollution is assessed as low within the Intereuropa Group. Exposure to those risks is controlled and mitigated through the inclusion of companies in national waste management schemes, through the implementation of activities in the areas of energy efficiency and environmental self-awareness, and through the implementation of waste and energy management plans at individual companies.

1.8.3.3 Objectives in 2018

The Intereuropa Group will continue to implement energy efficiency measures in 2018, and update existing energy management rules and supplement environmental management rules. It will follow a policy aimed at the gradual replacement of the existing fleet of trucks and cars, existing work machinery (forklifts), air conditioning units and heating systems, and exterior and interior lighting, all with the objective of reducing energy and maintenance costs, increasing the productivity of machinery and improving working conditions for employees. The investment plan for 2018 envisages EUR 2,030 thousand for those purposes.

1.8.4 CORPORATE INTEGRITY, HUMAN RIGHTS AND THE FIGHTS AGAINST CORRUPTION

1.8.4.1 Policy

Corporate integrity means that the Company operates in accordance with legislation, other rules, and the applicable recommendations and internal regulations, and that it operates in accordance with best business practices and ethical principles. The establishment of corporate integrity is an ongoing process that is urgent for ensuring the lawful and ethical operations of the Company and for maintaining the good reputation of the Intereuropa Group. The integrity of its operations is one of the key values of the Intereuropa Group.

The core ethical values of the Intereuropa Group are fairness, confidentiality, impartiality, compliance, responsibility and transparency. Intereuropa Group companies comply with the law and international conventions, including provisions that relate to human rights. The Intereuropa Group opposes any form of forced labour, child labour and discrimination.

It respects the rules of fair competition, and is committed to fair and open competition at home and abroad. The Intereuropa Group rejects any form of corruption and bribery. Employees may not receive or give gifts in exchange for the conclusion of a transaction or the receipt of any other type of benefit. Employees are expected to conduct themselves objectively, and prevent situations that could arise due to conflicts between their personal interests and the interests of the Company.

1.8.4.2 Results of policies, due diligence, indicators and risks

Intereuropa d.d. has been an ambassador of corporate integrity since 2014. Intereuropa d.d. introduced an application in 2017 for the anonymous filing of reports, which is accessible on the Company's website at <http://www.intereuropa.si/en/about-us/code-of-ethics>. The application has been translated into English and into four other languages spoken in countries in which the subsidiaries of Intereuropa d.d. operate (Croatian, Bosnian, Serbian and Macedonian). This makes it easier for all employees of the Intereuropa Group and business partners to access the application and file reports. In parallel with the introduction of the aforementioned application, Intereuropa d.d. also adopted an internal act on the treatment of reports of suspected breaches, in which it took a clear position that the Company will not engage in or tolerate any retaliatory measures against persons who filed reports in good faith. In 2017 the Company included on its Ethics Committee two representatives of employee associations (a representative of the trade union and a representative of the Works Council) with the aim of ensuring the greater inclusion of employee representatives in matters of corporate integrity. Four training courses were organised in 2017 in the area of corporate integrity. They were attended by 60 executive and managerial staff, including members of the Management Board.

The systematic governance of corporate integrity did not begin within the Intereuropa Group until 2017. For this reason, no due diligence reviews of this area were carried out in 2017, nor were indicators established for the systematic measurement of the effectiveness of policies. Based on the initiative and support of the Audit Committee, steps were taken to begin the development of corporate integrity at the Intereuropa Group level, with an emphasis on the prevention of corruption, compliance and the establishment of controls to verify suppliers.

The Company assess the risks associated with breaches of human rights as low, as it primarily operates in environments where human rights are governed at the national level and the respect of those rights is monitored by government institutions. All subsidiaries are located in areas that function under the aegis of the Council of Europe. The majority of the Intereuropa Group's transactions are executed in European counties where respect for human rights is at a high level.

Notwithstanding the low level of risk that derives from the environment and sector in which the Company operates, certain risks do exist, primarily in transactions in the intercontinental transport segment.

Indications of breaches include reports or proceedings in connection with the breach of human rights. There were no such reports or proceedings in 2017.

Intereuropa operates on markets where there is an increased level of corruption and in a sector that is more exposed to acts of corruption. Risks associated with acts of corruption exist primarily on two levels. The first is the risk associated with a supplier or customer bribing employees to secure more favourable conditions. The second is the risk associated with the loss of significant transactions due to acts of corruption.

In connection with the first risk, the Intereuropa Group implements measures to raise awareness and educate employees. At the same time, the 'Interžvižgač' (Inter-Whistleblower) application has been established, and is accessible on the Company's website for the anonymous reporting of corrupt acts and other breaches. In connection with the second risk, Intereuropa cannot influence the actions of third parties. However, the Intereuropa Group's position in this regard is clear, and the Group will not support acts of corruption, even if this means the loss of a transaction.

Indicators of corruption are reports and other perceived breaches received by Intereuropa. One report was received in 2017. The internal investigation is still open. It is evident, however, from information and evidence gathered to date that the case involves an unjustified and malicious report with the aim of extortion.

1.8.4.3 Objectives in 2018

With regard to the development of corporate integrity, Intereuropa will focus the majority of its attention in 2018 on the training and education of employees, the drafting of policies and rules in connection with corruption risk, the harmonisation of internal acts with legislative changes, the avoidance of conflicts of interest by executive and managerial staff, and the verification of business partners.

The Company will persevere in clear matters regarding the respect of human rights.

Koper, 18 April 2018

Management Board of Intereuropa d.d.

Ernest Gortan, MSc
President of the Management Board



Marko Cegnar
Member of the Management Board



Marko Rems,
Member of the Management Board





Intereuropa®
Global Logistics Service

Business Report

Building success on the journey with you

All our services operate in harmony and have a single common objective: to provide a solution adapted to your needs which is reflected in transactions of distinction in the business world. On the path of success we stand beside you with dedication that is reflected not just in numbers but also in relationships and strong ties.

02





02 BUSINESS REPORT

2.1 DEVELOPMENT STRATEGY OF THE INTEREUROPA GROUP

The long-term development of the Intereuropa Group is based on its outlined vision, mission and values. The Intereuropa Group focuses on the development and specialisation of logistics products, the strengthening of its own business network on existing markets, and on the optimisation of business processes and the exploitation of the synergistic effects of the coordinated operations of Group companies. The Intereuropa Group is capable of implementing even the most complex logistics projects, tailored to the needs and expectations of customers.

Vision

Our vision is to be a superior provider of comprehensive logistics solutions.

Mission

The Intereuropa Group's mission is to satisfy needs for logistics services and ensure the optimal functioning of supply chains to the complete satisfaction of customers, while creating added value for owners, employees and other stakeholders in a socially responsible manner.

Values

Integrity. We respect the highest ethical principles and best business practices. We operate in full compliance with applicable legislation, valid guidelines and recommendations, and internal policies.

Excellence. The Group's services are geared towards the superior satisfaction of every customer's needs for logistics services, and are based on our advanced logistics know-how.

Adaptability and flexibility. The Group's services are prompt and tailored to the needs of customers. This is achieved by applying innovative approaches and ensuring a lean organisation.

Responsibility. The Group is distinguished by a high level of responsibility for the obligations we undertake, the agreements we conclude, and the social and natural environments in which we operate.

Teamwork and a respectful approach to employees. The quality of the Group's services is the result of the work of individuals and top-notch expert teams. The diverse knowledge, experiences and views of our employees are highly valued.

The pursuit of our vision relies on a strategy comprising four key pillars: the development and segmentation of logistics products, customer relationship management, geographical coverage and effective governance of the Intereuropa Group.

FIGURE 3: FOUR KEY PILLARS OF THE INTEREUROPA GROUP'S STRATEGY



The Intereuropa Group's strategic policies derive from the four pillars of its developmental and operational strategy:

- the consolidation and strengthening of the Group's position as the leading market provider of comprehensive logistics solutions in the countries of the former Yugoslavia;
- the optimisation of business processes through the use of innovative IT solutions;
- the development of the culture of an innovative organisation, susceptible to change, and centred around motivated employees and effective teamwork; and
- the maintenance of financial stability through divestment, deleveraging and the effective management of working capital.

TABLE 12: STRATEGIC OBJECTIVES OF THE INTEREUROPA GROUP FOR 2019 AND IMPLEMENTATION OF THE PLAN FOR 2017

| Indicator | 2019 strategy | 2017 plan | Achieved in 2017 |
|-----------------------------------------|---------------------------------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Sales revenue | EUR 166.0 million | EUR 142.4 million | EUR 149.9 million |
| EBITDA | EUR 15.8 million | EUR 13.7 million | EUR 12.7 million |
| Operating profit (EBIT) | EUR 7.8 million | EUR 6.8 million | EUR 0.3 million |
| Investments | Average amortisation/depreciation of 66% Total of EUR 24.5 million over five years | Amortisation/depreciation of 84% EUR 5.9 million | Amortisation/depreciation of 42% EUR 2.7 million |
| No. of employees at the end of the year | 1,405 | 1,421 | 1,369 |
| Debt management (Net debt / EBITDA) | 3.4 | 5.6 | 5.3 |

2.1.1 IMPLEMENTATION OF STRATEGIC DEVELOPMENT OBJECTIVES AND PLANS IN 2017

The situation faced by the Group in the internal and external business environment and forecasts of future market developments served as the basis for the planning of strategic objectives and policies for the period 2015 to 2019.

The pursuit of our vision relies on a strategy comprising four key pillars:

The development and segmentation of logistics products will continue to be based on the development of our three core business lines, with a focus on products and transactions that will yield higher value added and ensure E2E (end-to-end) operations along the entire supply chain.

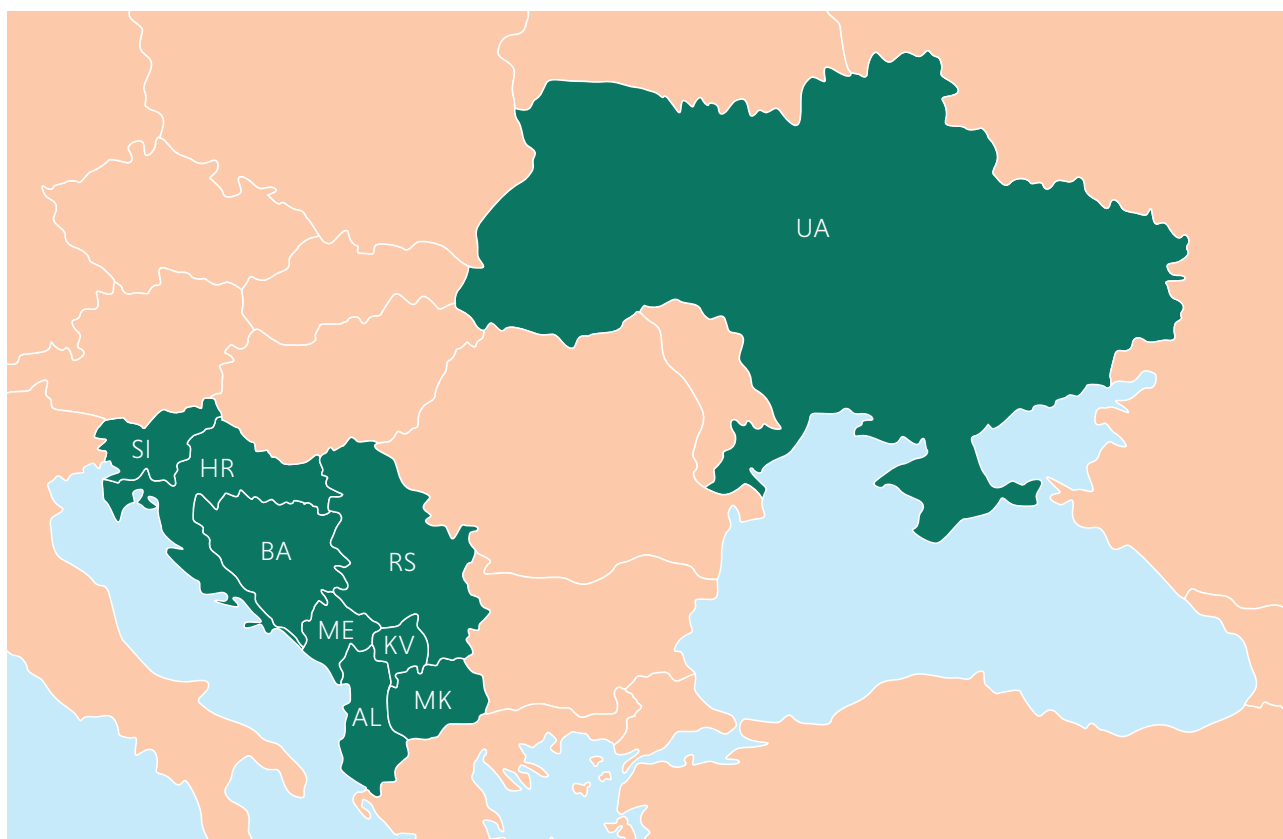
Customer relationship management will continue to receive special attention. A market-based approach is being developed that will rely on the establishment of a marketing strategy, and the monitoring of its implementation and incentives, through which a more effective network marketing model with a focus on a predefined industry and a horizontal approach to the marketing of individual products with higher value added will be put in place.

Geographically, the Group's subsidiaries will continue to be present on the markets of the former Yugoslavia, as well as Albania. The Group will be ready for expansion to south-eastern Europe if the needs of our key customers and opportunities for further development on that market arise.

The effective governance of Group companies is based on a combination of control and coordination mechanisms, where control over financial results remains the basic element of overall control. The objective of increasing the efficiency of the Group as a whole on multiple operational levels will be achieved through consistent periodic communication and appropriate measures aimed at enhancing synergies between Group companies, particularly in the following areas:

- a coordinated and uniform market approach, with an emphasis on core product categories;
- the coordinated management of strategic and key customers;
- the development and optimisation of common logistics products;
- the development of uniform IT support at subsidiaries;
- the transfer of best practices in the optimisation of processes and in preventive measures to manage risks; and
- employee development, with an emphasis on the acquisition and development of knowledge and competences relating to core product categories and key logistics products.

FIGURE 4: NETWORK OF INTEREUROPA GROUP COMPANIES, WITH SUBSIDIARIES IN SLOVENIA, CROATIA, BOSNIA AND HERZEGOVINA, SERBIA, MONTENEGRO, KOSOVO, MACEDONIA, ALBANIA AND THE UKRAINE



2.1.1.1 Implementation of the business plan in 2017

The following key objectives were established for 2017:

- to generate EUR 142.4 million in sales revenue through growth in revenues on all markets, except in the Ukraine, and through growth in all business lines of the core activity, to strengthen cooperation with customers that require integrated logistics solutions through the entire supply chain in the region, and to attract new, profitable clients and strategic customers for the Group;
- to retain and motivate key and perspective employees, to train personnel from the area of sales and marketing and develop services at all Group companies, to introduce an upgraded system for the remuneration of sales and management teams, to maintain flexible forms of employment, to organise training with a primary emphasis on managing, coaching and motivating employees, sales and marketing, IT and the acquisition of specific competences from technical areas, to ensure the health and wellbeing of employees, and to have a total of 1,421 employees at the end of the year;
- to actively manage the costs of services through more favourable purchasing terms in the context of an expected decline in sales margins, to ensure the optimal use and the cost-effectiveness of support functions, and to centralise certain procurement functions;
- to generate EBITDA of EUR 13.7 million and an operating profit (EBIT) of EUR 6.8 million, and to effectively manage working capital and fulfil the commitments set out in the financial restructuring agreement;
- to earmark EUR 5.9 million for investments, and to invest in projects that generate a short-term return, that support the needs of the Group's customers and that are indispensable for preserving the value of assets or that are dictated by the law;
- to reduce the net debt / EBITDA ratio for 2017 to 5.6, in part through the sale of assets, which are not sufficiently utilised in economic terms, as a source for reducing debt; and
- to continue the development of the integrated WexVS IT solution to support the logistics processes of the core business activity at the parent company and at selected subsidiaries, to introduce a platform for business decision-making and a CRM system at the parent company, and to establish a back-up location for server elements and a disaster recovery plan (DRP) for the IT system.

The Intereuropa Group's 2017 sales results exceeded the results achieved the previous year by 11% or EUR 14.3 million, primarily as the result of enhanced sales activities at Group companies on the one hand and favourable

economic conditions on the other. Special emphasis was placed on the intensification of activities in the corporate governance of sales, which will be further enhanced in 2018 with the introduction of a customer relationship management (CRM) system. A great deal of attention was also given to the management of the Group's strategic and key customers.

The Intereuropa Group exceeded planned sales in 2017 by 5% or EUR 7.4 million. Planned sales were exceeded most notably in Slovenia in the sea and road freight segments and in Serbia in the air freight segment, while the most significant lag behind planned sales was recorded in groupage services in Croatia and in the railway freight segment in Ukraine.

A comparison of sales trends by business line indicates that the plan was exceeded in all three business lines, most notably in the intercontinental transport segment, which includes sea and air freight, car logistics and shipping agency services. Growth in the sea freight segment is the result of a structured and more aggressive market approach, primarily on the Group's main market in Slovenia, while growth in the air freight segment is the result of intensified sales activities, with an emphasis on the development of a global partner network and the provision of comprehensive logistics services.

In the context of high growth in sales and price pressures from both suppliers and customers, the Group recorded a decline in sales margins in 2017, most notably in the intercontinental transport segment.

Please refer to section 2.3 Marketing and sales for a more detailed overview and analysis of sales results by business line and service category, and by individual market of the Intereuropa Group.

Despite high growth in sales, the exceeding of planned values and controlled growth in costs, the Group did not generate planned results in terms of EBITDA, EBIT and net profit. The main factors in the Group's EBIT and net profit in 2017 were the unplanned effects of the revaluation of real estate and intangible assets in the negative net amount of EUR 6.0 million and unplanned operating expenses from the creation of impairments for liabilities from past operations and provisions additionally created for lawsuits in the negative amount of EUR 1.3 million total, which also affected the Group's EBITDA. EBITDA was EUR 1 million lower than planned, while EBIT and net profit were EUR 6.5 million and EUR 6.1 million lower than planned, respectively.

The Group generated a loss from financing activities in the amount of EUR 2.3 million in 2017, which was EUR 0.1 million better than planned. The aforementioned deviation from the plan was primarily the result of lower interest expense on loans raised (by EUR 0.3 million).

The Group ensures the effective management of working capital, primarily through the active management of trade receivables, the regular verification of customers' credit ratings and the continuous monitoring of exposure to individual customers. All liabilities to suppliers and creditor banks are settled regularly, while the parent company Intereuropa repaid a portion of its financial liabilities to banks early during the final quarter of the year.

The Group successfully reduced its debt. Its net debt amounted to EUR 67.1 million at the end of 2017, a reduction of EUR 6.4 million during the year, which was seen in an improvement in the Group's net debt / EBITDA ratio. The latter stood at 5.3 in 2017, which was 6.2% lower than planned.

The Group fulfils all commitments set out in the financial restructuring agreement.

The Group's strategic policies place a great deal of emphasis on the development and implementation of new information solutions within the Group. Significant progress was made in 2017 in the computerisation of operations in terms of establishing a uniform information system across the Group. The WexVS IT solution, which is already in use at the parent company and two smaller subsidiaries, was used to support operational activities associated with key products at the subsidiary in Croatia, while activities were carried out to introduce WexVS at three additional subsidiaries. Development activities continued to establish IT support in the sea freight segment at the parent company. The parent company issued two major tenders in 2017, for the introduction of a customer relationship management (CRM) system, and the introduction of a data warehouse and platform for decision-making.

In accordance with the Group's strategic policies, investments were made in 2017 to ensure the appropriate competences of employees, in particular in the area of occupational health and safety, in the acquisition of specific competences from technical areas, and in the supplementation and development of managerial competences, in particular communication skills and management by objectives. A total of 13,633 hours were earmarked for the acquisition of new knowledge. One major challenge faced by the Group is the high rate of turnover of key and perspective personnel. The Group thus dedicates additional attention to recruiting, systematic education and training, and the retention of qualified successors for key positions. The Group had a total of 1,369 employees at the end of 2017, which is 3.7% less than planned and 2.6% less than was envisaged in the business strategy for 2017.

Personnel development activities continued in 2017 with the aim of retaining and appropriately motivating employees. The organisational climate was also measured at the parent company and the subsidiary in Croatia. The results of the survey at the parent company indicate an improvement compared with the previous measurement in the areas of personal growth and employee development, and a deterioration in certain aspects of the quality of the work environment. Numerous activities were carried out to implement measures from the plan to promote health in the workplace due to a rising number of employees on sick leave.

The Intereuropa Group made investments in 2017 in the amount of EUR 2.7 million, representing 45.9% of the annual investment plan for 2017 and 61.1% of planned investments set out in its strategy for 2017. A total of EUR 0.7 million was invested in real estate, while EUR 2.0 million was invested in equipment and intangible assets. The Intereuropa Group sold assets not required for business purposes in the amount of EUR 823 thousand in 2017. A significant portion of funds for investments was earmarked for the upgrading of the Group's fleet of forklifts and freight vehicles (the latter at the subsidiary in the Ukraine), and for logistics capacities.

2.1.2 OBJECTIVES AND BUSINESS PLANS FOR 2018

2.1.2.1 Points of departure of the business plan

While drafting the business plan for 2018, the Intereuropa Group took into account the starting position of the Group as a whole at the end of 2017 and the points of departure set out in the Strategic Plan of the Intereuropa Group for the period 2015 to 2019, as well as trends in the logistics sector and forecasts of economic trends on the Group's key markets.

TABLE 13: FORECASTS OF ECONOMIC TRENDS ON INTEREUROPA'S KEY MARKETS (IN %)

| Country | GDP growth | | Inflation | | Growth in merchandise imports | | Growth in merchandise exports | |
|----------------------|------------|------|-----------|------|-------------------------------|------|-------------------------------|------|
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| EU | 2.3 | 2.1 | 1.5 | 1.9 | 5.0* | 4.2* | 4.5* | 4.1* |
| Slovenia | 4.4 | 3.9 | 1.7 | 1.9 | 9.4 | 8.2 | 9.0 | 8.0 |
| Croatia | 2.9 | 2.7 | 1.0 | 1.2 | 7.2 | 6.2 | 7.6 | 7.5 |
| Bosnia & Herzegovina | 2.5 | 2.6 | 2.3 | 1.4 | 7.0 | 6.2 | 9.1 | 6.6 |
| Serbia | 3.0 | 3.5 | 3.6 | 3.0 | 7.2 | 6.6 | 10.1 | 8.1 |
| Kosovo | 3.5 | 3.5 | 1.0 | 1.8 | -1.2 | 5.7 | 4.2 | 6.1 |
| Montenegro | 3.0 | 2.8 | 1.6 | 2.6 | 5.1 | 6.0 | 5.4 | 3.4 |
| Macedonia | 2.5 | 3.2 | 1.7 | 1.7 | 7.5 | 7.1 | 9.4 | 9.0 |
| Albania | 3.7 | 3.7 | 2.3 | 3.0 | 3.4 | 3.5 | -0.4 | 12.8 |
| Ukraine | 2.0 | 3.2 | 10.0 | 7.0 | 8.3 | 8.2 | 8.1 | 8.7 |

* Data for the euro area.

Sources:

World Economic Outlook, IMF, October 2017; and
IMAD, Slovenian Economic Mirror No 6/2017, November 2017.

2.1.2.2 Business and financial objectives

Taking into account the aforementioned points of departure, the following business and financial objectives were set for the Intereuropa Group for 2018:

Key objectives:

- to generate EUR 157.8 million in sales revenue through growth in revenues on all markets, except in Macedonia, and through growth in all business lines of the core activity in line with market potential, to strengthen cooperation with customers that require integrated logistics solutions through the entire supply chain in the region, and to attract new, profitable clients and key customers that will cooperate with the Group on a regional level;

- to control direct costs and sales margins in the context of growth in sales, through the active management of the costs of services via more favourable purchasing terms, in particular on account of an increase in the scope of operations and the centralisation of certain procurement functions; and
- to generate EBITDA of EUR 14.5 million and an operating profit (EBIT) of EUR 7.4 million.

Other objectives:

- to ensure a business environment that facilitates employees' rapid response to the demands of customers on the market, to maintain flexible forms of employment, and to establish IT support for management by objectives and the management of employee's work efficiency for the effective development of their key competences;
- to ensure the cost-effectiveness of support functions for the performance of logistics processes;
- to effectively manage working capital and fulfil the commitments set out in the financial restructuring agreement;
- to continue the development of the integrated WexVS IT solution to support the logistics processes of the core business activity at the parent company and at selected subsidiaries, and to introduce a data warehouse with a platform for business decision-making and a customer relationship management (CRM) system within the Intereuropa Group;
- to establish a back-up location for server elements of the IT system and a disaster recovery plan (DRP), and to upgrade the secure data storage system;
- to invest EUR 7.9 million in projects that support the needs of the Intereuropa Group's customers, that generate a short-term return and that are indispensable for preserving the value of assets or that are dictated by law; and
- to intensify activities aimed at the sale of commercial real estate that is not required for the provision of logistics services and certain commercial real estate that is not of strategic importance and generates low returns.

TABLE 14: MAIN FINANCIAL OBJECTIVES OF THE INTEREUROPA GROUP 2018

| Indicator | 2018 plan |
|-----------------------------------------|-------------------|
| Sales revenue | EUR 157.8 million |
| EBITDA | EUR 14.5 million |
| Operating profit (EBIT) | EUR 7.4 million |
| Investments | EUR 7.9 million |
| No. of employees at the end of the year | 1,406 |

2.2 ECONOMIC CONDITIONS IN 2017 AND FORECASTS FOR 2018

The global economy is currently in the midst of a cycle of relatively stable growth and favourable conditions. Europe and Japan are recording accelerated growth, compared with stable growth in China and the US, while numerous developing countries are reporting an economic recovery. According to estimates of the International Monetary Fund (IMF), global economic growth was 3.7% in 2017. Projections of global economic growth for this year and next are forecasting growth of 3.9%. GDP growth of 4.9% is expected in 2018. Positive effects have also been seen in demand for logistics and transport services.

The global economy continues to record strong growth, which will be further stimulated by tax cuts in the US. Those cuts are expected to stimulate accelerated demand, particularly for investments, as well as growth in export-oriented economies. In that regard, the IMF also warns of risks that could threaten global economic growth, such as a sharp rise in inflation or interest rates.

Relatively high economic growth continued in the euro area during the final quarter of 2017, while short-term outlooks for growth continue to improve. Activity has risen in all sectors, most notably in manufacturing. Sentiment indicators (e.g. the ESI and PMI) have also improved and have already exceeded their highest pre-crisis levels. The main driver behind growth is rising domestic demand, in particular private consumption and investment, while exports were also higher than the previous year. Favourable conditions can also be seen on the labour market where the unemployment rate is just 3.6%, which has been seen in the strengthening of private consumption. High economic growth also continues in the euro area's other important trading partners, and will be stimulated by both domestic and foreign demand.

Economic activity also continued to strengthen in Slovenia towards the end of last year in the majority of sectors, while the value of the synthetic economic sentiment indicator reached its highest level of the last ten years. Economic growth reached 4.4% in 2017. High year-on-year growth in merchandise exports and imports continued at the end of the year. High year-on-year growth in exports of services also continued, while growth in imports of services strengthened further. Growth in output in the manufacturing sector has increased further, driven by both growth in foreign demand and continuing growth in domestic demand. The continuing recovery of the real estate market and higher government expenditure for investments have contributed to growth in construction activity. The scope of land freight transport increased further over the first three quarters of last year in all transport categories. The increase in household consumption, which was stimulated by favourable trends on the labour market, was most significant in the segments of durables and semi-durables, and leisure-time activities. The high values of consumer and corporate sentiment indicators continue to rise. The further strengthening of the economy can be expected in the coming years. Demographic factors, which will be reflected in lower employment growth and thus disposable income and private consumption, will gradually have an increasing effect on economic growth. Growth in exports will remain high in the next two years.

TABLE 15: ECONOMIC TRENDS ON THE GEOGRAPHIC MARKETS OF THE INTEREUROPA GROUP IN 2017 (IN %)

| | GDP growth (estimate) | Inflation | Growth in merchandise imports | Growth in merchandise exports |
|----------------------|--------------------------|------------|-------------------------------------|-------------------------------------|
| EU | 2.3 | 1.5 | 5.0* | 4.5* |
| Slovenia | 4.4 | 1.7 | 9.4 | 9.0 |
| Croatia | 2.9 | 1.0 | 7.2 | 7.6 |
| Bosnia & Herzegovina | 2.5 | 2.3 | 7.0 | 9.1 |
| Serbia | 3.0 | 3.6 | 7.2 | 10.1 |
| Kosovo | 3.5 | 1.0 | -1.2 | 4.2 |
| Montenegro | 3.0 | 1.6 | 5.1 | 5.4 |
| Macedonia | 2.5 | 1.7 | 7.5 | 9.4 |
| Albania | 3.7 | 2.3 | 3.4 | -0.4 |
| Ukraine | 2.0 | 10.0 | 8.3 | 8.1 |

* Data for the euro area.

Sources:

Institute of Macroeconomic Analysis and Development, Slovenian Economic Mirror No 1/2018, February 2018; and International Monetary Fund, World Economic Outlook Data, October 2017, February 2018.

Economic growth is expected to slow slightly in Croatia in 2018. Unemployment is expected to fall which, together with high inflows from tourism, will support private consumption. Growth in fixed investments is expected to accelerate due to higher inflows of EU funds. Uncertainty remains with regard to the restructuring of Agrokor, which must conclude a final agreement on the settlement of its debt-based liabilities by the end of July 2018.

The Serbian economy recorded slightly more modest growth in 2017 than the previous year. A flexible fiscal and monetary policy is expected to stimulate domestic consumption in 2018, while strong demand from Europe is expected to have an additional impact on the foreign trade.

The lower unemployment rate in Montenegro resulted in higher domestic consumption, while growth in the tourism sector and industrial output in the fourth quarter of 2017 also had a positive effect on economic growth. Government initiatives aimed at fiscal consolidation will have a significant impact on the Montenegrin economy in 2018. Consumption and investment are both expected to growth on account of major infrastructure projects.

Higher economic growth was recorded during the second half of the year in Bosnia and Herzegovina than in the first six months. The government made significant progress in the political arena in December 2017 when parliament approved an increase in excise tax on fuels, which was a precondition for the release of close to EUR 1.2 billion in international loans. The IMF has announced that it will release EUR 550 million in frozen funds, which could stimulate a new cycle of economic growth in 2018.

Following political instability at the beginning of 2017, signs have been seen in Macedonia of an improving economy, although the latter remains weak. Slightly lower unemployment resulted in an increase in household consumption and growth in foreign trade. Improving political stability and a flexible monetary policy could kick-start economic growth in 2018.

Direct foreign investment, such as the construction of a power plant and the continued construction of the highway to Skopje, and strengthened foreign trade will contribute to the continuation of economic growth in Kosovo in 2018.

GDP growth has slowed in Albania, which is reflection of weak growth in fixed investments, as that country has begun to reduce expenditure for energy. On the other hand, private consumption was up on the back of the lowest unemployment rate to date (which improved consumer confidence), a flexible monetary policy and sharp wage growth. European demand for Albanian services and goods is expected to increase in the future, while domestic demand is expected to strengthen and banking terms are expected to improve.

Political instability in the Ukraine, an economic blockade of rebel areas where industrial output is hindered, and the severing of the region's links with the rest of the country continue to slow the economic recovery. In the political arena, there is a lack of progress in structural reforms, which in turn hinders assistance from the IMF and threatens the confidence of investors.

TABLE 16: FORECAST GDP GROWTH IN 2018 AND 2019 ON THE INTEREUROPA GROUP'S GEOGRAPHICAL MARKETS (IN %)

| | 2018 | 2019 |
|----------------------|------------|------------|
| EU | 2.1 | 1.8 |
| Slovenia | 3.9 | 3.2 |
| Croatia | 2.7 | 2.5 |
| Bosnia & Herzegovina | 2.6 | 2.7 |
| Serbia | 3.5 | 3.5 |
| Kosovo | 3.5 | 3.6 |
| Montenegro | 2.8 | 2.7 |
| Macedonia | 3.2 | 3.4 |
| Albania | 3.7 | 3.8 |
| Ukraine | 3.2 | 3.5 |

Sources:

Institute of Macroeconomic Analysis and Development, Slovenian Economic Mirror No 1/2018, February 2018; and International Monetary Fund, World Economic Outlook Data, October 2017, February 2018.

Sources for the section Economic conditions in 2017 and forecasts for 2018:

- Institute of Macroeconomic Analysis and Development, Slovenian Economic Mirror No 1/2018, February 2018;
- Institute of Macroeconomic Analysis and Development, Autumn forecast of economic trends in 2017, September 2017;
- International Monetary Fund, World Economic Outlook Update, "Brighter Prospects, Optimistic Markets, Challenges Ahead", January 2018; and
- Focus Economics, February 2018.

2.3 MARKETING AND SALES

The Intereuropa Group generated EUR 149.9 million in revenues from sales of its services in 2017, an increase of 11% on the results achieved in 2016. The majority of Group companies recorded an increase in sales revenue relative to the same period in 2016, most notably the parent company Intereuropa d.d., and the subsidiaries in Serbia and Macedonia. Lower sales revenue was generated by the subsidiary in Albania, Interagent d.o.o., Koper and TOV TEK ZTS, Uzhhorod, which recorded the sharpest decline.

The sharpest increase in sales revenue was recorded in the intercontinental transport segment, where sales revenue totalled EUR 40.6 million in 2017, an increase of 17% relative to the previous year and 14% above the planned level. Revenues generated by the intercontinental transport segment accounted for 27% of total sales revenue. Growth in the sea freight segment is the result of a structured and more aggressive sales approach, primarily on the Group's main market in Slovenia, while growth in the air freight segment is the result of intensified sales activities, with an emphasis on the development of a global partner network and the provision of comprehensive logistics services.

The logistics solutions segment also recorded high growth in 2017, when it generated EUR 21.8 million in sales revenue, an increase of 15% on 2016 and 8% above planned sales. Primarily at companies in Slovenia and Croatia, this was the result of numerous activities to utilise warehouse capacities and secure new transactions with higher value added.

The highest proportion of the Intereuropa Group's sales revenue was accounted for by the land transport segment, which generated EUR 80.9 million in sales revenue in 2017, an increase of 7% on 2016 and 1% above planned sales. Growth in sales revenue in the land transport segment was the result of growth in the number of physical transactions and rising market prices of land transport services. The highest growth was recorded in the road transport segment at the parent company, while the sharpest decline was recorded in the railway freight segment at the subsidiary in the Ukraine.

TABLE 17: SALES REVENUE OF THE INTEREUROPA GROUP IN 2017 BY BUSINESS LINE

| | Business line | 2017 (in EUR thousand) | Structure | Index 2017/plan | Index 2017/2016 |
|---|----------------------------|------------------------------|--------------|--------------------|--------------------|
| 1 | Land transport | 80,945 | 54 % | 101 | 107 |
| 2 | Logistics solutions | 21,842 | 15 % | 108 | 115 |
| 3 | Intercontinental transport | 40,578 | 27 % | 114 | 117 |
| 4 | Other services | 6,524 | 4 % | 99 | 99 |
| | TOTAL | 149,889 | 100 % | 105 | 111 |

Companies in Slovenia generated slightly more than two thirds of the Group's total sales revenue. The total revenues generated by companies in Slovenia were up by 14% relative to the previous year. The subsidiaries in Serbia, Macedonia and Montenegro also recorded high growth.

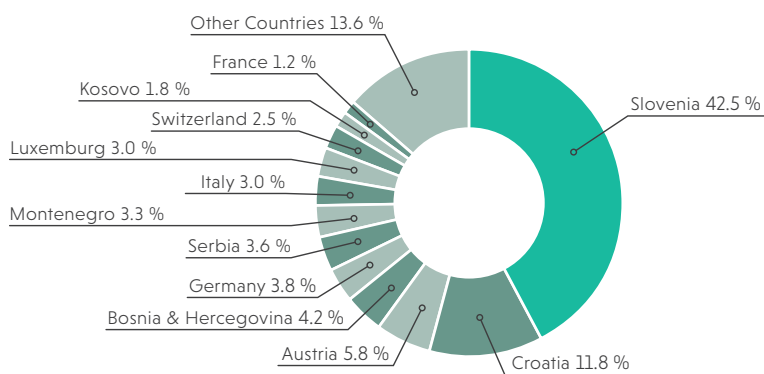
TABLE 18: SALES REVENUE OF THE INTEREUROPA GROUP IN 2017 BY COUNTRY

| | Country | 2017 (in EUR thousand) | Structure | Index 2017/plan | Index 2017/2016 |
|---|----------------------|------------------------------|--------------|--------------------|--------------------|
| 1 | Slovenia | 101,271 | 68 % | 107 | 114 |
| 2 | Croatia | 21,169 | 14 % | 96 | 103 |
| 3 | Bosnia & Herzegovina | 6,542 | 4 % | 99 | 99 |
| 4 | Serbia | 6,104 | 4 % | 130 | 146 |
| 5 | Macedonia | 2,002 | 1 % | 118 | 143 |
| 6 | Kosovo | 2,874 | 2 % | 96 | 102 |
| 7 | Montenegro | 6,027 | 4 % | 108 | 112 |
| 8 | Albania | 405 | 0 % | 84 | 96 |
| 9 | Ukraine | 3,496 | 2 % | 87 | 64 |
| | EU countries | 122,440 | 82 % | 105 | 112 |
| | Non-EU countries | 27,449 | 18 % | 105 | 104 |
| | TOTAL | 149,889 | 100 % | 105 | 111 |

* Sales revenue by country is presented with respect to a company's head office.

In terms of size, sector and geographical coverage, the structure of customers is very diverse, particularly in the EU and the Balkans. More than three quarters of customers in 2017 were from EU countries (78%), with the majority of those from Slovenia (42.5%) and Croatia (11.8%). A total of 14% of customers were from the countries of the former Yugoslavia (excluding Slovenia and Croatia).

FIGURE 5: STRUCTURE OF SALES REVENUE OF THE INTEREUROPA GROUP BY COUNTRY IN 2017 WITH RESPECT TO A CUSTOMER'S HEAD OFFICE



2.3.1 LAND TRANSPORT

The land transport segment generates more than one half of the Intereuropa Group's sales revenue. The aforementioned segment generated net sales revenue of EUR 80.9 million in 2017, representing 54% of the Group's sales. The highest proportion or 60% of sales revenue was generated by the parent company in Slovenia.

Sales revenue in this segment at the Group level was up 7% on the amount achieved in 2016. Contributing most to the growth in this segment's revenues was an increase in revenues at the parent company in Slovenia, where 14% growth in sales revenue was achieved relative to 2016. In addition to Slovenia, the companies in Macedonia, Serbia and Montenegro also contributed to growth in sales. The highest growth in sales in terms of products was recorded by the road transport segment, where sales revenue at the Group level was up by 19% relative to 2016.

Outside of Slovenia, the land transport segment exceeded the previous year's sale revenue in Serbia, Bosnia and Herzegovina, Montenegro, Macedonia and Kosovo. Sales revenue was down relative to 2016 at the companies in the Ukraine, Croatia and Albania.

The land transport segment exceeded the previous year's sales in all key sub-segments: groupage, domestic transport, road transport and customs clearance services. Only the sales revenue of the railway freight segment (where the largest drop in turnover was recorded by the company in the Ukraine) was down on the previous year's results in 2017.

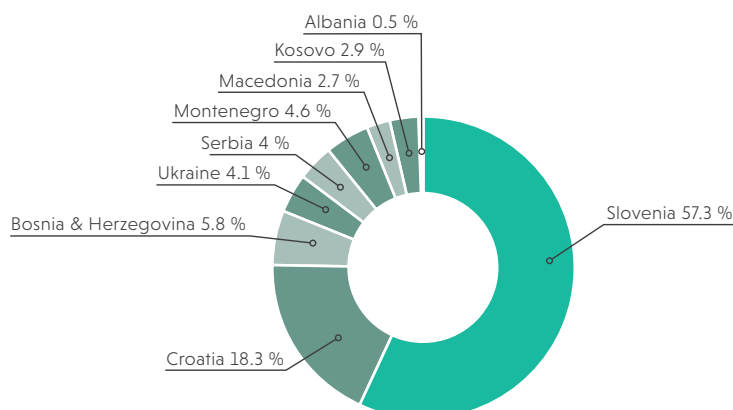
The land transport segment faced major challenges in 2017 in the area of implementation as the result of a sharp increase in demand for transport and logistics services in the region and beyond.

Growth in sales revenue in the land transport segment was primarily the result of growth in the number of physical transactions. Despite growth in the physical number of transactions, the sales revenue generated by the land transport segment was down in 2016, largely as the result of pressure from customers to reduce selling prices. The trend of falling selling prices eased in 2017 due to increased market demand for land transport services.

Despite favourable macroeconomic indicators, the land transport segment still faces aggressive competition on the market and immense pressure from suppliers to raise purchase prices. Due to the complex market situation, the land transport segment continued to face falling sales margins in 2017, despite growth in revenues.

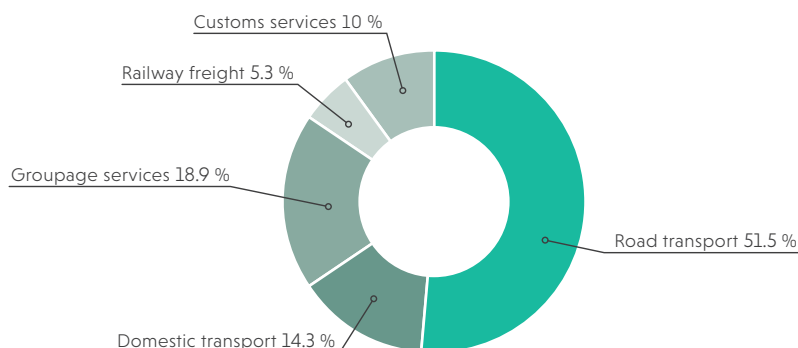
The land transport market remains highly competitive and faces continuous demand from customers to raise the quality of services. For this reason, investments in the knowledge of employees and the necessary equipment are crucial for ensuring the competitiveness of services and continued growth in sales. A lack of financial discipline remains a major problem on certain markets where the Group operates and further affects decisions to secure new transactions, as well as operations with certain existing customers. The economic and political situation in certain countries where the Group is present, particularly in the Ukraine, has also affected the results of the land transport segment for several years. Direct costs and, above all, the costs of fuel and road tolls also have a significant impact on the current operations of this segment.

FIGURE 6: STRUCTURE OF SALES REVENUE OF THE INTEREUROPA GROUP BY COUNTRY IN THE LAND TRANSPORT SEGMENT



The parent company accounted for 57% of total revenues generated by the land transport segment in 2017, an increase of 3 percentage points relative to 2016.

FIGURE 7: STRUCTURE OF SALES REVENUE OF THE INTEREUROPA GROUP BY INDIVIDUAL PRODUCT IN THE LAND TRANSPORT SEGMENT



The structure of revenues by individual product in the land transport segment changed slightly in 2017 relative to 2016. The proportion of sales accounted for by the railway freight segment was down, while the proportion accounted for by the road transport segment was up. The proportions of total sales accounted for by other products were similar to the previous year.

Intensified activities will continue in the land transport segment in 2018 to computerise operations, optimise processes and ensure the traceability that the Intereuropa Group's customers expect. The new WexVS IT solution was successfully introduced in Croatia in 2017. The introduction of WexVS will continue in 2018 in Bosnia and Herzegovina, Montenegro and Serbia.

In addition to the introduction of WexVS, the following is planned in 2018:

- the introduction of a CRM system in Slovenia and Croatia, and then at remaining subsidiaries;
- the launch of a new web portal for use by transporters in Slovenia; and
- the development of a mobile application for drivers that will significantly improve the tracking of shipments in the road transport segment.

The land transport segment has set ambitious goals for 2018 in terms of the computerisation of operations, with the aim of ensuring the high quality of services and sufficient capacities to cover the growing needs of key customers in this area.

2.3.1.1 Road transport

Of the services provided by the Intereuropa Group, the road transport segment accounts for the largest proportion (28%) of total sales revenue, and also accounts for 51% of sales of land transport services.

The sales revenue generated by the road transport segment in 2017 exceeded the previous year's results by 19% and was 9% higher than planned. The parent company generated 72% of all sales revenue in the road transport segment, and achieved 22% growth relative to the previous year.

High growth was also recorded in the road transport segment in Serbia, Bosnia and Herzegovina, Montenegro, Macedonia and Kosovo in 2017. The companies in Macedonia, Serbia and Montenegro recorded the highest growth in sales relative to the previous year.

The Intereuropa Group had a fleet of 42 heavy freight vehicles at its disposal in 2017. The subsidiary Intereuropa, logističke usluge d.o.o., Zagreb operated a fleet of 16 company-owned heavy freight vehicles in 2017, when it recorded a 3% decline in sales revenue relative to 2016.

The sales revenue generated in the road transport segment by the subsidiary TOV TEK ZTS, Uzhhorod, which owns a fleet of 18 heavy freight vehicles, was down 7% relative to 2016.

Objectives for 2018 include:

- the implementation of intensified commercial activities in the international road transport segment at the Group level;
- the implementation of selected measures with the aim of improving control over the quality of services of the Group's suppliers and better control over input costs;
- the establishment of a more effective information link with the suppliers of road transport services and the expansion of the base of contracted transporters;
- internal employee training with the objective of managing risks associated with international road transport; and
- the transfer of knowledge and best practices within the Group.

2.3.1.2 Groupage services

Sales revenue from groupage services was up 3% in 2017 relative to 2016. More than three quarters of the Group's total revenues are generated in Slovenia, where the number of shipments was up by 3% and sales revenue was up by 6%. Growth was recorded by all companies, except the subsidiaries in Bosnia and Herzegovina and Croatia. The highest growth was recorded by the company in Montenegro. Intereuropa established cooperation with a new partner in Italy in February. France is also covered through the same partner. The WexVS IT solution was introduced in Croatia in March, which resulted in re-booking between products and a slightly different disclosure of results by product compared with the previous year.

Objectives for 2018 include:

- to maintain and strengthen the Group's role as the leading provider of groupage services in Slovenia, Croatia, Bosnia and Herzegovina and Serbia, and to increase market shares in all other countries where the Intereuropa Group is present through its subsidiaries;
- to optimise the partner network on certain markets;
- to implement intensified commercial activities on the domestic market and through partnerships abroad;
- to implement the new WexVS IT solution in the groupage segment at the company in Bosnia and Herzegovina;
- to further increase the scope of electronic data exchange with foreign partners, in particular the exchange of orders and the provision of shipment tracking statuses;
- to continuously optimise processes with the aim of shortening transit times, increasing frequency and reducing the cost of groupage deliveries; and
- to improve the quality of service through the use of measures based on the relevant quality indicators.

2.3.1.3 Domestic transport

The sales revenue generated by the domestic transport segment in 2017 was up by 2% relative to the previous financial year and 5% lower than planned. Having a significant impact in this regard was the different disclosure/capture of results by product following the implementation of the WexVS IT solution in Croatia. Domestic transport is an important support service for the Group's other segments. As a stand-alone product, it faces extreme price pressures on local markets. All Group companies carry out continuous activities aimed at the optimisation of processes, the control of costs and the search for the optimal implementation solutions that will preserve the quality of services at the highest level and reduce implementation costs. Centralised product management was introduced at the parent company in 2017. The key objectives of reorganisation, i.e. improved productivity and centralised product management, were thus achieved. The WexVS IT solution was introduced in Croatia, and with it the introduction of a new solution for the performance of work processes in the field. The aforementioned solution works on mobile phones with the Android operating system.

Objectives for 2018 include:

- to implement a project to optimise the organisation of work and processes in Croatia;
- to centralise product management and/or certain product functions in Croatia;
- to further specialise jobs in Slovenia;
- to upgrade the web application for issuing orders, with the aim of providing users additional functionalities and appropriate support;
- to continuously develop distribution services in countries where Intereuropa is present via its subsidiaries, with the aim of providing the appropriate support for other products and selected product categories, and adapting to market requirements; and
- to introduce the WexVS IT solution in the domestic transport segment in Bosnia and Herzegovina and to exploit the advantages that the aforementioned solution provides.

2.3.1.4 Customs services

Through the provision of customs services, the land transport segment generated EUR 8 million in sales revenue in 2017, an increase of 4% relative to 2016. More than one half (51%) of sales revenue from customs services was generated by the land transport segment in Slovenia and Croatia. Montenegro, which generated 20% of sales revenue from customs services, also accounts for a significant proportion of the total.

Objectives for 2018 include:

- to complete the project aimed at the exchange of export customs declarations between Group companies;
- to educate and train employees with the aim of maintaining knowledge at the highest level;
- to continuously reduce the costs associated with operational errors through procedures aimed at managing reclamations and eliminating instances of non-compliance in the work process;
- to renew authorisations for simplified customs procedures in Slovenia; and
- to make preparations for pending changes to customs regulations.

2.3.1.5 Railway freight

Sales revenue generated by the railway freight segment in 2017 was down 19% relative to 2016. The main factor in the sales revenue generated by this segment was the situation at TOV TEK ZTS, Uzhhorod, where sales revenue from railway freight was down 43% relative to the previous year. The subsidiary in the Ukraine accounts for 60% of the sales revenue generated by the railway freight segment, while the parent company in Slovenia accounts for the remaining 40%. The latter recorded a 13% drop in sales compared with the previous year.

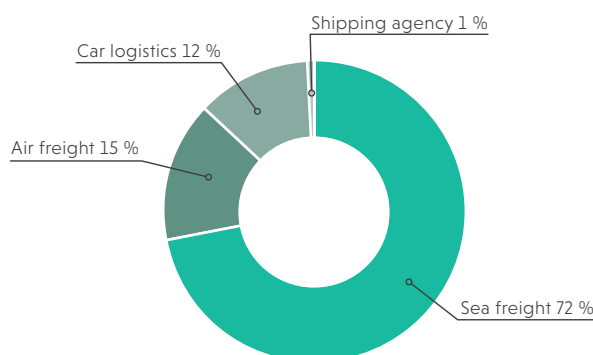
2.3.2 INTERCONTINENTAL TRANSPORT

Revenues generated by the intercontinental transport segment amounted to EUR 40.6 million in 2017, an increase of 17% relative to 2016 and 14% higher than planned sales. Sales of all products were higher than planned, with the exception of RO-RO and shipping agency services. Revenues generated by the intercontinental transport segment accounted for 27% of the Group's total revenues.

The sea freight and air freight industries were subject to immense pressures throughout the year, which was reflected in the volatility of sea freight rates and air freight terms, and in the spatial capacities of shipping companies and airlines. The predicted mergers and acquisitions between major shipping companies actually occurred in 2017, which stabilised the market somewhat, while faster growth in shipping capacities than in demand also contributed to that stabilisation. On the air freight market, instability in prices and available capacities rose slightly, which was in part the result of difficulties faced by certain commercial airlines.

The highest growth in sales relative to 2016 was recorded by the air freight segment.

FIGURE 8: STRUCTURE OF SALES REVENUES BY INDIVIDUAL PRODUCT IN THE INTERCONTINENTAL TRANSPORT SEGMENT



2.3.2.1 Sea freight

The sea freight segment comprises full container load (FCL) and less than container load (LCL) services, the transport of conventional cargoes and RO-RO (ferry transport) services. The sea freight segment also includes shipping agency services, which are provided in Slovenia by the subsidiary Interagent d.o.o. and at the Group level by the responsible departments of subsidiaries.

The sea freight segment (including shipping agency services) generated total sales revenue of EUR 29.8 million in 2017, an increase of 15% on the previous year. Planned sales revenue was exceeded by EUR 4.5 million on the key Slovenian market.

Revenues in the container transport segment amounted to EUR 16.1 million in 2017, meaning 2016 sales were exceeded by 16%, while sales targets were exceeded by 9%. Significant growth was achieved in Slovenia, where quantities of transhipped goods in import and export were for the most part higher than the previous year. Good business results in the container transport segment are also reflected in the high utilisation rate of warehouse facilities in Koper and in the extremely good performance of these warehouses. The high growth in quantities was also the result of a more structured and aggressive market approach, primarily on the Intereuropa Group's main market in Slovenia.

Revenues in the conventional sea freight segment amounted to EUR 12.2 million in 2017, meaning 2016 sales were exceeded by 16%, while sales targets were exceeded by 14%. The conventional cargo segment is largely dependent on the operations of the Port of Koper, where record growth was recorded in certain categories of goods and thus growth in revenues.

Revenues in the RO-RO segment amounted to EUR 966 thousand, a decrease of 13% relative to 2016 and 14% below planned revenues. Failure to achieve planned results is an indication of a drop in the volume of project goods via the Port of Koper, on both the import and export side. Certain planned transactions were postponed until 2018 or the cargo in question was redirected to other ports, which resulted in a deviation from planned revenues.

Also failing to meet expectations was the performance of the shipping agency segment, where sales fell and lagged behind planned values following the loss of the agency services of a container shipping company. Sales revenue amounted to EUR 481 thousand, which was 21% or EUR 131 thousand below planned sales.

The development of the sea freight segment also depends on IT support for key operational and commercial processes. Activities continued in Slovenia in 2017 to introduce the WexVS IT solution for all sea freight products, except for shipping agency services, where that solution was introduced back in 2016. The completion of testing and the start of use of the WexVS IT solution in Slovenia is planned in 2018.

2.3.2.2 Car logistics

In terms of new vehicle logistics, growth was recorded in 2017 in the physical volume of vehicles dispatched through the Port of Koper, and through Intereuropa's car terminals in Koper and Logatec. The positive trend in the automotive industry continues, in particular growth in exports of new vehicles produced in Europe.

Revenues amounted to EUR 4.9 million in 2017, an increase of 16% relative to 2016 and 3% above planned revenues.

Growth in sales revenue was the result of a higher number of vehicles handled via the port. Growth of 15% in the number of vehicles handled was achieved relative to the previous year. That growth was associated with the development of operations for Daimler-Mercedes vehicles, and with some traditional customers that increased the number of vehicles on the markets of Slovenia and SE Europe. Growth was recorded in the number of vehicles stored at the Group's car terminals in Slovenia and Serbia which, in the context of favourable turnover, contributed significantly to growth in revenues in 2017.

The car logistics segment is one of the stable products of the intercontinental transport segment and the Group as a whole. Based on positive trends in the automotive industry, growth in revenues in this segment is also expected in 2018. Key customers are forecasting growth in the volume of vehicles shipped via the port and Intereuropa's car terminals.

2.3.2.3 Air freight

Sales by the air freight segment in 2017 exceeded sales recorded in 2016 by 44% and were 70% higher than planned. Sales revenue amounted to EUR 5.9 million. The aforementioned segment performed better than expected on all of the Group's markets, except Bosnia and Herzegovina, Macedonia and Kosovo. Sales targets were exceeded by 24% on the key Slovenian market. On the Serbian market, air freight deliveries, primarily to Middle East markets, were carried out via charter flights from the Niš and Belgrade airports. The Group's role as GSA (General Sales Agent) for the Turkish carrier Pegasus Airlines continues to develop. Sales targets were exceeded by 111% on the Serbian market. Planned revenues were also exceeded (by 71%) on the Group's third key market, Croatia.

The development of air freight continues to be closely linked to cooperation with and the continued development of the global partner network, which is a crucial precondition for achieving cost competitiveness and providing comprehensive logistics services at the beginning and end of the logistics process. The proportion of revenues accounted for by partner networks is on the rise.

An active sales presence on the Group's local markets remains a core objective. The conditions required for increased sales activities will be ensured with the introduction of a CRM system and the introduction of the WexVS IT solution at the Group's subsidiaries.

Growth in sales revenue of 44% was achieved in the air freight segment, while growth is expected again in 2018 on all of the Group's key markets. Special attention will continue to be given to strengthening partnerships and ensuring an active sales presence at customers.

2.3.2.4 Plans for 2018

Ambitious plans have been set for 2018, as significant growth in sales revenue from all intercontinental transport products is expected. Significant activities to achieve planned revenue targets are as follows:

- the active development of the direct marketing of sea freight products at the Intereuropa Group's shipping agency offices along the east coast of the Adriatic Sea and air freight products at all of the Group's offices, with an emphasis on the management of more comprehensive supply chains in the region and in Central Europe;
- the tracking of project cargo in the RO-RO segment;
- support for project air freight and/or cargo via airports in the Balkans in the context of chartered air freight services;
- the centralisation of the procurement function for air freight products, with a main office at the airport in Ljubljana;
- the active search for the agency services of shipping companies in all segments, with service through ports on the Adriatic Sea;
- the development of the agency services of an air freight carrier in the region;
- active cooperation and promotional activities with overseas partner networks in the search for new transactions and joint agreements for competitive purchasing terms;
- the development and introduction of IT support for the Group's sea freight products in Slovenia;
- the inventory and optimisation of processes to improve control over the operations and development of existing customers;
- active control of sales activities on all markets where the Group is present, and support for those activities from a product manager;
- increase in quantities in the container transport segment in all countries where the Group is present;
- support for and promotion of internal communication between Group companies; and
- the organisation of professional workshops throughout the Group with the aim of continuous employee education and training.

2.3.3 LOGISTICS SOLUTIONS

There was a significant improvement in the business climate on the Slovenian market in 2017 in terms of demand for warehouse capacities, while this has not yet been seen on the other markets on which Intereuropa operates. Particularly in Croatia and on smaller markets, the scope of operations and the merchandise inventories of the Group's customers remain at relatively low levels. The Group also faces pressures on the prices of logistics services and the exchange of logistics concepts.

The Group generated revenues from the sale of logistics solutions in the amount of EUR 21.8 million in 2017, representing 15% of the Group's total sales. The Group exceeded planned sales of logistics solutions in 2017 by 8% and the results achieved in 2016 by 15%.

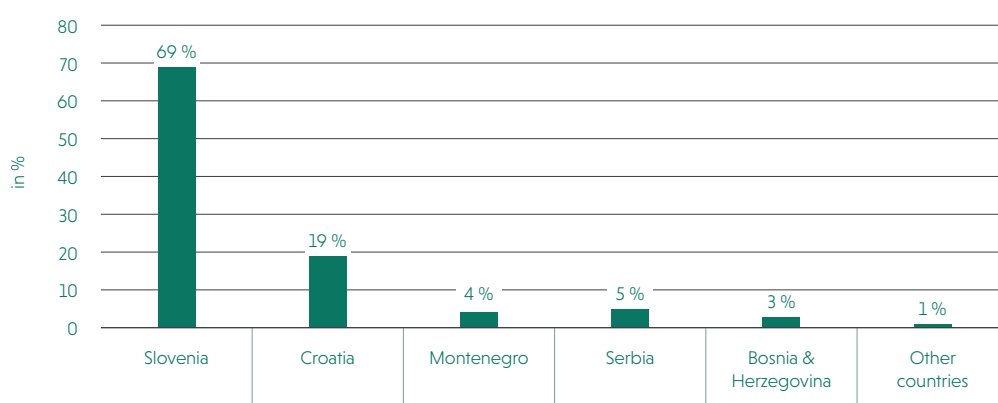
In Slovenia, as the largest key market accounting for 69% of sales of logistics solutions, planned targets were exceeded by 8%, while last year's results were exceeded by 16%. Nearly all warehouse capacities in Slovenia are utilised.

The second largest market for logistics solutions is Croatia, which accounts for 19% of sales in this business line. Planned sales targets were exceeded by 16% in Croatia, while last year's results were exceeded by 24%. This result is primarily due to a change in the booking of sales, from other products lines to logistics solutions, following the introduction of the WexVS IT solution.

Planned sales targets for logistics solutions were exceeded in Bosnia and Herzegovina (by 8%), Montenegro (by 4%), Macedonia (by 12%) and Kosovo (by 2%). Sales in Serbia were 7% below planned targets.

Numerous activities were carried out, particularly at companies in Slovenia and Croatia, to utilise warehouse capacities and secure new transactions with higher value added. The results of those activities in Slovenia were increased sales and thus the increased profitability of warehouses.

FIGURE 9: STRUCTURE OF SALES REVENUE OF THE INTEREUROPA GROUP BY COUNTRY IN THE LOGISTICS SOLUTIONS SEGMENT



The Group continued to standardise and optimise logistics processes in 2017, particularly in the warehousing and storage segment. Data interfaces (EDI connections) were established with certain key customers. In technological terms, the implementation of integrated IT support for warehousing operations continued in Slovenia and Croatia.

New warehouse facilities were leased in Šenčur with a capacity of 1,500 m² for warehousing and storage needs, while 21 electric-powered and seven gas-powered forklifts were purchased. Lighting was renovated in 2017 at warehouses and business premises in Ljubljana, Vrtojba, Šenčur, Koper, Zagreb and Sarajevo. In the majority of cases, new energy-saving lighting technology was used.

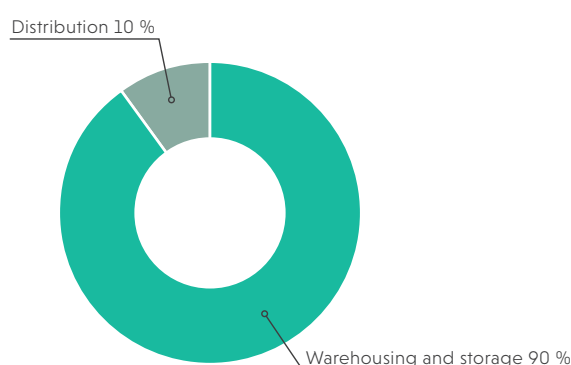
2.3.3.1 Warehousing and storage

The Group generated EUR 19.6 million in revenues from the sale of warehousing and storage services in 2017, which translates to 13% of the Group's sales and 90% of sales revenue from the logistics solutions segment. Growth in sales revenue of 10% was achieved relative to 2016, while planned results were exceeded by 3%. Planned sales were exceeded on both key logistics solutions markets. Growth in sales of 13% was achieved in Slovenia, while planned sales were exceeded by 6%. The Group achieved 4% growth in sales in Croatia, but sales were 6% lower than planned.

2.3.3.2 Distribution

A total of EUR 2.1 million in revenues was generated from the sale of distribution services in 2017, which represents 1.5% of the Intereuropa Group's sales and 10% of sales revenue from logistics services. Sales doubled relative to 2016 during the accounting period, while planned results were exceeded by 98%. These results can be attributed to re-booking between products with the introduction of the WexVS IT solution.

FIGURE 10: STRUCTURE OF SALES REVENUE OF THE INTEREUROPA GROUP BY INDIVIDUAL PRODUCT



2.3.3.3 Logistics projects

Through the individual treatment of every customer, the Intereuropa Group provides tailor-made logistics services that include various products offered by the Group, such as warehousing and storage, groupage services, distribution, sea and air freight services, and customs clearance services. These types of logistics services are very complex, and require a high level of expertise and a project-based approach. A partnership is established with the customer at the beginning of a project. The project team typically includes the customer's own experts and experts from Intereuropa Group. During the implementation of logistics projects, we facilitate the computer-aided tracking of goods, while ensuring full control over the location and status of goods through the computer-aided exchange of data.

2.3.3.4 Plans for 2018

Key activities for the logistics solutions segment in 2018 include:

- the development of partnerships and enhanced cooperation with current customers;
- the securing of new logistics projects, primarily aimed at utilising free storage capacities in Slovenia (Logatec) and Croatia;
- investment in warehouse capacities in Slovenia due to the expansion of a major customer's operations;
- the continued introduction of IT support for the needs of logistics solutions in Slovenia and the introduction of an electronic data interchange (EDI);
- the improvement of energy efficiency (the introduction of LED lighting and the replacement of the propulsion source for forklifts, from natural gas to electricity); and
- the continued specialisation and optimisation of logistic processes by product category.

2.4 ANALYSIS OF OPERATIONS

The business results of the Intereuropa Group in 2017 were characterised by high growth in sales revenue and a reduction in debt.

Revaluations of fixed assets (primarily real estate), which were carried out on the basis of appraisals of the fair value of real estate received during the compilation of the 2017 financial statements, had a significant impact on the Intereuropa Group's equity and its operating results. A material error in the financial statements of the Intereuropa Group in previous years was also recognised in that regard. Changes are explained in detail in the financial report on page 120.

2.4.1 PERFORMANCE

2.4.1.1 Significant operating indicators in the period 2014 to 2017

TABLE 19: OPERATING INDICATORS OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA D.D. FOR THE PERIOD 2014 TO 2017 (IN EUR THOUSAND)

| | Group | | | | Parent company | | | |
|-----------------------------------------|---------|---------|---------|---------|----------------|---------|---------|---------|
| | 2014** | 2015** | 2016* | 2017 | 2014 | 2015 | 2016 | 2017 |
| Sales revenue | 140,769 | 134,613 | 135,596 | 149,889 | 90,723 | 91,492 | 91,052 | 103,976 |
| EBITDA | 11,258 | 10,759 | 13,338 | 12,737 | 7,516 | 7,578 | 8,722 | 8,530 |
| proportion of sales (in %) | 8.0 | 8.0 | 9.8 | 8.5 | 8.3 | 8.3 | 9.6 | 8.2 |
| Adjusted EBITDA*** | 10,520 | 11,684 | 12,455 | 13,094 | 7,045 | 7,753 | 8,207 | 8,893 |
| proportion of sales (in %) | 7.5 | 8.7 | 9.2 | 8.7 | 7.8 | 8.5 | 9.0 | 8.6 |
| EBIT | 4,524 | 4,224 | 7,606 | 311 | 3,547 | 3,624 | 4,708 | 2,783 |
| proportion of sales (in %) | 3.2 | 3.1 | 5.6 | 0.2 | 3.9 | 4.0 | 5.2 | 2.7 |
| Adjusted EBIT**** | 3,865 | 5,182 | 6,298 | 6,740 | 3,153 | 3,831 | 4,273 | 4,853 |
| proportion of sales (in %) | 2.7 | 3.8 | 4.6 | 4.5 | 3.5 | 4.2 | 4.7 | 4.7 |
| Net profit or loss | -199 | 288 | -1,604 | -1,979 | 339 | 1,229 | -3,455 | 340 |
| proportion of sales (in %) | -0.1 | 0.2 | -1.2 | -1.3 | 0.4 | 1.3 | -3.8 | 0.3 |
| Assets | 295,228 | 291,893 | 242,099 | 233,759 | 228,976 | 226,292 | 190,731 | 184,366 |
| ROA (in %) | -0.1 | 0.1 | -0.6 | -0.8 | 0.1 | 0.5 | -1.7 | 0.2 |
| Equity | 147,110 | 147,137 | 124,341 | 121,136 | 96,753 | 97,976 | 87,118 | 84,884 |
| ROE (in %) | -0.1 | 0.2 | -1.2 | -1.6 | 0.3 | 1.3 | -3.7 | 0.4 |
| Investments in fixed assets | 2,450 | 3,962 | 3,741 | 2,690 | 1,510 | 2,153 | 2,325 | 1,578 |
| No. of employees at the end of the year | 1,425 | 1,417 | 1,374 | 1,369 | 618 | 623 | 606 | 589 |

* Data for 2016 were recalculated in 2017 due to the correction of a material error. Changes are explained in detail in the financial report on page 120.

** Data for 2014 and 2015 were not recalculated due to the recognition of a material error according to the situation as at 1 January 2016.

*** Group: excluding the effects of the impairment/increases in the value of trade receivables, other operating revenues and other operating expenses from the creation of provisions.

Company: excluding the effects of the impairment/increases in the value of trade receivables, other operating revenues, other operating expenses from the creation of provisions and other operating expenses in connection with subsidiaries.

**** Group: excluding the effects of the impairment/increases in the value of property, plant and equipment and intangible assets, the effects of the impairment/increases in the value of trade receivables, other operating revenues, and other operating expenses from the creation of provisions. Company: excluding the effects of the impairment/increases in the value of property, plant and equipment and intangible assets, the effects of the impairment/increases in the value of trade receivables, other operating revenues, other operating expenses from the creation of provisions and other operating expenses in connection with subsidiaries.

TABLE 20: INCOME STATEMENT OF THE INTEREUROPA GROUP FOR 2016 AND 2017 (IN EUR THOUSAND)

| | January–December 2017 | January–December 2016 (adjusted*) | Index 2017/2016 |
|-------------------------------------------------------------|--------------------------|--------------------------------------|-----------------|
| Sales revenue | 149,889 | 135,596 | 111 |
| Other operating revenues | 3,177 | 2,262 | 140 |
| Costs of goods, materials and services | -107,293 | -94,048 | 114 |
| Labour costs | -27,173 | -26,565 | 102 |
| Amortisation/depreciation | -6,353 | -6,158 | 103 |
| Other operating expenses | -11,936 | -3,481 | 343 |
| Operating profit | 311 | 7,606 | 4 |
| Finance income | 362 | 459 | 79 |
| Finance costs | -2,711 | -3,067 | 88 |
| Loss from financing activities | -2,349 | -2,608 | 90 |
| Investment result recognised according to the equity method | 10 | 39 | 26 |
| Profit or loss from ordinary operations | -2,028 | 5,037 | - |
| Corporate income tax (including deferred taxes) | 49 | -6,641 | - |
| Net loss for the accounting period | -1,979 | -1,604 | - |
| Net loss pertaining to controlling interests | -1,002 | -1,707 | - |
| Net profit or loss pertaining to non-controlling interests | -977 | 104 | - |

* Data for 2016 were recalculated in 2017 due to the correction of a material error. Changes are explained in detail in the financial report on page 120.

TABLE 21: INCOME STATEMENT OF THE PARENT COMPANY INTEREUROPA D.D. FOR 2016 AND 2017 (IN EUR THOUSAND)

| | January–December 2017 | January–December 2016 | Index 2017/2016 |
|-------------------------------------------------------------|--------------------------|--------------------------|-----------------|
| Sales revenue | 103,976 | 91,052 | 114 |
| Other operating revenues | 760 | 743 | 102 |
| Costs of goods, materials and services | -76,529 | -64,793 | 118 |
| Labour costs | -17,459 | -16,648 | 105 |
| Amortisation/depreciation | -4,040 | -3,933 | 103 |
| Other operating expenses | -3,925 | -1,713 | 229 |
| Operating profit | 2,783 | 4,708 | 59 |
| Finance income | 862 | 2,548 | 34 |
| Finance costs | -3,459 | -5,298 | 65 |
| Loss from financing activities | -2,597 | -2,750 | 94 |
| Profit or loss from ordinary operations | 186 | 1,958 | 9 |
| Corporate income tax (including deferred taxes) | 154 | -5,413 | - |
| Net loss for the accounting period | 340 | -3,455 | - |
| Basic and diluted earnings/loss per ordinary share (in EUR) | 0.01 | -0.13 | - |

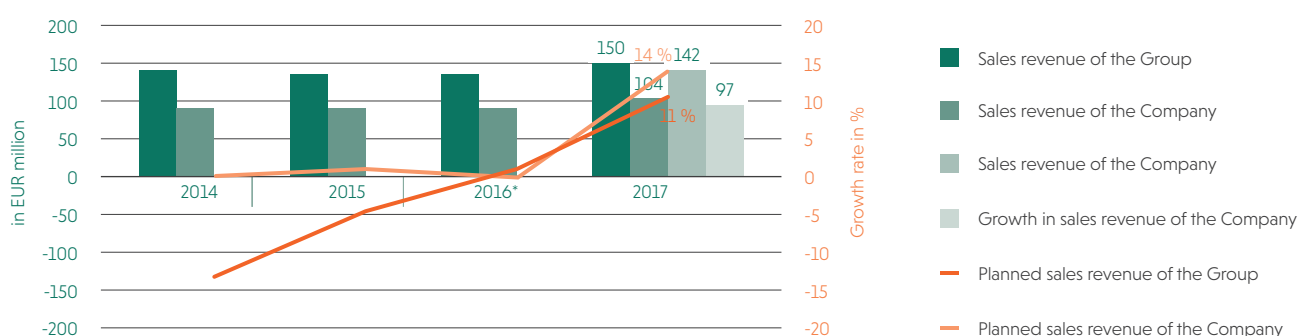
2.4.1.2 Operating revenues, operating expenses, operating profit and EBITDA

The Group recorded double-digit growth in sales revenue in 2017. It successfully benefited from the economic recovery on individual markets, the strengthening of trade flows and the associated increase in demand for logistics and transport services. In the context of enhanced sales activities at all Group companies, the highest growth in sales revenue relative to the previous year was recorded by the parent company Intereuropa d.d., where sales were up by EUR 12.9 million or 14%, while the sharpest drop in sales (of EUR 2.0 million or 36%) was recorded by the subsidiary in Ukraine, where political and economic conditions remain unstable. Growth in sales revenue was achieved in all three of the Group's business lines: land transport, logistics solutions and intercontinental transport. In terms of business lines, the highest growth was recorded in the road transport and sea freight segments, while the sharpest decline was recorded in the railway freight segment, primarily due to the subsidiary in the Ukraine.

In the context of rapid growth in sales revenue, the Group's sales margin was down slightly, primarily due to higher direct costs of transport services as the result of insufficient transport capacities on key markets and additional pressures on the market to reduce selling prices. The sharpest drop in the sales margin was recorded in the intercontinental transport segment.

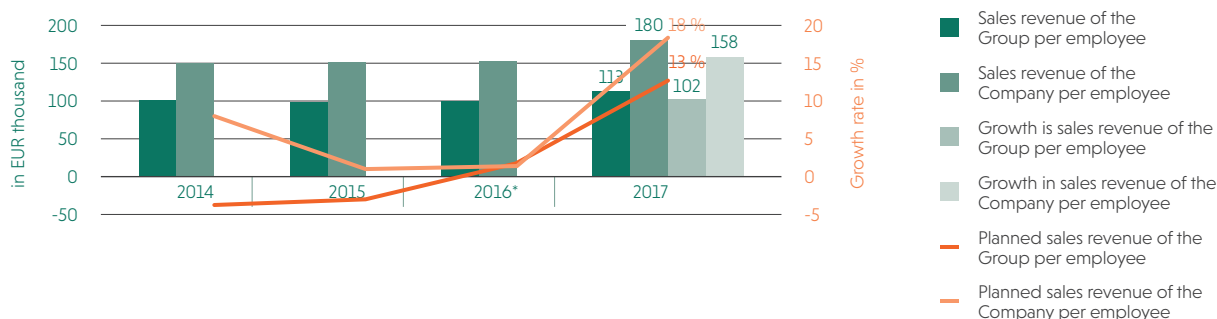
Please refer to the section Marketing and sales for a more detailed overview and analysis of sales results by business line and product, and by individual market of the Intereuropa Group.

FIGURE 11: CHANGES IN THE SALES REVENUE OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA D.D. IN THE PERIOD 2014 TO 2017



Labour productivity was up in the context of growth in sales revenue, at both the Group level and at the parent company.

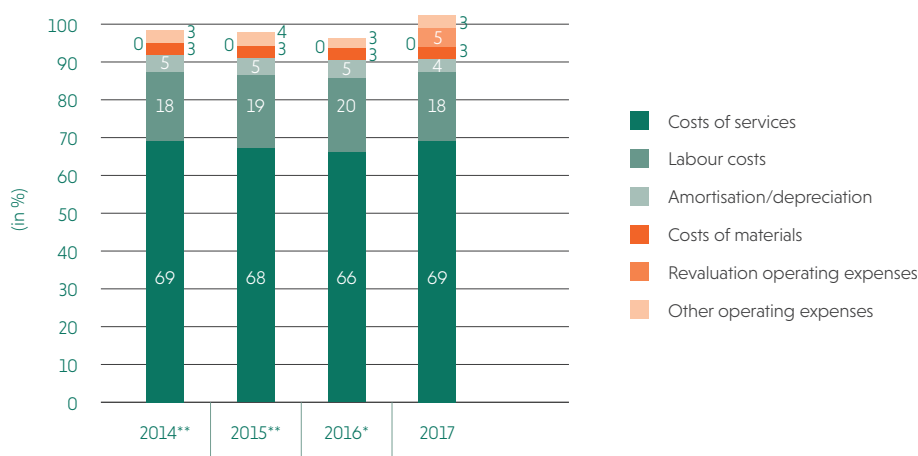
FIGURE 12: CHANGES IN SALES REVENUE PER EMPLOYEE OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA D.D. IN THE PERIOD 2014 TO 2017



Following years of decline, the proportion of operating expenses accounted for by the costs of services was up in 2017 as the result of growth in direct costs and the costs of labour hired through employment agencies. The increased proportion of labour costs was the result of higher labour costs per employee.

Revaluation operating expenses in 2017 deviated significantly from previous years as the result of the revaluation of fixed assets. Adjustments to the value of real estate were made on the basis of appraisals of the fair value of those assets. A material error in the financial statements of the Intereuropa Group in previous years was also recognised in that regard.

FIGURE 13: OPERATING EXPENSES AS A PROPORTION OF THE SALES REVENUE OF THE INTEREUROPA GROUP IN THE PERIOD 2014 TO 2017



* Data for 2016 were recalculated in 2017 due to the correction of a material error. Changes are explained in detail in the financial report on page 120.

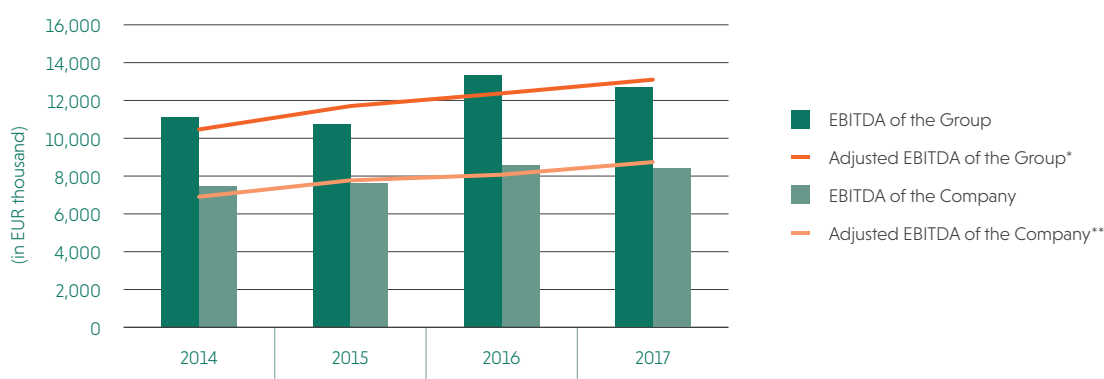
** Data for 2014 and 2015 were not recalculated due to the recognition of a material error according to the situation as at 1 January 2016.

The Group recorded an increase in the proportion of other operating expenses in both 2015 and 2017 relative to previous years, solely as the result of expenses from provisions for litigation and liabilities for past operations.

Despite the control of operating costs, the EBITDA generated by the Group in 2017 was down 4.5% on the previous year. The main factors in the lower EBITDA were other operating expenses from provisions created for liabilities from past operations, provisions additionally created for lawsuits and lower rental income due to the sale of a major property at the end of 2016, which at the same time facilitated the reduction of the Group's debt.

It is evident from changes in the adjusted EBITDA and adjusted operating profit of the Group and the parent company (illustrated in Figure 14 and 15) that the trend of growth in the two aforementioned indicators continued in 2017 at both the Group level and at the parent company.

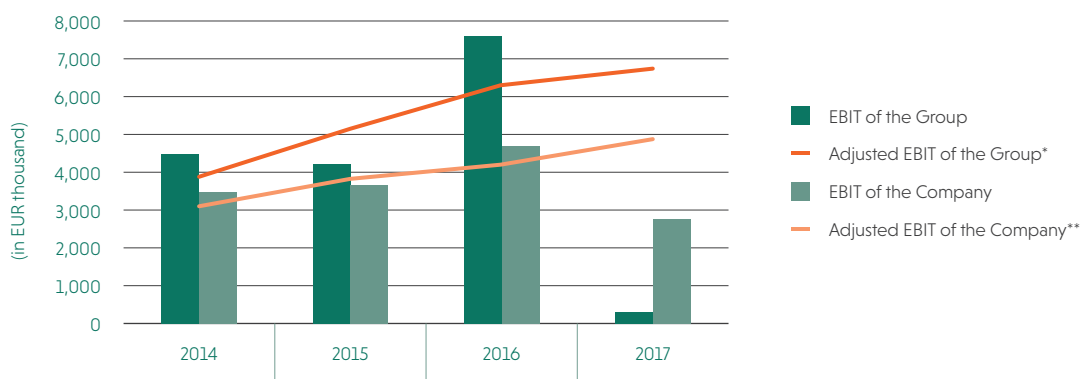
FIGURE 14: CHANGES IN EBITDA OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA D.D. IN THE PERIOD 2014 TO 2017



* Excluding the effects of the impairment/increases in the value of trade receivables, other operating revenues and other operating expenses from the creation of provisions.

** Excluding the effects of the impairment/increases in the value of trade receivables, other operating revenues, other operating expenses from the creation of provisions and other operating expenses in connection with subsidiaries.

FIGURE 15: CHANGES IN THE OPERATING PROFIT OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA D.D. IN THE PERIOD 2014 TO 2017



* Group: excluding the effects of the impairment/increases in the value of property, plant and equipment and intangible assets, the effects of the impairment/increases in the value of trade receivables, other operating revenues, and other operating expenses from the creation of provisions.

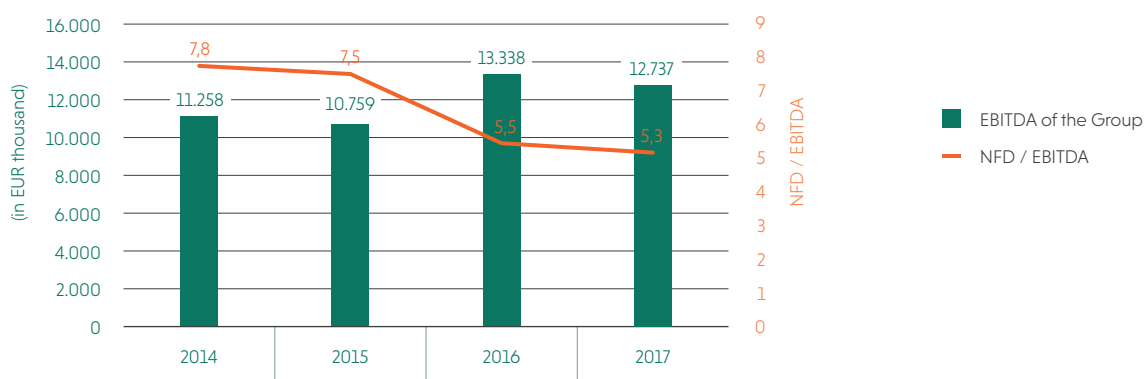
** Company: excluding the effects of the impairment/increases in the value of property, plant and equipment and intangible assets, the effects of the impairment/increases in the value of trade receivables, other operating revenues, other operating expenses from the creation of provisions and other operating expenses in connection with subsidiaries.

Data for 2016 were recalculated in 2017 due to the correction of a material error. Changes are explained in detail in the financial report on page 120. Data for 2014 and 2015 were not recalculated due to the recognition of a material error according to the situation as at 1 January 2016.

2.4.1.3 Finance income and costs

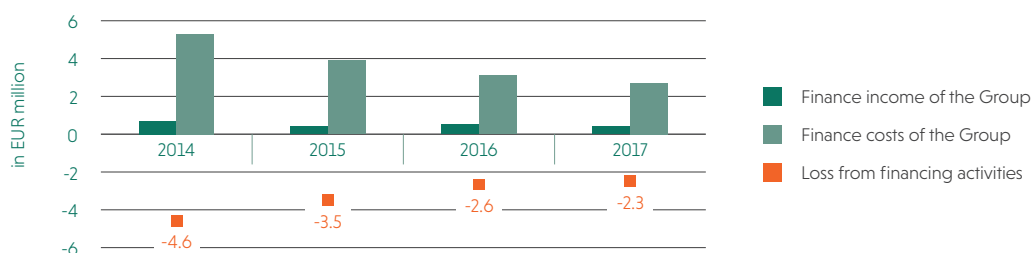
The Group successfully reduced its debt. Its net debt amounted to EUR 67.1 million at the end of 2017, a reduction of EUR 6.4 million during the year, which was seen in part in an improvement in the Group's net debt / EBITDA ratio, which stood at 5.3 in 2017, a decrease of 4.2% relative to the previous year when that ratio was 5.5.

FIGURE 16: CHANGES IN EBITDA AND THE NET DEBT / EBITDA RATIO OF THE INTEREUROPA GROUP BETWEEN 2014 AND 2017



Due to the reduction in debt and a lower EURIBOR, interest expenses were also lower by EUR 0.6 million or 21.3% in 2017, which in turn resulted in an improvement in the Group's results from financing. An increase in negative exchange rate differences of EUR 0.2 million, primarily at subsidiaries in the Ukraine, had a negative impact.

FIGURE 17: PROFIT OR LOSS FROM FINANCING ACTIVITIES OF THE INTEREUROPA GROUP IN THE PERIOD 2014 TO 2017



Impairments of investments in subsidiaries and impairments of receivable at or from subsidiaries had a significant effect on the finance costs of the parent company in the period 2014 to 2017. Impairments amounted to EUR 1.3 million in 2017, which is one half less than the impairments recorded during the previous financial year, when they amounted to EUR 2.6 million.

The majority of finance income of the parent company is accounted for by income from shares in the profit of Group companies in the amount of EUR 0.4 million, followed by gains on the sale of financial assets and interest income on operating receivables and cash deposits. The majority of finance costs are accounted for by interest on loans raised in the amount of EUR 2.1 million.

If revaluation expenses/revenues from the impairment/reversal of the impairment of investments in and receivables from subsidiaries are excluded, the loss from financing activities at the parent company improved by EUR 0.1 million in 2017 relative to 2016. Similar to the Group, the improvement at the parent company was primarily the result of lower interest expenses on raised loans, while income from shares in the profit of Group companies was also lower.

2.4.1.4 Net loss

The Intereuropa Group generated a net loss of EUR 2 million in 2017, a decrease of EUR 375 thousand relative to the previous financial year and EUR 6.1 million lower than planned. The net loss was the result of adjustments to the value of property, plant and equipment and intangible assets.

The parent company generated a net profit EUR 0.3 million in 2017, while a net loss was generated during the previous financial year. Adjustments to the value of property, plant and equipment and intangible assets, and revaluation finance costs from the impairment of investments in subsidiaries had a significant effect on the net profit disclosed in 2017.

2.4.1.5 Structure of the statement of financial position of the Group

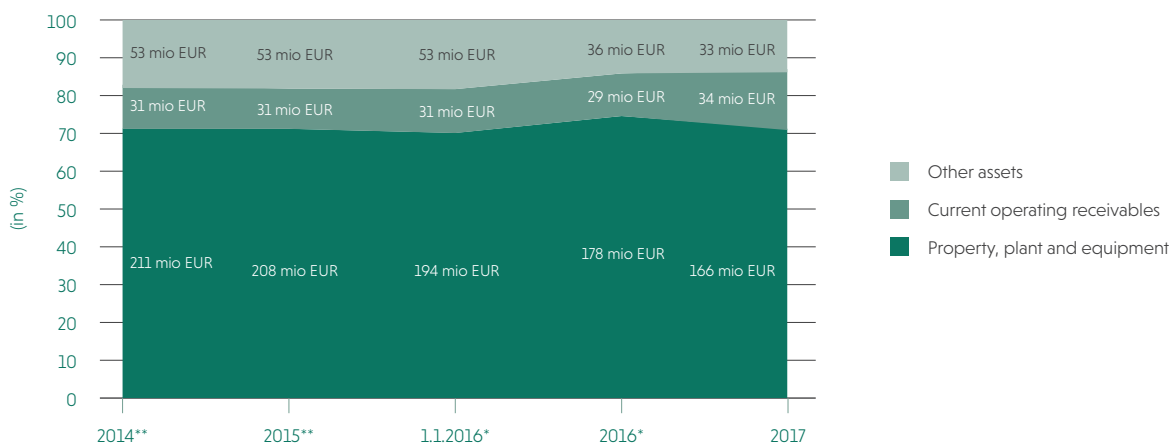
Total assets were down for the eight consecutive year. The main factor in the decrease in the Group's total assets in 2016 and 2017 was the revaluation of fixed assets and the associated recognition of a material error in the Group's financial statements in previous years. The sharpest decrease among liabilities in 2017 was recorded by non-current financial liabilities, which is a reflection of successful deleveraging efforts by the Group. The structure of the Group's statement of financial position at the end of 2017 was very similar to the structure at the end of the previous year. On the asset side, the largest increase was in the proportion of current operating receivables, while the largest increase on the liability side was in the proportion of current operating liabilities. Both increases were primarily the result of high growth in sales.

TABLE 22: ITEMS FROM THE STATEMENT OF FINANCIAL POSITION OF THE GROUP IN 2016 AND 2017 (IN EUR THOUSAND)

| | 1 January 2016* | 2016* | 2017 | Index 2017/2016 |
|----------------------------------------------|-----------------|----------------|----------------|-----------------|
| ASSETS | 277,436 | 242,099 | 233,759 | 97 |
| A. NON-CURRENT ASSETS, of which: | 228,182 | 204,983 | 192,354 | 94 |
| Property, plant and equipment | 193,609 | 177,594 | 166,263 | 94 |
| Non-current financial assets | 653 | 644 | 106 | 16 |
| B) CURRENT ASSETS, of which: | 49,254 | 37,116 | 41,405 | 112 |
| Current operating receivables | 30,985 | 28,804 | 34,252 | 119 |
| Cash and cash equivalents | 11,107 | 5,294 | 3,618 | 68 |
| EQUITY AND LIABILITIES | 277,436 | 242,099 | 233,759 | 97 |
| A. EQUITY | 132,952 | 124,341 | 121,136 | 97 |
| B. NON-CURRENT LIABILITIES, of which: | 112,606 | 89,065 | 81,758 | 92 |
| Non-current financial liabilities | 92,499 | 74,736 | 66,995 | 90 |
| C. CURRENT LIABILITIES, of which: | 31,878 | 28,693 | 30,865 | 108 |
| Current financial liabilities | 5,648 | 6,201 | 5,786 | 93 |
| Current operating liabilities | 26,115 | 21,885 | 24,838 | 113 |

* Data as at 1 January 2016 were recalculated due to the correction of a material error. The recognition of a material error in the financial statements of the Intereuropa Group in previous years is explained in detail on page 120 of the financial report.

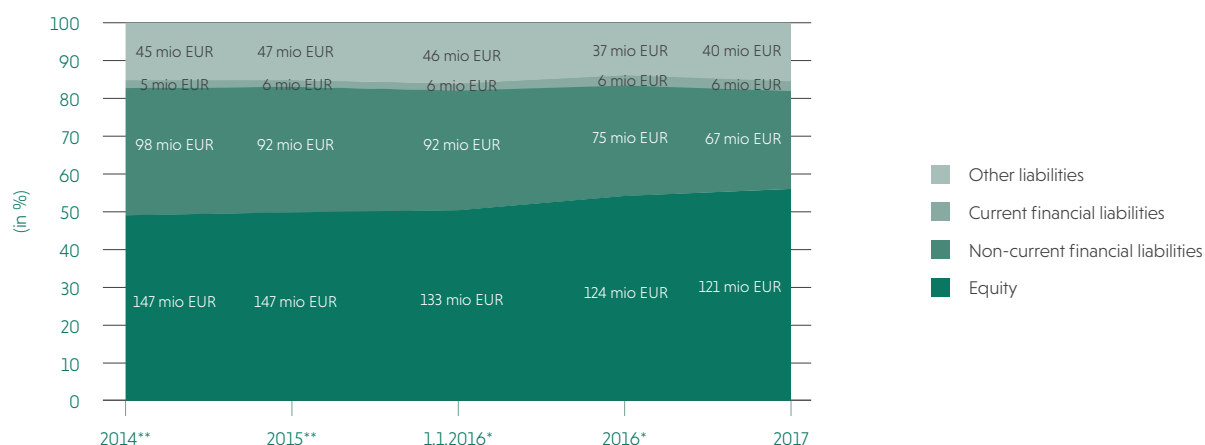
FIGURE 18: STRUCTURE OF THE GROUP'S ASSETS IN THE PERIOD 2014 TO 2017



* Data as at 1 January 2016 were recalculated due to the correction of a material error. The recognition of a material error in the financial statements of the Intereuropa Group in previous years is explained in detail on page 120 of the financial report.

** Data for 2014 and 2015 were not recalculated due to the recognition of a material error according to the situation as at 1 January 2016.

FIGURE 19: STRUCTURE OF THE EQUITY AND LIABILITIES OF THE INTEREUROPA GROUP IN THE PERIOD 2014 TO 2017



* Data as at 1 January 2016 were recalculated due to the correction of a material error. The recognition of a material error in the financial statements of the Intereuropa Group in previous years is explained in detail on page 120 of the financial report.

** Data for 2014 and 2015 were not recalculated due to the recognition of a material error according to the situation as at 1 January 2016.

2.4.1.6 Structure of the parent company's statement of financial position

The most significant change on the asset side of the parent company's statement of financial position in 2017 was in property, plant and equipment, where the revaluation of fixed assets had a significant effect, while the most significant change on the liability side was a decrease in non-current financial liabilities, as the result of the Company's successful deleveraging efforts.

TABLE 23: ITEMS FROM THE STATEMENT OF FINANCIAL POSITION OF THE PARENT COMPANY INTEREUROPA D.D. IN 2016 AND 2017 (IN EUR THOUSAND)

| in EUR thousand | 2016 | 2017 | Index 2017/2016 |
|----------------------------------------------|----------------|----------------|-----------------|
| ASSETS | 190,731 | 184,366 | 97 |
| A. NON-CURRENT ASSETS, of which: | 166,635 | 157,980 | 95 |
| Property, plant and equipment | 96,812 | 89,848 | 93 |
| Non-current financial assets, of which: | 45,739 | 44,323 | 97 |
| Investments in subsidiaries | 45,169 | 44,257 | 98 |
| B. CURRENT ASSETS, of which: | 24,096 | 26,386 | 110 |
| Current operating receivables | 20,290 | 23,814 | 117 |
| Current financial assets | 1,593 | 1,211 | 76 |
| EQUITY AND LIABILITIES | 190,731 | 184,366 | 97 |
| A. EQUITY, of which: | 87,118 | 84,884 | 97 |
| Share capital | 27,489 | 27,489 | 100 |
| Share premium account | 18,455 | 18,455 | 100 |
| Fair value reserves | 34,929 | 32,343 | 93 |
| B. NON-CURRENT LIABILITIES, of which: | 82,855 | 76,364 | 92 |
| Non-current financial liabilities | 73,175 | 66,327 | 91 |
| C. CURRENT LIABILITIES, of which: | 20,758 | 23,118 | 111 |
| Current financial liabilities | 4,412 | 5,196 | 118 |
| Current operating liabilities | 15,849 | 17,875 | 113 |

FIGURE 20: STRUCTURE OF THE ASSETS OF THE PARENT COMPANY INTEREUROPA D.D. IN THE PERIOD 2014 TO 2017

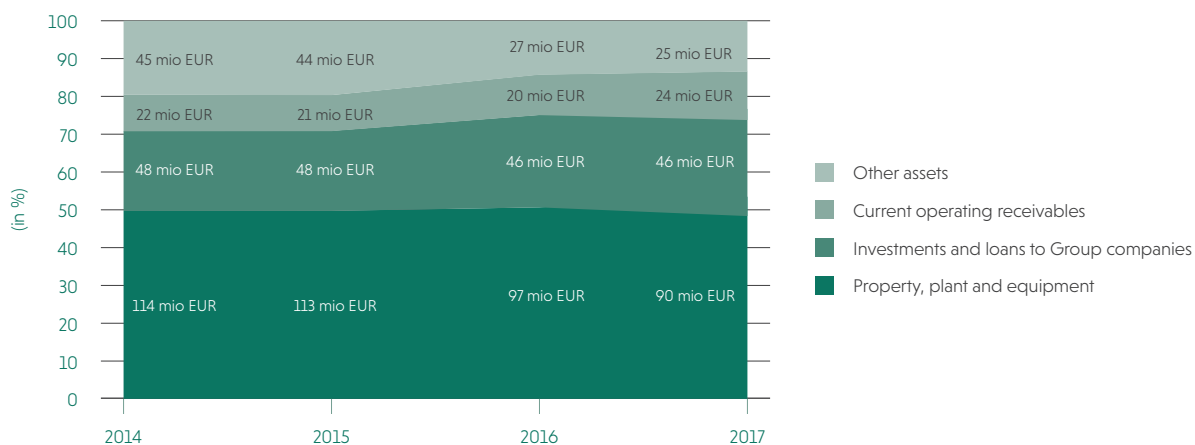
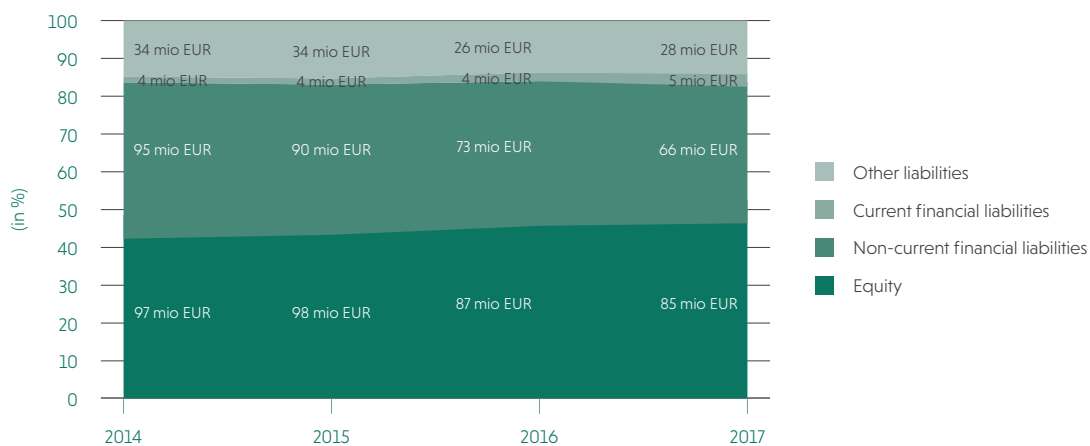


FIGURE 21: STRUCTURE OF THE EQUITY AND LIABILITIES OF THE PARENT COMPANY INTEREUROPA D.D. IN THE PERIOD 2014 TO 2017



2.4.1.7 Cash flow analysis

The Group generated a positive net cash flow from operating activities of EUR 9.7 million in 2017, an increase of 76% or EUR 4.2 million relative to 2016. The net cash flow from investment activities was slightly negative at the Group level in 2017, in the amount of EUR 0.8 million. Following the coverage of the negative net cash from financing activities in the amount of EUR 10.6 million, Group companies had cash and cash equivalents of EUR 3.6 million at the end of 2017, or EUR 1.7 million less than at the end of 2016. Because the parent company is so much larger than other subsidiaries in relative terms, changes in the Group's cash flows generally track those of the parent company, as explained in the next paragraph.

The parent company generated a positive net cash flow from operating activities of EUR 6.5 million in 2017, an increase of EUR 4.4 million relative to 2016. That increase is primarily the result of a one-off event in 2016, when the Company recorded an outflow of EUR 4.2 million due to the redemption of a deposit that was placed by Intereuropa d.d. when the company in Russia was sold, and an inflow of EUR 0.4 million from the settlement of lawsuit filed by Intereuropa d.d. in connection with a claim for damages. Those amounts were offset by the creation of provisions for liabilities from previous operations in 2017. Excluding the one-off events described above, the net cash flow from operating activities would have been EUR 0.7 million higher in 2017 than in 2016. The net cash flow from investment activities at the parent company was positive last year in the amount of EUR 0.4 million, which was down sharply relative to 2016 when that net cash flow amounted to EUR 10.9 million. That significant difference relates to the use of provisions that were created in 2012 in conjunction with the sale of the subsidiary in Moscow (effect of EUR 4.2 million) and the sale of a major property in Koper at the end of 2016. Thus inflows from the sale of property, plant and equipment were down by EUR 7.0 million in 2017 relative to 2016. An early repayment of loan principle in the amount of EUR 2.7 million was made to creditor banks again in 2017, resulting in a net cash flow financing activities in the negative amount of EUR 8.3 million, an increase of EUR 11.1 million relative to 2016. The parent company had cash and cash equivalents of EUR 0.4 million at the end of 2017, or EUR 1.4 million less than at the end of 2016.

TABLE 24: CASH FLOWS OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA D.D. FOR THE PERIOD 2014 TO 2017
(IN EUR THOUSAND)

| | Group | | | | Parent company | | | |
|-----------------------------------------|---------|--------|---------|---------|----------------|--------|---------|--------|
| | 2014 | 2015 | 2016 | 2017 | 2014 | 2015 | 2016 | 2017 |
| Net cash flow from operating activities | 9,851 | 13,055 | 5,550 | 9,742 | 6,709 | 8,981 | 2,102 | 6,469 |
| Net cash flow from investing activities | 2,416 | 295 | 9,401 | -832 | 3,979 | 2,304 | 10,932 | 425 |
| Net cash flow from financing activities | -12,650 | -8,985 | -20,749 | -10,570 | -9,500 | -7,710 | -19,381 | -8,303 |
| Exchange differences on cash | 14 | -15 | -15 | -16 | 0 | 0 | 0 | 0 |
| Net cash flow for the period | -383 | 4,365 | -5,798 | -1,660 | 1,188 | 3,575 | -6,347 | -1,409 |

2.5 SHARES AND OWNERSHIP STRUCTURE

General economic conditions improved in 2017, which also had a favourable impact on the capital markets. The Ljubljana Stock Exchange recorded 7% growth in turnover in shares in 2017, while the SBI TOP index recorded growth of 12.4%. In the context of a tripling in turnover, Intereuropa's ordinary IEKG shares recorded growth of nearly 70% in 2017 and ended the year with a market value of EUR 2.00.

Shares of Intereuropa d.d.

The Company's share capital comprised 7,902,413 ordinary shares until 2012. An additional 8,928,425 ordinary shares and a new class of 10,657,965 preference shares were issued at the end of 2012 in the scope of financial restructuring. At that time, creditor banks became the owners of all newly issued shares by converting a portion of their claims into equity. Today those banks rank amongst Intereuropa's largest owners.

The Company's share capital was unchanged in 2017, at EUR 27,488,803, and is divided into 16,830,838 ordinary registered freely transferable no-par-value shares (designated IEKG) and 10,657,965 freely transferable no-par-value preference shares (designated IEKN).

Ordinary IEKG shares are listed on the prime market of the Ljubljana Stock Exchange, while preference shares are not traded on the regulated securities market.

Shares of Intereuropa d.d. (designated IEKG) were listed on the prime market in 2005, and have been traded on the Ljubljana Stock Exchange since 1998.

TABLE 25: KEY DATA REGARDING SHARES

| | 2014 | 2015 | 2016 | 2017 |
|-------------------------------------------------|------------|------------|------------|------------|
| Total no. of shares | 27,488,803 | 27,488,803 | 27,488,803 | 27,488,803 |
| No. of preference shares (IEKN) | 10,657,965 | 10,657,965 | 10,657,965 | 10,657,965 |
| No. of ordinary shares (IEKG) | 16,830,838 | 16,830,838 | 16,830,838 | 16,830,838 |
| - of which: treasury shares | 18,135 | 18,135 | 18,135 | 18,135 |
| Book value per share in EUR (as at 31 December) | 3.52 | 3.57 | 3.17 | 3.09 |
| Data regarding trading in IEKG shares | | | | |
| Closing price in EUR (31 December) | 1.18 | 0.53 | 1.18 | 2.00 |
| Weighted average price in EUR | 1.39 | 1.17 | 1.08 | 2.26 |
| Highest price in EUR | 1.78 | 1.27 | 1.36 | 2.40 |
| Lowest price in EUR | 0.44 | 0.50 | 0.50 | 1.17 |
| Market capitalisation in EUR thousand | 19,911 | 8,920 | 19,860 | 33,679 |
| Turnover in EUR thousand | 2,113 | 538 | 783 | 2,558 |
| Indicators | | | | |
| Earnings/loss per ordinary share in EUR | 0.01 | 0.04 | -0.13 | 0.01 |
| Cash flow per share in EUR | 0.15 | 0.19 | 0.02 | 0.16 |
| Gross dividends per share in EUR | 0.00 | 0.00 | 0.00 | 0.00 |
| P/BV | 0.34 | 0.15 | 0.37 | 0.65 |
| P/CF | 7.87 | 2.79 | 67.81 | 12.37 |
| P/E | 118.00 | 13.25 | -9.08 | 200.00 |
| Capital yield | 168.9% | -55.2% | 122.6% | 69.6% |
| Dividend yield | 0.0% | 0.0% | 0.0% | 0.0% |
| Total yield | 168.9% | -55.2% | 122.6% | 69.6% |

Notes:

Book value per share = equity / (number of total shares – number of treasury shares).

Market capitalisation = closing price at the end of year * number of shares listed on the stock exchange.

Earnings (loss) per ordinary share = earnings (loss) per ordinary share / (number of ordinary shares – number of treasury shares).

Cash flow per share = (net profit – dividends + amortisation/depreciation) / (number of total shares – number of treasury shares).

P/BV = closing price at the end of the year / book value per share.

P/CF = closing price at the end of the year / cash flow per share.

P/E = closing price at the end of the year / earnings per share.

Capital yield = growth in share price over one year-period.

Dividend yield = gross dividend / closing price at the end of the year.

Trading in IEKG shares

Trading in IEKG shares was more active in 2017 than in 2016. In addition to an improvement in the general sentiment on the capital market, the main factors in trading were the expected sale of shares by banks, Intereuropa's largest shareholders, positive operating results generated and bold plans for the future. The ownership of 1,431,289 IEKG shares changed hands in 1,694 transactions during 2017. Annual turnover in shares amounted to EUR 2.6 million, while average daily turnover was EUR 10.4 thousand which, despite 227% year-on-year growth in the price of IEKG shares, means the Company's shares remain one of the least liquid on the market. The market value of IEKG shares fluctuated between EUR 1.17 and EUR 2.40 per share, and maintained a positive trend. The share price ended the year at EUR 2.00. IEKG shares were thus up 69.6% during the year, while the Ljubljana Stock Exchange's SBI TOP index recorded a 12.4% increase. The market capitalisation of ordinary IEKG shares amounted to EUR 33.7 million at the end of 2017, accounting for 0.4% of the market capitalisation of all shares on the Ljubljana Stock Exchange.

FIGURE 22: CHANGES IN THE CLOSING PRICE OF INTEREUROPA'S SHARES AND THE SBI TOP INDEX IN 2017

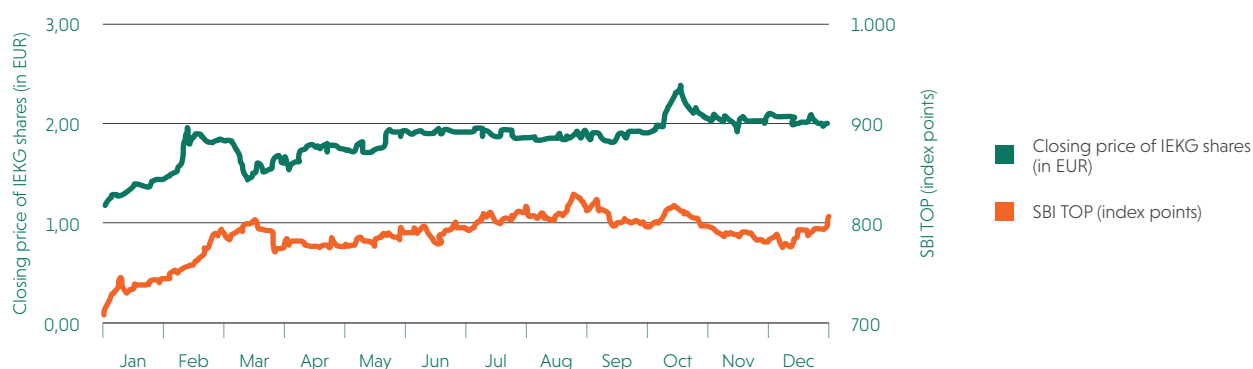
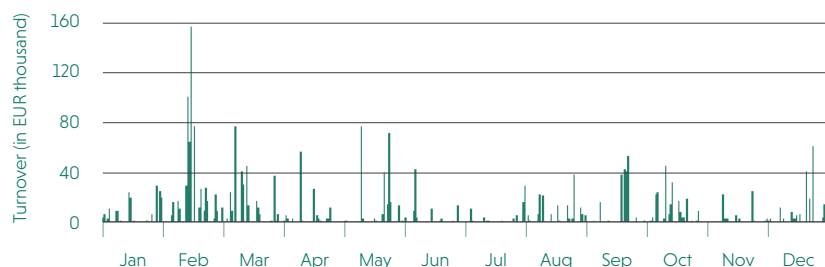


FIGURE 23: TURNOVER IN INTEREUROPA SHARES IN 2017



Ownership structure of the company

The ownership structure (which comprises both ordinary and preferences shares) has not changed significantly for several years now. There were 4,051 shareholders entered in the register of shareholders at the end of 2017, a decrease of 8% on the end of the previous year. Similar to the previous several years, primarily the number of small shareholders (natural persons) declined last year, with their stake in equity amounting to 11.6%. The proportion of shares held by foreign investors stood at 0.7% at the end of the year.

There were practically no changes in Intereuropa d.d.'s top ten shareholders. The only change was the result of the merger of KBS d.d. with Nova KBM d.d., which resulted in the transfer of all of the former's obligations and rights to Nova KBM d.d. on 3 January 2017. In addition to 1,185,292 preference shares (IEKN), Nova KBM d.d. thus became the owner of an additional 2,850,752 ordinary shares (IEKG), bringing its total participating interest in the capital of Intereuropa d.d. to 14.7%.

That merger resulted in SDH d.d.'s placement on the list of top ten shareholders, whose total stake in the Company's capital rose to 83.6%.

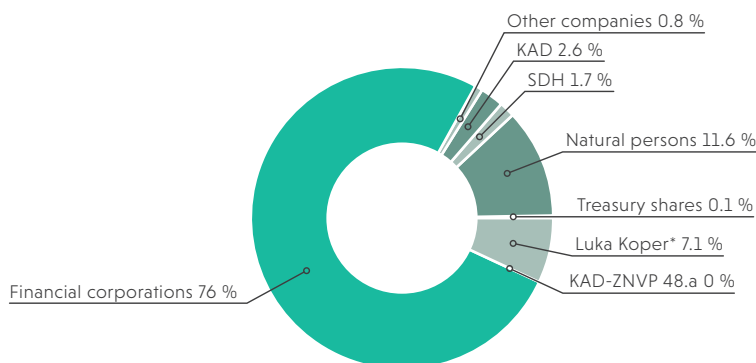
TABLE 26: TOP TEN SHAREHOLDERS OF THE PARENT COMPANY INTEREUROPA D.D. AS AT 31 DECEMBER 2017

| Item no. | Shareholder | No. of shares 31 December 2017 | Participating interest 31 December 2017 |
|----------|-----------------------------|-----------------------------------|--------------------------------------------|
| 1. | SID banka d.d. | 4,942,072 | 18.0% |
| 2. | NLB d.d. | 4,770,601 | 17.4% |
| 3. | Nova KBM d.d. | 4,036,044 | 14.7% |
| 4. | Gorenjska banka d.d., Kranj | 3,068,990 | 11.2% |
| 5. | SKB d.d. | 2,254,980 | 8.2% |
| 6. | Luka Koper d.d. | 1,344,783 | 4.9% |
| 7. | Banka Intesa Sanpaolo d.d. | 753,703 | 2.7% |
| 8. | Kapitalska družba d.d. | 719,797 | 2.6% |
| 9. | Luka Koper INPO d.o.o. | 615,730 | 2.2% |
| 10. | SDH d.d. | 474,926 | 1.7% |

* Banka Koper d.d. until 16 January 2017.

During 2017, 115 ordinary shares were collected on a special account of Kapitalska družba d.d., which in accordance with Article 48a of the Book-Entry Securities Act (Official Gazette of the Republic of Slovenia, No. 5/17) is intended for securities waived by their holders and/or securities held by the Republic of Slovenia. Kapitalska družba may not exercise the voting rights attached to those securities.

FIGURE 24: OWNERSHIP STRUCTURE TAKING INTO ACCOUNT BOTH CLASSES OF SHARES OF THE PARENT COMPANY INTEREUROPA D.D. AS AT 31 DECEMBER 2017



* Including Luka Koper d.d. and its 100% owned subsidiary Luka Koper INPO d.o.o.

Shares held by members of the Management Board and Supervisory Board

There were no changes in the shares held by members of the Management Board and Supervisory Board. The members of the Management Board did not hold shares of Intereuropa d.d.

The number of shares held by Supervisory Board members is presented in the table below.

TABLE 27: NUMBER OF IEKG SHARES HELD BY SUPERVISORY BOARD MEMBERS AS AT 31 DECEMBER 2017

| Shareholder | No. of shares 31 December 2017 | Participating interest 31 December 2017 |
|---------------------------------------------------|-----------------------------------|--------------------------------------------|
| Tjaša Benčina, member of the Supervisory Board | 40 | 0,0001% |

Authorised capital

Intereuropa d.d. had no authorised capital as at 31 December 2017.

Dividend policy

The Company did not pay dividends in 2017.

Communication with the financial public

The principles of communication with the financial public are set out in Intereuropa d.d.'s Corporate Governance Policy, which is accessible on the Company's website at www.intereuropa.si. The Company strives for regular, honest and accurate communication with its existing owners, which is one of the bases for building successful operations. Emphasis is placed on appropriate communication with analysts and potential investors, and correct and prompt information for creditor banks.

The Company continues to meet individually with investors, analysts and bankers with the aim of strengthening relations with investors. To that end, it consistently complies with the Ljubljana Stock Exchange's information disclosure rules, and strives to achieve the best corporate communication possible. The following communication tools and activities are used for that purpose:

- ordinary general meetings of shareholders;
- presentations by the Company at conferences for investors in financial centres;
- the regular publication of business results and other price-sensitive information;
- regular communication via the SEOnet electronic system;
- regular communication with the media; and
- the regular publication of information regarding operations on the Company's website.

The Company also welcomes the direct opinions and recommendations of shareholders, which it collects via the following e-mail address: info@intereuropa.si.

Financial calendar of publications for 2018

| Date | Publication |
|------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7 February 2018 – 7 March 2018 No-communication period | |
| 8 March 2018 Thursday | Publication of the unaudited business report of the Intereuropa Group and the parent company Intereuropa d.d. for 2017 |
| 19 April 2018 Thursday | Publication of the audited annual report for 2017 |
| 1 May 2018 – 16 May 2018 No-communication period | |
| 17 May 2018 Thursday | Publication of the unaudited business report of the Intereuropa Group and the parent company Intereuropa d.d. for the period January to March 2018 |
| 29 June 2018 Friday | Publication of the resolutions from the 31st General Meeting of Shareholders |
| 9 August 2018 – 29 August 2018 No-communication period | |
| 30 August 2018 Thursday | Publication of the unaudited business report of the Intereuropa Group and the parent company Intereuropa d.d. for the period January to June 2018 |
| 2 November 2018 – 21 November 2018 No-communication period | |
| 22 November 2018 Thursday | Publication of the unaudited business report of the Intereuropa Group and the parent company Intereuropa d.d. for the period January to September 2018 |
| 31 December 2018 Thursday | Presentation of the planning documents of the Intereuropa Group and the parent company Intereuropa d.d. for the period 2019 |

The scheduled dates of publications are given. Any change to those dates will be published on the Company's website at <http://www.intereuropa.si>.

Intereuropa d.d. does not publish information regarding its operations during quiet periods.

Scheduled periodic announcements and other controlled information will be published on the Ljubljana Stock Exchange's website via the SEOnet system (<http://seonet.ljse.si>) and on the Company's website at <http://www.intereuropa.si>.

2.6 RISK MANAGEMENT

Effective risk management and a rapid response to changes mitigate exposure to specific risks and contribute significantly to the achievement of business objectives. Risk is defined as uncertainty in connection with future business events that could result in any damage or reduce the probability of achieving established objectives and thus have a negative impact on performance.

The Intereuropa Group pursues the following objectives in the development of the risk management process:

- the effective management of risks that could prevent the achievement of strategic and annual objectives;
- the monitoring of risks, with special attention given to those risks where the level of potential damage and the probability of damage occurring are highest;
- the effective implementation of measures to reduce exposure to risk, where exposure exceeds the target risk level;
- the integration of the risk management process at Group companies;
- the development and adaptation of the risk management process to match the Group's needs and mode of operations; and
- the spread of awareness and the risk management culture among Group employees.

The risk management methodology is appropriate and in line with the structure, complexity and risks associated with the Company's operations. A Risk Management Committee has been appointed and comprises the executive staff of key business lines and support services whose activities are most closely related to the risks associated with the particular business line or support service for which those persons are responsible. Committee members monitor risks in their areas of operations and have specific competences and responsibilities in the area of risk management. All identified risks are recorded in a risk register.

A system upgraded the previous year with a four-level assessment approach was used to manage risks in 2017. Risks are classified to the following four risk categories with respect to the level of exposure to a particular risk: low risk, moderate risk, high risk and very high risk.

Identified risks are assessed quarterly. Exposure to a particular risk is assessed with regard to that risk's impact on operations and the probability of a loss event. The identified level of risk exposure is the result of the relationship between the probability of the realisation of a risk or the occurrence of a loss event and the impact of that risk on operations (i.e. the consequences of a risk).

Planned activities to manage a particular risk are defined based on the measurement of the level of exposure to that risk and the opinion of an expert from the relevant area.

Risk exposure is reduced and/or eliminated through measures aimed at eliminating or mitigating the cause of a risk and through measures aimed at transferring a risk, in part or full, to a third party.

The implementation of the risk management process is supervised by the Company's senior management, members of the Risk Management Committee, the Internal Audit Department and the Supervisory Board's Audit Committee.

In accordance with the recommendation of the Audit Committee, the parent company is in the process of updating the risk management system that it plans to standardise and introduce at all group companies and upgrade with elements of opportunity management.

A total of 38 risks were identified at the Group level at the end of 2017 and were classified to the following three categories:

- business risks,
- operational risks, and
- financial risks.

Certain new risks were identified in 2017, while the level of certain risks changed as the result of changes in the environment and implemented measures.

TABLE 28: NUMBER OF IDENTIFIED RISKS BY CATEGORY AND AREA AS AT 31 DECEMBER 2017

| Risk category | No. of risks | Area of risk |
|--------------------------|--------------|---------------------------------------------------------------------------------------------------------------------------|
| Business risks | 1 | Risks associated with the implementation of changes to operational processes during the introduction of new IT solutions. |
| | 4 | Risks associated with the land transport segment |
| | 5 | Risks associated with intercontinental transport segment |
| | 4 | Risks associated with the logistics solutions segment |
| | 1 | Other business risks |
| Operational risks | 4 | Strategic risks |
| | 3 | Risks associated with ICT |
| | 3 | HR-related risks |
| | 4 | Risks associated with legislation and litigation |
| | 2 | Risks associated with the management and protection of assets |
| | 1 | Risks associated with environmental protection |
| | 1 | Risks associated with ensuring the quality of logistics services |
| Financial risks | 2 | Credit risk |
| | 1 | Interest-rate risk |
| | 1 | Currency risk |
| | 1 | Liquidity risk |
| Total: | 38 | |

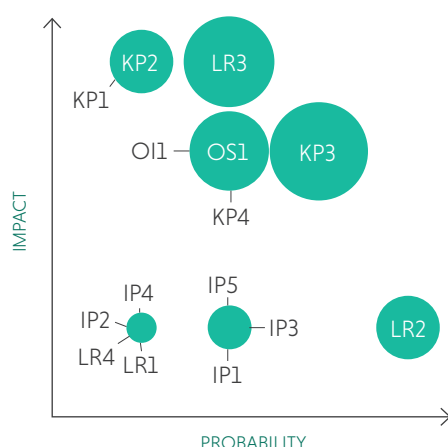
2.6.1 DESCRIPTION OF SIGNIFICANT RISKS BY CATEGORY AND AREA

Detailed descriptions are only given for the most significant risks that could have the greatest impact on the Group's operations and that require the closest monitoring and greatest number of measures. This does not, however, mean that the Group does not manage other identified risks.

2.6.1.1 Business risks

Business risks derive from the Intereuropa Group's business activities and are linked to the Group's ability to generate short-term and long-term operating revenues, and its ability to manage costs and business processes, and preserve the value of its business assets.

TABLE 29: BUSINESS RISKS TO WHICH THE INTEREUROPA GROUP WAS EXPOSED AT THE END OF 2017



| | |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------|
| OI1 | Risks associated with the implementation of changes to operational processes during the introduction of new IT solutions |
| KP1 | Risks associated with an increase in fuel prices and other direct costs of suppliers |
| KP2 | Risks associated with declining selling prices due to pressure from customers and the competition |
| KP3 | Risks associated with the loss of customs terminal status |
| KP4 | Risks associated with a lack of transport capacities on the market to meet the demands of customers and rising purchase prices of suppliers |
| IP1 | Risks associated with a decline in intermodal transport via Koper |
| IP2 | Risks associated with a drop in air freight turnover |
| IP3 | Risks associated with a decline in LCL transactions |
| IP4 | Risks associated with non-competitive FCL sea freight rates |
| IP5 | Risks associated with additional costs and/or the loss of customers due to unrecorded standard procedures for special and major transactions |
| LR1 | Risk associated with a drop in sales due to warehouse fire |
| LR2 | Risks associated with the termination of lease agreements for key warehouse capacities |
| LR3 | Risks associated with insurance for goods in warehouses |
| LR4 | Risks associated with the insufficient utilisation of warehouse capacities |
| OS1 | Risks associated with deficiencies in the implementation of internal controls in the drafting of statements of account |

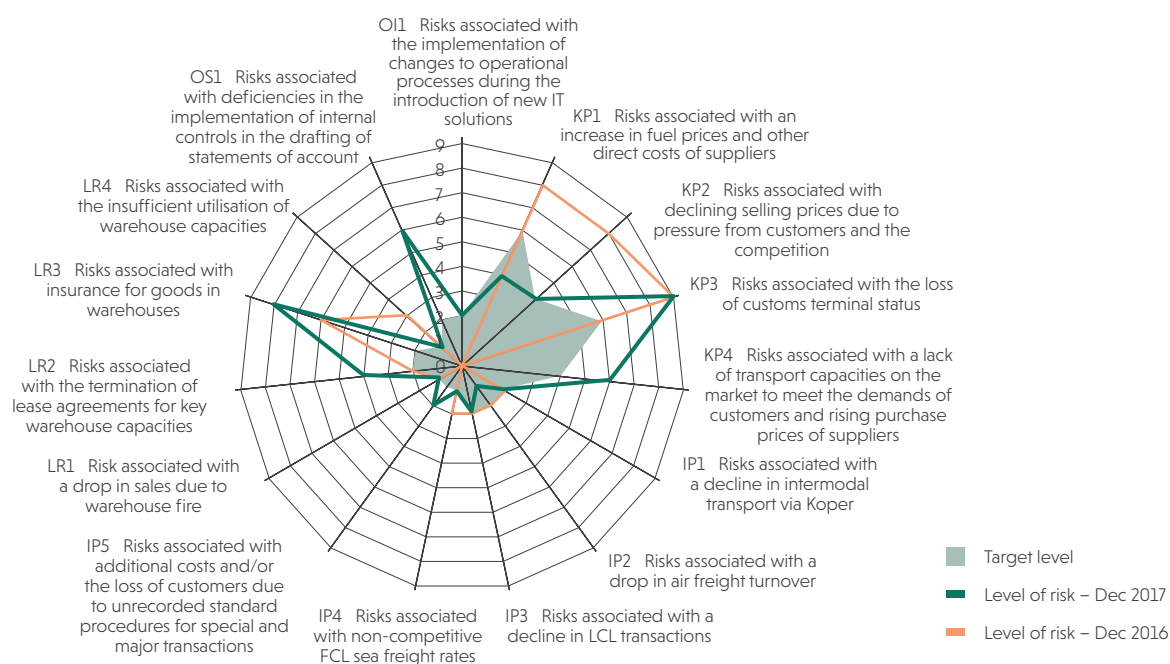
Amongst business risks, the risk of the inappropriate insurance of goods in warehouses (LR3) would have the most significant effect on operations in the event of realisation. The highest probability of realisation is seen in the risk of the termination of lease agreements for key warehouse capacities (LR2).

The following two business risks are classified as high-risk:

- The risk of the loss of customs terminal status at the subsidiaries in Montenegro and Bosnia and Herzegovina: Investments were made in both cases to fulfil the requirements of customs administrations, while the senior managements of those companies and the Group are in continuous contact with the heads of customs administrations. The status of customs terminal is extremely important for both subsidiaries and the loss of that status would result in a significant change in the business models of those companies, which are thus intensively developing transactions involving other products that are not linked to the status of customs terminal.
- Risk of insufficient insurance for goods in warehouses, in terms of adequate insured sums: Due to the increased scope of transactions in the Group's warehouses and the changing structure and value of goods held in inventory, the previously identified risk level rose in 2017. Management of this risk will be optimised in 2018 with the introduction of a system for the more frequent verification of the value of goods in warehouses and the adjustment of insurance coverage.

Other risks have been classified as low and moderate.

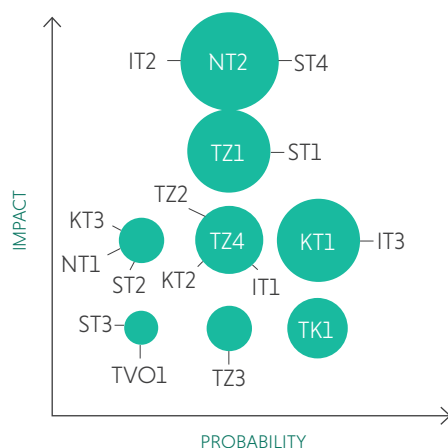
FIGURE 25: IDENTIFIED LEVELS OF BUSINESS RISKS AT THE END OF 2017 AND 2016



2.6.1.2 Operational risks

Operational risks are associated with the design, implementation and supervision of business processes and activities within the Group. Operational risks within the Intereuropa Group include significant strategic risks, risks associated with information and communication technology, HR-related risks, risks associated with legislation and legal proceedings, risks associated with the management and protection of assets, risks associated with environmental protection and risks associated with providing high-quality logistics services.

TABLE 30: OPERATIONAL RISKS TO WHICH THE INTEREUROPA GROUP WAS EXPOSED AT THE END OF 2017



| | |
|------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| ST1 | Risks associated with achievement of established strategic objectives |
| ST2 | Risks associated with external factors on the markets where Group companies operate |
| ST3 | Risks associated with the loss of reputation |
| ST4 | Corruption risks |
| IT1 | Risks associated with unauthorised access to confidential information via IT solutions |
| IT2 | Risks associated with the unavailability of the information system and the disruption of operations |
| IT3 | Risks associated with delays in the implementation of IT projects, and the excessively slow development of IT services and electronic operations |
| KT1 | Risks associated with the excessive turnover of key and perspective employees, or a lack of commitment |
| KT2 | Risks associated with inappropriate qualifications and/or a lack of required competences |
| KT3 | Risks associated with occupational safety and health (preventive) |
| TZ1 | Risks associated with lawsuits against the Group |
| TZ2 | Risks associated with customs procedures |
| TZ3 | Risks associated with the protection of trade secrets and inside information |
| TZ4 | Risks associated with fraud and other criminal acts |
| NT1 | Risks associated with a 10% rise in infrastructure costs |
| NT2 | Risks associated with an inadequate system for protecting property |
| TVO1 | Risks associated with inappropriate waste management and environmental pollution |
| TK1 | Risks associated with the loss of and damage to shipments/goods |

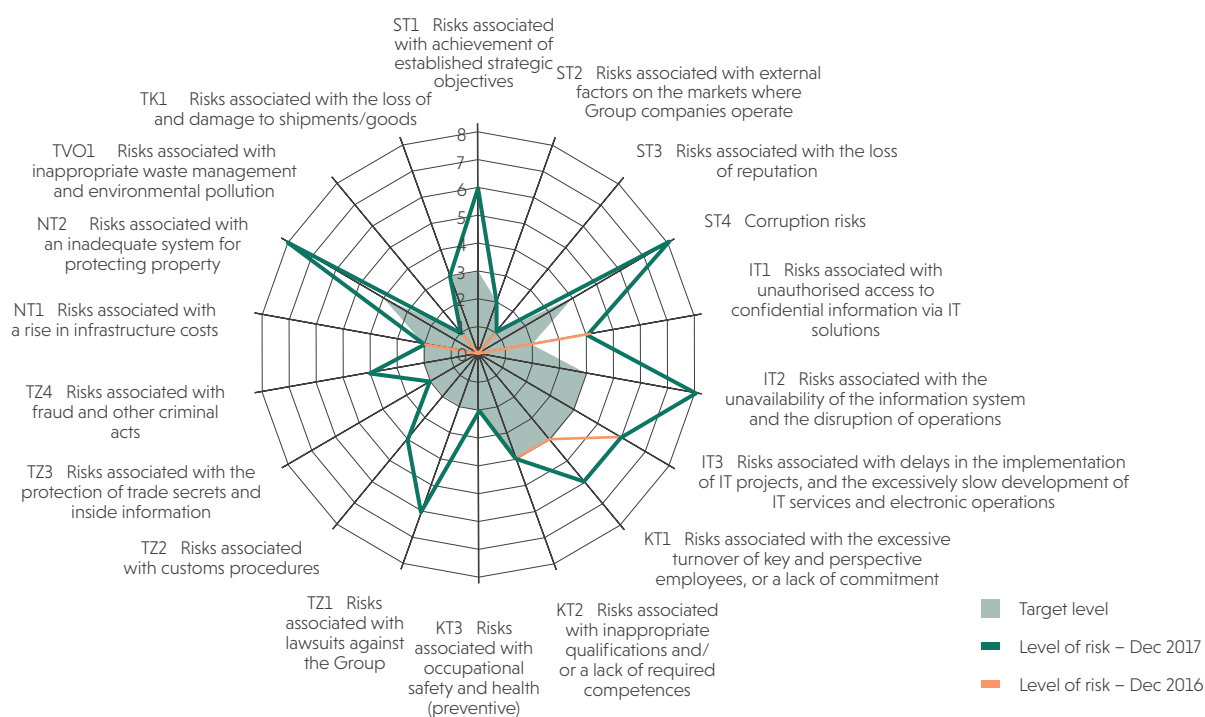
Identified operational risks to which the Group is exposed with the greatest impact on operations include risks associated with the unavailability of the information system and the disruption of operations, risks of corruption and risks associated with an inadequate system for protecting property. The highest probability of risk arising is seen in the risk of delays in IT projects and the excessively slow development of IT services and e-operations, the risk of excessive turnover of key and perspective employees, or a lack of commitment, and the risk of the loss of and damage to shipments or goods.

The following three operational risks are classified as high-risk:

- Risks associated with the unavailability of the information system and the disruption of operations: The standardisation of processes and the introduction of a single information system within the Intereuropa Group mean that an increasing number of the Group's business transactions are executed exclusively on the central servers in Koper. With the simultaneous increase in the number of customers who operate according to a 24/7 regime, there is a risk (albeit very unlikely but with significant negative consequences) that key information systems could malfunction, which could hinder or, in the worst-case scenario, prevent the smooth implementation of operational processes. To mitigate that risk, activities were carried out in 2017 to increase the redundancy of the system, while a disaster recovery plan was drafted.
- Corruption risks: the Intereuropa Group operates and has subsidiaries in countries that have been placed on the list of the Transparent International organisation, and that are considered some of the most corrupt countries according to that body's corruption perceptions index. There is a risk of the loss of certain transactions that are linked to operations with a country (e.g. the status of customs warehouse) due to acts of corruption or acts of fraud. If such events occur, the probability that damages will be reimbursed is lower than in less corrupt countries.
- Risks associated with an inadequate system for protecting property: Security plans and systems are in place in certain locations at Group subsidiaries, but those systems are not in line with modern security standards. The centralised management and rectification of deficiencies will be established at the Intereuropa Group level in 2018 in the area of security.

Other risks have been classified as low or moderate.

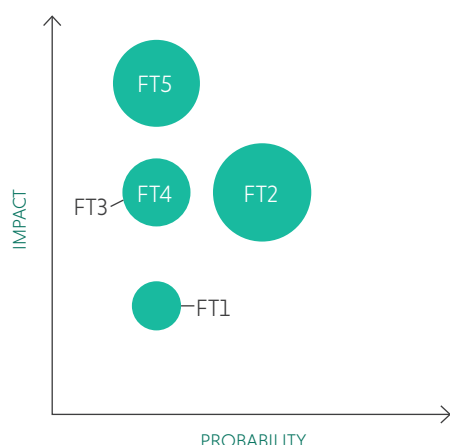
FIGURE 26: IDENTIFIED LEVELS OF OPERATIONAL RISKS AT THE END OF 2017 AND 2016



2.6.1.3 Financial risks

Financial risks comprise risks associated with the ability to generate finance income, to control finance costs and to preserve the value of financial assets. Financial risks identified by the Intereuropa Group include credit, interest-rate, currency and liquidity risks. Credit risk is described below because it is the most significant financial risk. Details regarding exposure to other financial risks are presented in section 28 of the financial report of the Intereuropa group.

TABLE 31: FINANCIAL RISKS TO WHICH THE INTEREUROPA GROUP WAS EXPOSED AT THE END OF 2017

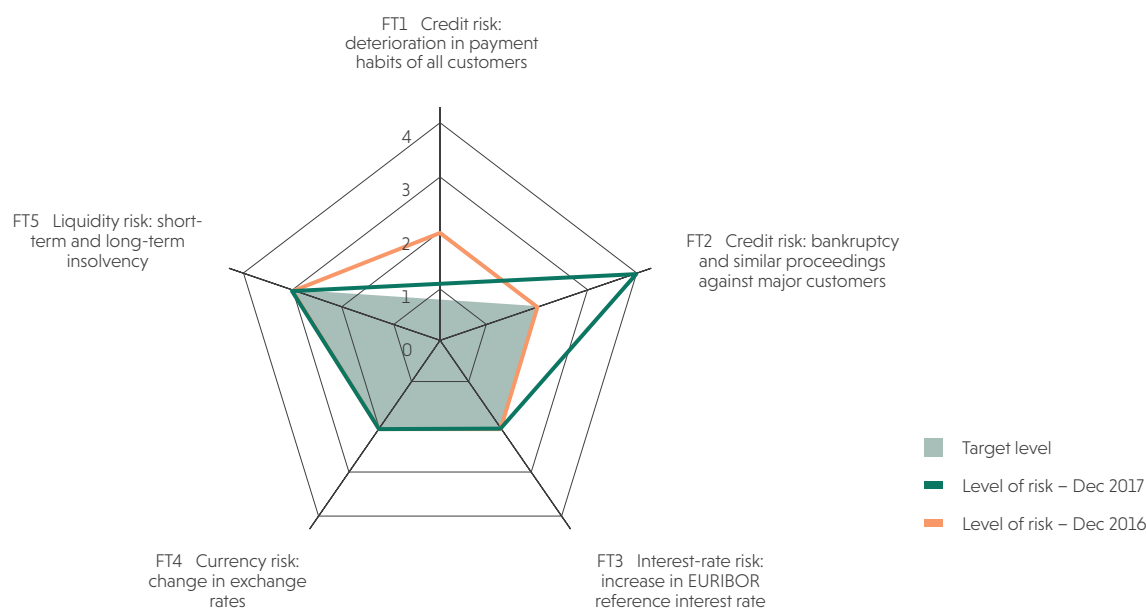


| | |
|-----|-------------------------------------------------------------------------|
| FT1 | Credit risk: deterioration in payment habits of all customers |
| FT2 | Credit risk: bankruptcy and similar proceedings against major customers |
| FT3 | Interest-rate risk: increase in EURIBOR reference interest rate |
| FT4 | Currency risk: change in exchange rates |
| FT5 | Liquidity risk: short-term and long-term insolvency |

Amongst identified financial risks, the realisation of liquidity risk would have the greatest impact on operations, while highest identified risk level is in credit risk in connection with bankruptcy and similar proceedings initiated against major customers.

Credit risk is primarily seen in the risk of failure on the part of customers to pay for services rendered. The management of credit risk is a part of our daily activities. Given the conditions on the markets where the Group operates, credit risk is present at all times, but is more or less evident depending on the economic cycle. It is therefore given a great deal of attention. Credit risk is managed primarily by analysing credit rating reports about customers, by setting the appropriate credit limits, by collateralising high-risk receivables and through the continuous active monitoring of outstanding receivables. On account of the aforementioned activities and the extremely high dispersion of receivables between numerous customers from different sectors and geographical regions, the Intereuropa Group's exposure to individual customers is assessed as low. Given that it is highly probable that credit risk will be realised with respect to individual customers, the impact of that risk on the Group's operations is assessed as moderate.

FIGURE 27: IDENTIFIED LEVELS OF FINANCIAL RISKS AT THE END OF 2017 AND 2016



2.7 DEVELOPMENT AND INVESTMENTS

2.7.1 DEVELOPMENT OF THE COMPUTERISATION OF OPERATIONS

Key activities implemented by the Intereuropa Group in 2017 with regard to the computerisation of operations related to the establishment of a uniform information system across the Group. The WexVS IT solution, which is already in use at Intereuropa and certain smaller subsidiaries, was used to support operational activities in support of groupage and domestic transport services and logistics solutions at the Croatian subsidiary Intereuropa, logističke usluge, d.o.o., Zagreb.

Preparatory activities were also carried out to introduce the WexVS IT solution at the subsidiaries Intereuropa RTC d.d. in Bosnia and Herzegovina and Zetatrans A.D. in Montenegro. Further development of the WexVS IT solution was carried out for sea freight services at the parent company.

As part of the upgrading of support for domestic transport services, the Company introduced a new solution for the performance of work processes in the field. That solution functions on mobile phones with the Android operating system, and represents a step towards the modernisation and simplification of operational work.

With regard to the computerisation of the finance, accounting, controlling and HR functions, the Company successfully implemented a complex project in 2017 to upgrade the SAP information system to version SAP ERP 6.0 EHP 8, as well as a project to upgrade the financial interface between the SAP IT solution and other back-office IT solutions.

The Company also issued two major tenders, for the introduction of a CRM IT solution to support sales, as well as a BI solution for business decision-making. The tender for the CRM was completed at the end of 2017, while implementation of the CRM IT solution at the Company should be completed during the first half of 2018.

With regard to the infrastructure, the Company carried out procedures for the purchase of infrastructure equipment for the upgrading of the communications infrastructure in Slovenia and Croatia. That equipment should be installed during the first quarter of 2018.

Plans for 2018

Development is planned in the following areas in 2018 as part of the computerisation of operations:

- the introduction of a CRM system to support the sales function across the entire Intereuropa Group;
- the introduction of a BI system for business decision-making;
- preparations for and the implementation of the business continuity management (BCM) project;
- preparations for and the implementation of a project to upgrade the secure data storage system;
- the introduction of the WexVS module for the sea freight segment at Intereuropa d.d.;
- the introduction of the WexVS module at the subsidiary Intereuropa RTC d.d. in Bosnia and Herzegovina for FCL and LCL transactions, customs services, domestic transport, groupage, distribution and air freight;
- the continued migration of the users of warehouse services to the WexVS IT solution in Slovenia and Croatia;
- the continuation of preparatory activities to introduce the WexVS IT solution at the subsidiaries Zetatrans A.D. in Montenegro and AD Intereuropa logističke usluge in Serbia;
- the implementation of a project aimed at the upgrading of the authorisation system in the scope of the SAP IT solution at the subsidiaries in Croatia, Serbia, Bosnia and Herzegovina and Montenegro;
- the final implementation of the EBA electronic archive project at the subsidiary Intereuropa, logističke usluge, d.o.o.; and
- the implementation of the EBA electronic archive project at the subsidiary Intereuropa RTC d.d.

With regard to the infrastructure, Intereuropa will implement activities in 2018 to centralise the server system infrastructure for the entire Intereuropa Group, as well as activities to integrate the information and communications network in Slovenia and at other Group companies, and activities to upgrade computer equipment used by employees in the workplace.

2.7.2 PARTICIPATION IN EUROPEAN PROJECTS

On 1 March 2017, the parent company Intereuropa d.d. successfully participated in a public tender to co-finance the establishment and functioning of competence centres for employee development for the period 2017 to 2018, in which Intereuropa d.d. is one of 17 partners in the competence centre for the area of logistics (KOC LOGINS). The aim of the project is to co-finance the establishment and functioning of a competence centre for employee development. The project is implemented by a partnership of companies from the area of logistics. The centre will contribute to the improved competences, productivity, creativity and innovation of employees, and strengthen the competitiveness of the Slovenian economy. As a large company, Intereuropa d.d. is entitled to the co-financing of 50% of training costs for the development of employee competences, up to the amount of earmarked funds.

2.7.3 INVESTMENTS IN FIXED ASSETS

2.7.3.1 Intereuropa Group

The Intereuropa Group invested EUR 2.7 million in fixed assets in 2017, a decrease of 28.1% relative to 2016. Thus, only 45.9% of the annual investment plan was realised, primarily as the result of unfinished IT projects and the postponement of decisions regarding certain major investments until 2018. Of the total investments in 2017, EUR 723 thousand was invested in real estate and EUR 2.0 million in equipment and intangible assets.

The majority of funds, or EUR 507 thousand, were earmarked for the purchase of forklifts, while other investments break down as follows: EUR 434 thousand for the purchase of freight and delivery vehicles, and cars; EUR 243 thousand for the development and upgrading of information technology; EUR 160 thousand for the installation of new fire-protection, anti-burglary and video surveillance systems; EUR 120 thousand for renovation works on buildings in Sarajevo; EUR 126 thousand for the installation of new, mostly energy-efficient LED lighting systems; EUR 103 thousand for the purchase of land in Vrtojba; EUR 96 thousand for the installation of an additional heating system in the warehouse in Dravograd and the replacement of convection heating units in the commercial building in Koper; EUR 95 thousand for the renovation of the warehouse in Belgrade; and EUR 81 thousand for the start of construction of an outdoor handling platform for the warehouse in Podgorica.

TABLE 32: OVERVIEW OF THE REALISATION OF PLANNED INVESTMENTS* BY THE INTEREUROPA GROUP AND PARENT COMPANY IN 2017 AND COMPARISON WITH 2016 (IN EUR THOUSAND)

| | Real estate | | | Intangible assets and property, plant and equipment | | | Total investments | | | | |
|--------------------|-------------|--------------|------------|-----------------------------------------------------|--------------|--------------|-------------------|--------------|--------------|-------------|------------------|
| | 2016 | 2017 plan | 2017 | 2016 | 2017 plan | 2017 | 2016 | 2017 plan | 2017 | Index 17/16 | Index 17/plan 17 |
| Intereuropa d.d. | 570 | 1,749 | 341 | 1,755 | 1,890 | 1,237 | 2,325 | 3,639 | 1,578 | 67,9 | 43,4 |
| Subsidiaries | 331 | 378 | 382 | 1,085 | 1,841 | 730 | 1,416 | 2,219 | 1,112 | 78,5 | 50,1 |
| Total Group | 901 | 2,127 | 723 | 2,840 | 3,731 | 1,967 | 3,741 | 5,858 | 2,690 | 71,9 | 45,9 |

* Breakdown by property, plant and equipment and intangible assets:

Of the Group's total investments in the amount of EUR 2.690 million, EUR 2.612 million was invested in property, plant and equipment, while EUR 78 thousand was invested in intangible assets.

2.7.3.2 Investments by the parent company Intereuropa d.d.

Major investments by the parent company Intereuropa d.d. were as follows:

- investments in the development of the integrated WexVS IT solution to support logistics processes and the purchase of computer equipment (server infrastructure, personal computers, printers and manual bar code readers);
- the purchase of 24 forklifts and nine company cars;
- purchase of land in Vrtojba;
- the arrangement of facilities at the warehouse Dravograd;
- the renovation of holiday facilities in Čatež and on Rogla; and
- the arrangement of a canopy with office containers at the car terminal in Koper.

2.7.3.3 Investments in subsidiaries

The following major investments were made in the subsidiaries of the Intereuropa Group:

- investments in the development of the WexVS IT solution to support logistics processes and the purchase of computer equipment (server infrastructure, personal computers, printers and manual bar code readers);
- four freight vehicles with trailers in the Ukraine, and three delivery vehicles and two cars at the companies in Sarajevo, Podgorica and Kosovo;
- the installation or expansion of fire-protection, anti-burglary and video surveillance systems;
- the arrangement of asphalt surfaces and warehouse premises, and other renovation works in Sarajevo;
- the renovation of the warehouse in Belgrade;
- the start of construction of an outdoor handling platform at the warehouse in Podgorica; and
- warehouse equipment for various companies (forklifts, scales, warehouse shelves, doors, etc.).

2.7.3.4 Plans for 2018

Investments in the total amount of EUR 7.864 million are planned at the Group level, with the parent company Intereuropa d.d. accounting for investments in the amount of EUR 5.231 million. Major investments are planned in information technology, the renovation of the warehouse in Celje, the replacement of roofing on warehouses, the arrangement of warehouse premises, the purchase of transport and delivery vehicles, the purchase of forklifts, and the upgrading of anti-burglary and video surveillance systems.



Intereuropa®
Global Logistics Service

Sustainable development

With an eye for the environment

We are creating a sustainable path of success, with an awareness of logistical burdens that can have a long-term impact on the environment and the social sphere. We are committed to implementing environmentally friendly logistics services and are working to ensure a better quality of life and work in the local environment.

03





3 SUSTAINABLE DEVELOPMENT

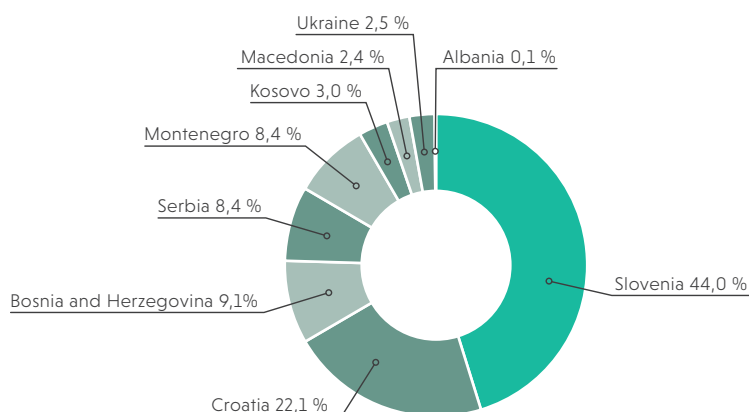
3.1 PERSONNEL AND SOCIAL MATTERS

3.1.1 NUMBER OF EMPLOYEES

The Intereuropa Group had 1,369 employees as at 31 December 2017, a decrease of 0.4% or five employees relative to the last day of 2016.

The Intereuropa Group still had 161 people performing work via employment agencies at the end of 2017.

FIGURE 28: PROPORTION OF EMPLOYEES BY COUNTRY IN WHICH INTEREUROPA GROUP COMPANIES ARE BASED



3.1.2 CHANGES IN THE NUMBER OF EMPLOYEES

The Intereuropa Group hired 143 new employees in 2017 for the following reasons: 64 new workers were hired to replace departing workers, 75 workers were hired due to new transactions and four workers were employed temporarily to replace employees on sick leave.

In addition to internal announcements, new employees with the desired competences were recruited through external calls for applications and in cooperation with various faculties. The need arose within the Group for employees with differing profiles: warehouse workers, drivers, customs brokers, clerks, logistic operators and organisers, sales staff, etc.

The number of employees at the subsidiary in Serbia was up by 13, primarily on account of new transactions, and by nine in Croatia and two in Bosnia and Herzegovina. The number of employees at other subsidiaries was unchanged or down slightly (by two to five employees), while the number of employees was down by 17 at the parent company. The employment of a total of 148 workers was terminated.

Certain requirements for workers within the Intereuropa Group were met in part via employment agencies and student services, primarily for jobs with lower value added (e.g. clerks and warehouse workers) or as starting/entry positions. An average of 196 workers, recalculated as FTEs, performed work in this manner in 2017, an increase of 53 relative to 2016.

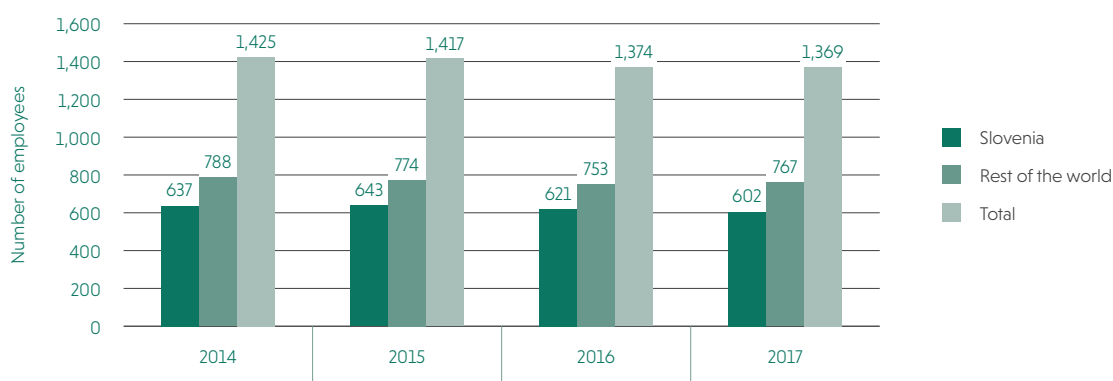
At the end of 2017, a total of 87% of the Intereuropa Group's workers were employed on a permanent basis while 13% were employed on a temporary basis.

A comparison of the number of employees by Intereuropa Group company in 2016 and 2017 is given in the following table.

TABLE 33: COMPARISON OF THE NUMBER OF EMPLOYEES BY INTEREUROPA GROUP COMPANY

| Company | 31. 12. 2016 | 31. 12. 2017 | Deviation 17-16 | Index 17/16 |
|-----------------------------------------------------------|--------------|--------------|-----------------|-------------|
| Intereuropa d.d., Koper | 606 | 589 | -17 | 97 |
| Interagent, d.o.o., Koper | 12 | 10 | -2 | 83 |
| Interzav, d.o.o., Koper | 3 | 3 | 0 | 100 |
| Slovenia | 621 | 602 | -19 | 97 |
| Intereuropa, logističke usluge, d.o.o., Zagreb | 287 | 295 | 8 | 103 |
| Intereuropa sajam, d.o.o., Zagreb | 7 | 8 | 1 | 114 |
| Intereuropa RTC d.d., Sarajevo | 122 | 124 | 2 | 102 |
| AD Intereuropa logističke usluge, Belgrade | 102 | 115 | 13 | 113 |
| Intereuropa Kosova L.L.C., Prishtina | 43 | 41 | -2 | 95 |
| Zetatrans A.D., Podgorica | 120 | 115 | -5 | 96 |
| Intereuropa Skopje DOO, Skopje | 33 | 33 | 0 | 100 |
| TOV TEK ZTS, Uzhhorod | 37 | 34 | -3 | 92 |
| Intereuropa Global Logistics Service Albania shpk, Durrës | 2 | 2 | 0 | 100 |
| Other countries | 753 | 767 | 14 | 102 |
| TOTAL | 1,374 | 1,369 | -5 | 100 |

FIGURE 29: CHANGE IN THE NUMBER OF EMPLOYEES AT THE INTEREUROPA GROUP IN THE PERIOD 2014 TO 2017

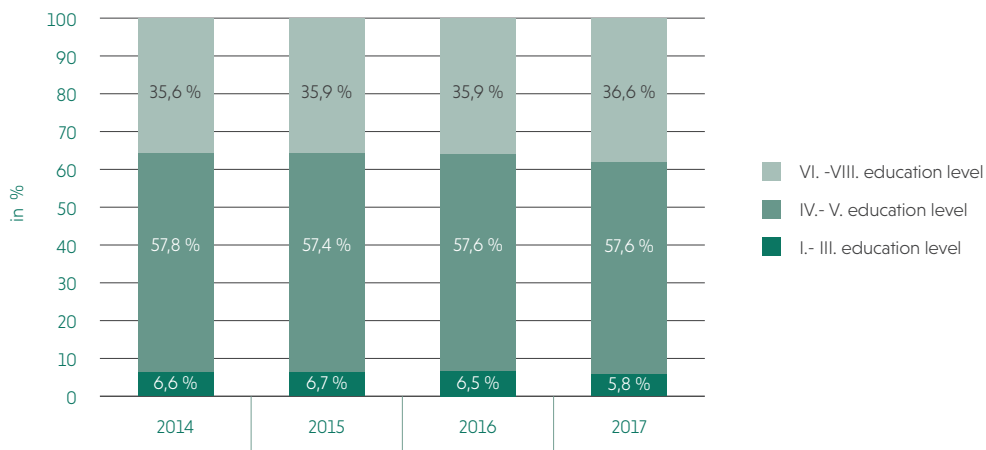


3.1.3 STRUCTURE OF EMPLOYEES

3.1.3.1 Qualification structure of employees

The proportion of employees with qualifications exceeding level six rose by 0.7 percentage points in 2017. The proportion of employees with the lowest qualifications continues to decline, while the proportion of employees with vocational or secondary school qualifications was unchanged.

FIGURE 30: QUALIFICATION STRUCTURE OF EMPLOYEES AT THE INTEREUROPA GROUP IN THE PERIOD 2014 TO 2017

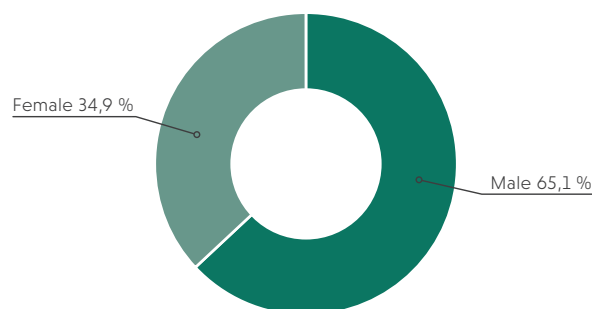


3.1.3.2 Employee structure by age and gender

A total of 63% of Intereuropa Group employees are men, while 37% of employees are women. Those proportions are 55% and 45% respectively at Slovenian Group companies, and 69% and 31% respectively at foreign subsidiaries combined.

The average employee age at the parent company rose from 47.2 years in 2016 to 47.9 years as the result of later retirement and a smaller number of new employees. The average age ranges between 42 and 49 years at other, larger Group companies.

FIGURE 31: STRUCTURE OF MANAGEMENT STAFF IN THE INTEREUROPA GROUP BY GENDER (EMPLOYEES ON INDIVIDUAL CONTRACTS) IN 2017

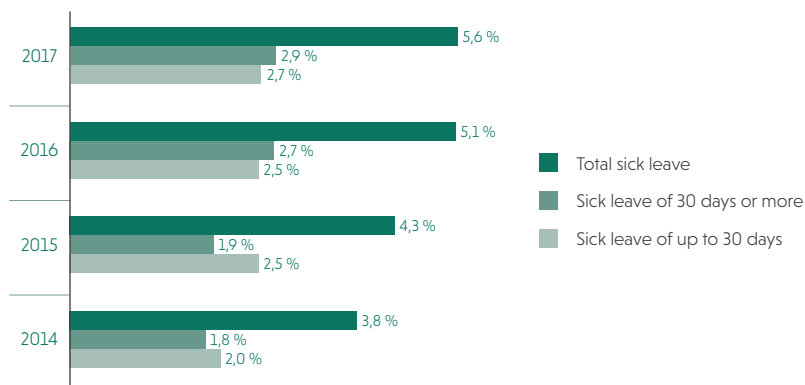


A total of 5% of Group employees are employed based on individual contracts.

3.1.4 SICK LEAVE RATE

The sick leave rate at the parent company rose from 5.1% in 2016 to 5.6% in 2017, which exceeds the Slovenian average. The proportion of sick leave accounted for by workplace injuries fell by 0.3 percentage points, from 0.4% in 2016 to 0.1% in 2017. The long-term objective is to reduce the sick leave rate due to disease and workplace injuries to below 4% through measures to promote health.

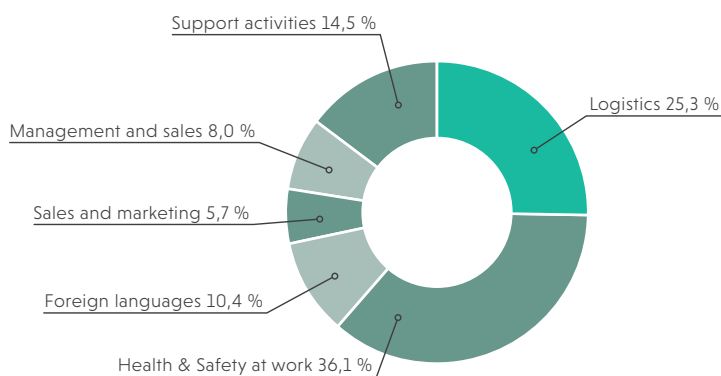
FIGURE 32: SICK LEAVE RATE AT THE PARENT COMPANY INTEREUROPA D.D. IN THE PERIOD 2014 TO 2017



3.1.5 EMPLOYEE TRAINING AND DEVELOPMENT

The Group earmarked EUR 100 thousand and 13,633 hours for the acquisition of new knowledge and skills in 2017, an increase of just over EUR 3 thousand relative to the previous year. The parent company spent a total of EUR 70 thousand on 6,000 training hours, which is 2,372 hours more than in 2016.

FIGURE 33: BREAKDOWN OF EDUCATION AND TRAINING AT THE INTEREUROPA GROUP IN 2017 BY CONTENT



The Group increased the number of training hours per employee from eight hours in 2016 to 10 hours in 2017.

Particular mention should be made here of the intensive training of employees at the subsidiary in Croatia (Intereuropa logističke usluge d.o.o., Zagreb) for the WexVS IT solution for the automation of business processes. A total of 2,245 hours were earmarked for training, which translates to an average of 19 hours per employee, which is 10 hours more than in 2016.

A total of 1,092 hours were earmarked at Slovenian Group companies for the continuation of the project aimed at the development of managerial competences, in particular communication skills and management by objectives. In addition, managers and a team of sales staff were included in joint and individual training courses. The focus at the subsidiary in Bosnia and Herzegovina was on training to acquire sales skills, for which 328 hours were earmarked, while 526 hours were earmarked for occupational health and safety training at the subsidiary in the Ukraine.

In Croatia, internal lecturers carried out 38% of training courses in the areas of occupational health and safety and IT support for business processes.

TABLE 34: COMPARISON OF EDUCATION AND TRAINING AT THE INTEREUROPA GROUP LEVEL IN THE PERIOD 2014 TO 2017

| | 2014 | 2015 | 2016 | 2017 |
|--------------------------------------------------------------------------------------|--------|--------|--------|--------|
| No. of hours of functional training (seminars, courses, professional meetings, etc.) | 12,417 | 13,417 | 10,486 | 13,633 |
| No. of hours of internal transfer of knowledge | 3,683 | 6,774 | 4,429 | 4,695 |
| No. of training participants (seminars, courses, professional meetings, etc.) | 1,288 | 1,406 | 1,540 | 1,611 |
| Total funds used for training (in EUR)* | 77,414 | 79,103 | 55,369 | 99,657 |
| Total funds used for training per employee (in EUR)* | 54 | 56 | 40 | 73 |

* Amount only includes tuition and participant fees.

3.1.6 CONCERN FOR EMPLOYEES AND THE BROADER SOCIAL ENVIRONMENT

The Intereuropa Group offers employees additional benefits aimed at ensuring their affiliation and loyalty. Those benefits include:

- Employees and retirees are offered the use of Intereuropa's holiday facilities (at spas, on the seaside, in the mountains, etc.).
- Employees are shown attention through congratulation from the President of the Management Board to mark special birthdays.
- Slovenian Group companies gave 148 children a gift certificate for EUR 30 for a children's shop to mark the New Year.
- A total of 182 Group employees received jubilee awards to mark major work anniversaries last year.
- Employees are offered the possibility of part-time work to facilitate the balancing of work and family life. As at 31 December 2017 a total of six workers at Slovenian Group companies had taken advantage of that possibility.
- Financial aid in the total amount of EUR 25 thousand at the Group level was given to 37 employees due to poor health, financial difficulties or the death of a family member.
- Employees at Slovenian Group companies are included in a pension plan (supplementary pension insurance) financed by the employer in the average amount of EUR 80.76 per month per employee.
- Intereuropa remains associated with various educational institutions in the local and broader environment, by providing 29 secondary school and tertiary level students the opportunity to perform their mandatory internships within the Group, with 25 of those students completing their internship at Slovenian Group companies.

3.1.6.1 Measurement of the organisational climate

Measurement of the organisation climate was carried out for the sixth time at the parent company in 2017, with 33% of employees participating. There was a notable improvement relative to the last measurement in 2015, particularly in the area of employees' personal growth, while the assessment of the quality of the work environment was down slightly.

The organisational climate was also measured at the subsidiary in Croatia, where 38% of employees participated. The overall assessment of satisfaction was 2.68 (out of a possible 4). Employees gave the highest assessments to commitment to work, loyalty to the Company and interpersonal relations. Further challenges to improve the situation at the company lie primarily in the organisation of work, the inclusion of employees in decision-making, and increased opportunities for personal growth and development at work.

3.1.7 OCCUPATIONAL SAFETY AND HEALTH

Ensuring occupational health and safety is an important condition for the Company's competitiveness and the economic success of its operations. Achieving higher standards and the wellbeing of employees in terms of occupational safety and health are ensured:

- through the orderliness of work buildings, premises and work stations;
- by investing in improvements to working conditions (i.e. the updating of technological procedures) and the purchase of new, modern work equipment (PCs, forklifts, lifts, etc.);
- by providing and using prescribed personal protective equipment for its intended purpose;
- by measuring environmental conditions in the work environment; and
- through continuous training to ensure the requisite quality and quantity of services.

3.1.7.1 Promotion of occupational health

The Company has been promoting occupational health since 2014. The focus in 2017 was on the implementation of measures to improve physical health (stress and depression), and prevent respiratory diseases and various forms of cancer. Five workshops were organised on the subject of healthy eating. Three 'Health Day' presentations were organised, and included measurements of blood pressure, sugar and cholesterol, eye examinations, measurement of antioxidants, etc. Two mountain hikes were organised and fruit was made available to all employees once a month. Fifteen-minute neck and shoulder massages were organised at three of the Company's organisational units. Recreation was made possible in leased sports and fitness facilities, as were other recreational activities for employees, all with the aim of maintaining and strengthening health (sporting competitions, marathons, etc.). Team building events were also organised within and between individual organisational units.

3.1.7.2 Employee healthcare

In cooperation with authorised physicians from specific areas of medicine, 192 employees from the parent company were referred to preventive, preliminary, specific-purpose and periodic medical examinations in 2017, representing a decrease of 19.3% relative to 2016, while that number was 378 at the Intereuropa Group level, representing a decrease of 9.79% relative to 2016. We organised flu vaccinations for Slovenian Group companies, with 52 employees taking part. That number was down by 9.79% relative to 2016.

3.1.7.3 Workplace injuries

A total of 21 employees were injured in the workplace at the Group level, corresponding to 1.5% of all employees, an increase of 0.2 percentage points relative to 2016. Eight employees were injured in the workplace at Slovenian Group companies, corresponding to 1.3% of employees, a decrease of 0.3 percentage points relative to the previous year. In addition to employees, four workers hired via employment agencies were also injured.

An analysis of the sources, causes and factors involved in accidents indicated that injuries occurred primarily due to personal factors associated with individuals: slips, falls, squeezing between pallets, etc. The main causes of accidents were carelessness, incorrect work methods, etc.

For this reason, a great deal of time and commitment is invested in the continuous raising of awareness and training of employees with regard to correct and healthy work methods, with an emphasis on the risks associated with workplace accidents. A total of 844 employees participated in such training activities at the Group level in 2017.

3.1.7.4 Inspections and testing of work equipment

Certain risks associated with injuries and health impairments arise in the use of work equipment (forklifts, cranes, gas, electrical and lightning conductor installations, etc.). A total of 1,764 pieces of various work equipment were examined and tested at individual organisational units of Slovenian Group companies (a decrease of 7.4% relative to 2016), while a total of 1,857 pieces of equipment were examined and tested at the Intereuropa Group level (a decrease of 6.7% relative to 2016).

3.1.7.5 Fire safety

In addition to fire safety training, the Intereuropa Group dedicates special attention to ensuring the management of fire risks and to fire-preventive measures. Periodic inspections were carried out of facilities, and active and passive fire-fighting equipment (fire extinguishers and hydrants, fire detectors, domed smoke and heat vents, automatic fire-proof doors, etc.). Two evacuation drills were carried out by the parent company in 2017, and included employees and lessees at the Logatec and Maribor locations.

Subsidiaries in Croatia conduct evacuation drills and train employees to extinguish initial fires in accordance with legal requirements. A total of 190 employees were trained to extinguish initial fires in 2017, while evacuation drills were also conducted. Department heads at specific locations are responsible for evacuation.

Periodic training is organised for employees in Serbia in accordance with the Fire Safety Act. All employees are trained on conduct in the event of a fire.

Evacuation drills are not conducted at other companies.

3.2 ENVIRONMENTAL MATTERS AND ENERGY-EFFICIENCY

The Intereuropa Group takes into account prescribed legal norms and follows the guidelines set out in the Energy Act and in European environmental directives in its efforts to reduce hazardous emissions into the environment, limit the loss of energy, and separate and recycle waste.

Energy efficiency and a responsible approach to the environment are integral parts of the Group's work processes and business decisions. They relate to:

- the energy efficiency of buildings and devices,
- waste management, including waste computer equipment,
- procedures for handling hazardous cargoes,
- light pollution, and
- the monitoring of waste water.

Energy efficiency and separate waste collection

Energy efficiency is ensured through the following measures:

- the replacement of energy products with alternative heating sources;
- the periodic cleaning and servicing of furnaces, chimneys and air conditioning units;
- the periodic servicing of work machinery and other equipment;
- the periodic replacement of worn-out air conditioning units and work machinery;
- the regulation of heating devices and the additional regulation and control over the functioning of combustion plants, during operation and on down days; and
- the rehabilitation and additional thermal insulation of the roofs of warehouses and commercial buildings.

Lighting was renovated in 2017 at warehouses and business premises in Ljubljana, Vrtojba, Šenčur and Koper, Zagreb and Sarajevo. In the majority of cases, we used new, energy-saving LED lighting technology and thus complied with the guidelines set out in European environmental directives. Above all, we can expect to achieve savings in electricity consumption.

Ceiling-mounted convectors were replaced in the central heating and cooling system in the Koper office building, while the heating system in part of the warehouse in Dravograd was upgraded to meet a customer's needs. The Group also began drawing up terms of reference for the arrangement of the heating system for buildings at the logistics terminal in Maribor with the aim of reducing heating costs, improving the energy efficiency of the entire system and complying with legal norms.

In line with the policy to reduce the costs of energy consumption associated with forklifts and to reduce maintenance costs, the parent company Intereuropa d.d. purchased 21 electric-powered forklifts, accounting for three quarters of all new purchases.

The subsidiary Intereuropa AD, Belgrade equipped 1,200 m² of storage space with additional thermal insulation in 2017, which will contribute to the reduction of heat loss. Additional flood-control gates for water retention purposes were installed in a section of warehouse A in Maribor for the needs of storing hazardous materials.

Standard oil catchers or collectors, as prescribed by the law, were installed in the warehouses and terminals at all organisational units of the parent company where cars and trucks are held.

The Group continued replacing worn out air conditioning devices in 2017, when we purchased 34 new units, which contributed to a reduction in electricity consumption and improved working conditions in business premises.

Solar power plants functioned very well again in 2017, as there were more sunny days than the previous year. Six solar power plants are installed on the roofs of the Intereuropa Group's warehouses, with a total power of 5,691 kWp, which is enough to supply electricity to 1,575 households. The Group's contribution to reducing CO₂ emissions is 3,870 tonnes per year. The utilisation rate and electricity output of the aforementioned solar power plants are in line with investors' business plans. As the owner of the buildings on which the solar power plants are installed, Intereuropa is entitled to the annual fee set out in easement agreements, which was EUR 128.6 thousand in 2017 compared with EUR 121.9 thousand in 2016.

In terms of separate waste collection, the Intereuropa Group pursues its long-term objectives to reduce waste and benefit from the expected effects. Special containers are used to separate non-hazardous waste (e.g. cardboard, paper, wood, metals, glass, rubber, plastic foils, etc.), while hazardous chemicals and waste oil are collected in dedicated warehouses. Organic waste of animal origin is removed by specialised contractors. Computer monitors, printer cartridges, batteries and other computer equipment are also collected separately. In agreement with an authorised waste collector and in accordance with legal requirements, waste computer equipment is transported at least once a year to an appropriate disposal site.

Reduction of environmental impacts in transport and business processes

The transport activity is a major source of environmental pollution. One of the key criteria in the selection of road transport service providers is thus the number and proportion of a subcontractor's vehicles with environmentally friendly motors.

In 2017 the subsidiary TOV TEK ZTS, Uzhhorod purchased four new freight vehicle units with 5-EEV (enhanced environmentally friendly vehicle) motors for internal needs and to replace existing vehicles. The Intereuropa Group is planning the purchase of 12 freight vehicles and four delivery vehicles with more environmentally friendly motors in 2018.

The Group also followed energy efficiency guidelines in the purchase of forklifts in 2017. Existing natural gas-powered forklifts were replaced with 21 electric-powered units. A reduction in negative impacts on the environment, and savings in terms of energy consumption and maintenance costs are expected. In accordance with the Strategic Business Plan and investment plan, the Group will replace or purchase an additional 34 new forklifts in 2018. Of those new units, 27 are expected to be electric-powered forklifts.

The Intereuropa Group is also directly reducing negative impacts on the environment in other business processes by reducing paper administration, through various energy-saving measures in warehouses and buildings, and by raising awareness about the contribution of each individual to the preservation of the environment.

The parent company consumed 7,344,000 kWh of electricity in 2017, a 3% increase relative to 2016, solely due to the increased scope of work in the warehousing and storage activity and the functioning of cold store facilities. There has been a notable decrease in the consumption of heating oil, as the result of prudent control over the functioning of the heat pump and convection heating system in the office building in Koper. On the other hand, approximately the same quantity of natural gas consumed in 2016 was consumed in Maribor, Dravograd and Logatec for heating in 2017.

Concern for the environment and energy efficiency is passed on to all employees via internal communications. The Group aims to contribute to the increased awareness of business partners with regard to environmental protection principles through a diversified range of services that support those principles.

Objectives for 2018

The Intereuropa Group will continue to implement energy efficiency measures in 2018, and update existing energy management rules and supplement environmental management rules. It will follow a policy aimed at the gradual replacement of the existing fleet of trucks and cars, existing work machinery (forklifts), air conditioning units and heating systems, and exterior and interior lighting, all with the objective of reducing energy and maintenance costs, increasing the productivity of machinery and improving working conditions for employees. The investment plan for 2018 envisages EUR 2,030 thousand for those purposes.

3.3 SOCIAL RESPONSIBILITY

The Intereuropa Group identifies challenges and opportunities in the environment where it can contribute to the development of the social and economic environment in which it operates through its expertise, and the provision of logistics services and financial resources. In addition to generating positive operating results, it is also important to create good conditions for employees and all stakeholders in the environment. Intereuropa strives to ensure that the projects we support through our services form a link between its core activity and the local environment. That principle applies to all Group companies that contribute to a higher quality of life, and promote and enhance the Company's good reputation across Europe through sponsorship funds and donations. The Intereuropa Group's socially responsible approach contributes to the improved competitiveness of the Company.

Intereuropa d.d. remains associated with various educational institutions in the local and broader environment, by providing 24 secondary school and tertiary level students the opportunity to perform their mandatory internships.

The Group earmarked EUR 15 thousand in 2017 for sponsorships and donations, an increase of 5% relative to 2016. Intereuropa d.d. supported certain socially beneficial projects and strove for the equal treatment of all areas of society to the best of its operational abilities. Major activities included general sponsorship of the business-logistics conference 'Supply Chains in Science and Practice 2017' and sponsorship of the Ski Association of Slovenia (Planica organisational committee).

3.4 QUALITY MANAGEMENT SYSTEM

Implementation of the quality management strategy

With regard to ensuring the quality of services, certified Intereuropa Group companies implemented activities again in 2017 that related primarily to the maintenance of the quality management system. The year was marked by the successful completion of external assessments at three certified companies and by preparations for the new ISO 9001:2015 standard. The parent company adopted basic guidelines regarding the transition to the new standard. A new quality policy was proposed and training organised for internal assessors according to the new standard. A total of 73.1% of all Group employees currently work at companies certified according to the ISO 9001:2008 quality management standard (Intereuropa d.d., Intereuropa, logističke usluge, d.o.o., Zagreb and Intereuropa RTC d.d., Sarajevo), which is three quarters of a percentage point less than the previous year.

Quality indicators

A customer assesses the quality of logistics services taking into account the extent to which its requirements in connection with the safety of its goods, the promptness of services, and the accuracy and completeness of documentation have been met.

The number of reclamations received by Intereuropa was up by 15% in 2017, while the value of reclamations was up by 150% relative to 2016. The increase in the value of reclamations is the result of two reclamations in connection with damage to cars due to hail, the risk of which is borne in full by both customers. The Company hedges against risks associated with ensuring the quality of logistics services.

The proportion of on-time deliveries in the domestic transport segment was down slightly at Intereuropa in 2017 relative to the previous year, from 96.75% to 95.73%.

The proportion of credit notes, which serves as a measure of the accuracy of documentation, was down for the fourth consecutive year to stand at 1.23%.

Internal verification of the HACCP food safety management system

Intereuropa d.d. has a food and fodder safety management system in place in its warehouses, as follows:

- permanently in Maribor, Dravograd and Celje, and
- temporarily in Logatec, Ljubljana, Koper, Vrtojba and Jesenice.

Verification of the HACCP system and verification of compliance with best practices in the area of food and fodder safety were carried out at the warehouses in Maribor, Celje, Dravograd and Ljubljana in October 2017. No irregularities were identified, nor were any recommendations issued as the result of that verification. In conjunction with verification of the HACCP system, training was organised at the aforementioned locations for employees who come into contact with food. A total of 92 employees were included in training in 2017.

Transactions with food and fodder at subsidiaries in Kosovo, Macedonia, Montenegro and Croatia are carried

out in accordance with valid local legislation. Warehouses hold the requisite authorisations, while employees are qualified to work with food and fodder.

Handling of hazardous materials

Intereuropa d.d. holds authorisation to store hazardous chemicals in warehouses located in Maribor, Celje, Vrtojba and Jesenice. Due to the types and quantities of hazardous materials stored at the warehouse in Maribor, the latter is also bound by the Decree on the prevention of major accidents and mitigation of their consequences (Seveso) and holds the requisite environmental permit.

A regular inspection was carried out in September 2017 by the Inspectorate for the Environment and Spatial Planning. Deficiencies in connection with information for the public and the lightning protection system were identified during the inspection. A month later, an inspection was carried out by the Inspectorate for the Infrastructure, which identified deficiencies in connection with the lightning protection system. All deficiencies were eliminated by the deadlines set by the inspectors.

All employees who work with hazardous materials in warehouses and who are involved in organising the transport of hazardous materials must be properly qualified. Regular employee training is carried out to that end.

A total of 14 employees at the warehouses in Vrtojba and Celje received training on safe work with chemicals in 2017. Due to amended regulations governing the transport of hazardous materials, internal training was also organised at all locations in 2017 for those involved in the aforementioned activity (transport organisers, warehouse workers, etc.). Included in that training were a total of 185 employees and 74 contracted drivers for the delivery and express transport products at Intereuropa d.d.

Hazardous materials are also stored at subsidiaries in Kosovo, Macedonia, Croatia and Serbia, taking into account national regulations. Employees in warehouses where hazardous materials are stored are appropriately qualified in accordance with the requirements of national legislation.

The transport of hazardous materials (ADR) is carried out at subsidiaries in Kosovo, Bosnia and Herzegovina, Croatia and Serbia in accordance with valid national and international regulations (ADR). Employees involved in organising the transport of hazardous materials are appropriately trained.

The number of persons trained was as follows:

- Kosovo: 1
- Bosnia and Herzegovina: 1
- Croatia: 17
- Serbia: 30

Two employees in Croatia have passed the exam for safety consultant for the transport of hazardous materials, while in Serbia an external contractor performs the tasks of consultant for the transport of hazardous materials and storage of chemicals, as well as fire safety tasks.

External verification of the quality of services

Three external assessments were carried out within the Intereuropa Group in 2017. No cases of non-compliance

TABLE 35: OVERVIEW OF EXTERNAL VERIFICATIONS OF QUALITY WITHIN THE INTEREUROPA GROUP IN 2017

| Company | Standard | Certification body | Month of external assessment | Non-compliance | Recommendations |
|------------------------------------------------|---------------|--------------------|------------------------------|----------------|-----------------|
| Intereuropa d.d., Koper | ISO 9001:2008 | SIQ | March | 0 | 9 |
| Intereuropa, logističke usluge, d.o.o., Zagreb | ISO 9001:2008 | SIQ | June | 0 | 18 |
| Intereuropa RTC d.d., Sarajevo | ISO 9001:2008 | SIQ | October | 0 | 9 |

were identified by external assessors, who issued several recommendations for improvement.

External verification of the storage system for organic products imported from third countries

For the eleventh consecutive year, Intereuropa's Koper branch office passed an external assessment of the compliance of warehousing of organic products imported from third countries, as set out in Regulation (EC) No 834/2007 and Regulation (EC) No 889/2008. The assessor did not identify any instances of non-compliance or issue any recommendations.

Objectives for 2018

Given that the three-year deadline for transitioning to the latest standard expires at the end of September 2018 and thus the validity of the certificate according to the old ISO 9001:2008 standard, all three companies will upgrade their quality management systems in 2018 and transition to the new ISO 9001:2015 standard by the envisaged deadline.

3.5 RESPONSIBILITY TO SUPPLIERS

The integrated supplier relationship management system is defined in the Rules of Procedure on Quality Management, in organisational regulations, work instructions and the Group's other rules. In order to ensure a smooth work process, the Group strives to maintain professional, sound, reciprocal and fair relationships with our key suppliers and other suppliers of important resources.

Suppliers are categorised according to their importance and abilities as:

- partner suppliers with whom long-term cooperation agreements have been entered into;
- authorised suppliers assessed as capable and reliable;
- unapproved suppliers that do not meet selection criteria; and
- other suppliers, including suppliers used in one-off and minor purchases.

Suppliers for major business lines are assessed annually and placed on the appropriate list (e.g. authorised or unapproved) based on a standard methodology and predefined criteria, such as the prices of services and payment terms, quality and deadlines/delivery terms, mutual cooperation, supplier references and experience from past cooperation, credit ratings and other area-specific criteria. Suppliers are informed of achieved results, and encouraged to provide comments, recommendations and wishes with the aim of improving and strengthening relations.

To ensure the equal position of suppliers and optimal solutions, selections are typically made from at least two suppliers, taking into account the applicable regulations and the relevant supplier list. Selections are made by a selection committee or other responsible person, in cooperation with experts from the relevant area. The appropriateness and quality of services rendered or materials supplied are also controlled regularly, while timely and appropriate measures are implemented to ensure the satisfaction of end-users. Another criterion in the supplier selection process is the possibility of mutual cooperation, as this ensures the possibility of providing our services to a supplier and thus the mutual netting of payments.

Objectives for 2018

The core objective of supplier management remains the timely supply of the work process with services and materials of the requisite quality at the most affordable price. Emphasis is placed on establishing and maintaining long-term business relationships with selected suppliers and on the strengthening of mutual cooperation.

3.6 COMMUNICATION WITH KEY PUBLICS

Implementation of the communications strategy is based to a great extent on the Group's established development strategy. Communication activities are predicated on the adopted Corporate Governance Policy of Intereuropa d.d. The Intereuropa Group strives for constructive and active communication with all publics, and strives to cultivate lasting relationships to that end. Through open dialogue, we reinforce their confidence and improve the recognition of the Intereuropa Group and its reputation on all markets where the Group is present.

Communication with the financial public

Details regarding communication with the financial public are given in section 2.5 Share trading and ownership structure.

Communication with the general public

Through a proactive approach, the Intereuropa Group ensures the comprehensive and high-quality dissemination of information, which contributes to consistent communication with the general public, and to the visibility and reputation of the Intereuropa Group. Communication with the general public takes the form of periodic press releases, while the Company regularly responds to journalists' questions. To that end, we consistently comply with the information disclosure rules to which we are bound as a public limited company listed on the prime market of the Ljubljana Stock Exchange.

Communication with employees

Employees represent a key public to the Group. The Company communicates with them via various communication channels. The Company knows its employees best and encourages them to provide feedback. It therefore strives to strengthen two-way communication and motivate employees. The key communication tools used by the Company include internal websites (intranet), email and personal communication. Employees are also informed regularly about recent developments through the Works Council, which invites the Company's senior management to its sessions, and thus provides current information and ensures mutual dialogue about open issues.

Communication with customers

The Intereuropa Group is aware that communication with customers is crucial for its existence and development, and therefore ensures systematic communication with the users of logistics services. In its customer relations, the Group advocates for two-way communication and genuine bonds that form through regular and successful cooperation. It therefore fosters and strengthens relations through regular contacts and visits. These bonds serve as confirmation of the confidence of our customers and pave the way for closer cooperation. The Group further enhanced regular contacts with customers in 2017 through regular participation at meetings, and professional consultations and events. Through the redesigning of its websites in 2017, the Group also created a uniform identity at all Group companies and thus contributed to improved customer satisfaction.



Intereuropa®
Global Logistics Service

Financial Report

04



04 FINANCIAL REPORT

OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA D.D. FOR THE 2017 FINANCIAL YEAR

INTRODUCTORY NOTES

The Intereuropa Group comprises the parent company Intereuropa d.d., Koper and its subsidiaries. Intereuropa d.d. (hereinafter: the Company) is a company established in Slovenia, with its registered office at Vojkovo nabrežje 32, 6000 Koper. It is deemed a large company according to the criteria set out in the Companies Act. The Company's securities are traded on the regulated market, meaning the Company is subject to audit. As the parent company, it is also obliged to compile consolidated financial statements.

The Intereuropa Group provides comprehensive logistics services in the areas of land, sea and air freight transport, and also provides all terminal, customs and other logistics services required for the unhindered flow of goods from the manufacturer to the buyer.

The financial section of the annual report includes financial statements with the accompanying notes for the parent company, and financial statements with accompanying notes for the Intereuropa Group. All financial statements are compiled in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The audit firm KPMG Slovenija, d.o.o. audited each part of the report separately, and issued two separate independent auditor's reports.

4.1 FINANCIAL REPORT OF THE INTEREUROPA GROUP

Financial statements of the Intereuropa Group with explanatory notes

TABLE 1: CONSOLIDATED INCOME STATEMENT OF THE INTEREUROPA GROUP FOR 2017

IN EUR THOUSAND

| | Notes | January– December 2017 | January– December 2016 (adjusted*) |
|-------------------------------------------------------------|----------|---------------------------|------------------------------------------|
| Sales revenue | 1 | 149,889 | 135,596 |
| Other operating revenues | 2 | 3,177 | 2,262 |
| Costs of goods, materials and services | 3 | -107,293 | -94,048 |
| Labour costs | 4 | -27,173 | -26,565 |
| Amortisation/depreciation | 5 | -6,353 | -6,158 |
| Other operating expenses | 6 | -11,936 | -3,481 |
| Operating profit | | 311 | 7,606 |
| Finance income | | 362 | 459 |
| Finance costs | | -2,711 | -3,067 |
| Loss from financing activities | 7 | -2,349 | -2,608 |
| Investment result recognised according to the equity method | 8 | 10 | 39 |
| Loss from ordinary operations | | -2,028 | 5,037 |
| Corporate income tax (including deferred taxes) | 9 | 49 | -6,641 |
| Net loss for the accounting period | | -1,979 | -1,604 |
| Net loss pertaining to controlling interests | | -1,002 | -1,707 |
| Net loss pertaining to non-controlling interests | 21 | -977 | 104 |
| Basic and diluted loss per ordinary share (in EUR) | | -0.07 | -0.12 |

*Adjustments are disclosed in point V: Correction of material error

The notes are a constituent part of the financial statements and must be read in connection with them.

TABLE 2: CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE INTEREUROPA GROUP FOR 2017 IN EUR THOUSAND

| | Note | January– December 2017 | January– December 2016 (adjusted*) |
|----------------------------------------------------------------------------------------------------|------|---------------------------|------------------------------------------|
| Net loss for the accounting period | | -1,979 | -1,604 |
| Other comprehensive income | | -1,167 | -6,427 |
| Items that will be reclassified to profit or loss | | 905 | 335 |
| Change in the fair value of available-for-sale financial assets | 16 | 0 | 47 |
| Transfer of revaluation surplus for available-for-sale financial assets to profit or loss | | -104 | 0 |
| Change in deferred taxes in the revaluation surplus for available-for-sale financial assets | 20 | 19 | -11 |
| Attributable changes in equity of associates and joint ventures | 15 | 0 | -1 |
| Foreign currency translation differences | | 990 | 300 |
| Items that will not be reclassified to profit or loss | | -2,072 | -6,762 |
| Change in fair value of land | 10 | -2,528 | -8,223 |
| Transfer of revaluation surplus for land to net profit or loss brought forward | | -138 | -7,267 |
| Change in deferred taxes | | 505 | 2,003 |
| Change in net profit or loss brought forward from the transfer of the revaluation surplus for land | | 138 | 7,267 |
| Corporate income tax on net profit or loss brought forward | 9 | 0 | -363 |
| Actuarial net gains and losses for severance pay at retirement | | -50 | -179 |
| Total comprehensive income | | -3,146 | -8,031 |
| Total comprehensive income pertaining to controlling interests | | -2,319 | -8,102 |
| Total comprehensive income pertaining to non-controlling interests | | -827 | 71 |

* Adjustments are disclosed in point V: Correction of material error

The notes are a constituent part of the financial statements and must be read in connection with them.

TABLE 3: CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE INTEREUROPA GROUP AS AT 31 DECEMBER 2017 IN EUR THOUSAND

| | Notes | 31. 12. 2017 | 31 December 2016 (adjusted*) | 1 January 2016 (adjusted*) |
|-------------------------------------------------------|-----------|----------------|---------------------------------|-------------------------------|
| ASSETS | | | | |
| Property, plant and equipment | 10 | 166,263 | 177,594 | 193,609 |
| Investment property | 11 | 9,179 | 9,424 | 10,817 |
| Intangible assets | 12 | 3,816 | 4,253 | 4,592 |
| Other non-current assets | 13 | 29 | 49 | 62 |
| Non-current operating receivables | | 16 | 0 | 44 |
| Deferred tax assets | 9 | 12,888 | 12,989 | 18,360 |
| Long-term loans granted and deposits | 14 | 57 | 30 | 45 |
| Investment in joint venture | 15 | 73 | 102 | 135 |
| Other non-current financial assets | 16 | 33 | 542 | 518 |
| TOTAL NON-CURRENT ASSETS | | 192,354 | 204,983 | 228,182 |
| Available-for-sale assets | | 272 | 323 | 0 |
| Inventories | | 122 | 134 | 137 |
| Short-term loans granted and deposits | 14 | 1,992 | 2,124 | 6,604 |
| Current operating receivables | 17 | 34,252 | 28,804 | 30,985 |
| Current receivables for corporate income tax | | 635 | 60 | 57 |
| Other current assets | 18 | 514 | 377 | 364 |
| Cash and cash equivalents | 19 | 3,618 | 5,294 | 11,107 |
| TOTAL CURRENT ASSETS | | 41,405 | 37,116 | 49,254 |
| TOTAL ASSETS | | 233,759 | 242,099 | 277,436 |
| EQUITY | | | | |
| Equity pertaining to controlling interests | | 113,396 | 115,716 | 124,245 |
| Share capital | | 27,489 | 27,489 | 27,489 |
| Share premium account | | 18,455 | 18,455 | 18,455 |
| Profit reserves | | 5,584 | 5,277 | 5,029 |
| Fair value reserves | | 47,371 | 49,679 | 63,146 |
| Foreign currency translation differences | | -6,668 | -7,570 | -7,902 |
| Net profit loss brought forward | | 22,167 | 20,638 | 18,549 |
| Net profit or loss | | -1,002 | 1,748 | -521 |
| Equity pertaining to non-controlling interests | 21 | 7,741 | 8,625 | 8,707 |
| TOTAL EQUITY | 20 | 121,136 | 124,341 | 132,952 |
| LIABILITIES | | | | |
| Provisions | 22 | 3,230 | 1,847 | 6,163 |
| Non-current deferred income | | 92 | 104 | 119 |
| Non-current financial liabilities | 24 | 66,995 | 74,736 | 92,499 |
| Non-current operating liabilities | 23 | 377 | 329 | 691 |
| Deferred tax liabilities | 9 | 11,064 | 12,049 | 13,134 |
| TOTAL NON-CURRENT LIABILITIES | | 81,758 | 89,065 | 112,606 |
| Current financial liabilities | 24 | 5,786 | 6,201 | 5,648 |
| Current operating liabilities | 25 | 24,838 | 21,885 | 26,116 |
| Current corporate income tax liabilities | | 236 | 602 | 113 |
| Current deferred income | | 5 | 5 | 0 |
| TOTAL CURRENT LIABILITIES | | 30,865 | 28,693 | 31,878 |
| TOTAL LIABILITIES | | 112,623 | 117,758 | 144,484 |
| TOTAL EQUITY AND LIABILITIES | | 233,759 | 242,099 | 277,436 |

* Adjustments are disclosed in point V: Correction of material error

The notes are a constituent part of the financial statements and must be read in connection with them.

TABLE 4: CONSOLIDATED STATEMENT OF CASH FLOWS OF THE INTEREUROPA GROUP FOR 2017

IN EUR THOUSAND

| | Notes | January– December 2017 | January– December 2016 (adjusted*) |
|----------------------------------------------------------------------------------------|-----------|------------------------------|------------------------------------------|
| Cash flows from operating activities | | | |
| Net loss for the accounting period | | -1,979 | -1,604 |
| Adjustments for: | | | |
| - amortisation and depreciation | 5 | 6,353 | 6,158 |
| - impairments and write-offs of property, plant and equipment, and investment property | 6 | 7,342 | 80 |
| - gains on the sale of property, plant and equipment, and investment property | 2 | -306 | -704 |
| - reversal of impairments of property, plant and equipment, and investment property | | -1,269 | -507 |
| - losses from the sale of property, plant and equipment and investment property | | 1 | 1 |
| - impairments and write-offs of receivables and inventories | 6 | 946 | 806 |
| - other non-cash revenues | | -40 | 0 |
| - finance income | 7 | -362 | -459 |
| - recognised result for joint venture according to the equity method | 8 | -10 | -39 |
| - finance costs | 7 | 2,711 | 3,067 |
| - corporate income tax (including deferred taxes) | 9 | -49 | 6,641 |
| Operating profit before changes in net working capital and taxes | | 13,339 | 13,440 |
| Changes in net working capital and provisions | | | |
| Changes in receivables | 17 | -6,352 | 1,392 |
| Changes in inventories | | -16 | -5 |
| Changes in other current assets | | -138 | -33 |
| Changes in operating liabilities | 25 | 2,843 | -4,482 |
| Changes in provisions | 22 | 1,322 | -4,496 |
| Changes in non-current deferred income | | -11 | -15 |
| Income tax paid | | -1,245 | -251 |
| Net cash flow from operating activities | | 9,742 | 5,550 |
| Cash flows from investing activities | | | |
| Interest received | | 245 | 272 |
| Dividends received and shares in profit | | 10 | 43 |
| Inflows from the sale of property, plant and equipment | 10 | 891 | 8,119 |
| Inflows from long-term loans granted | | 1 | 1 |
| Inflows from long-term deposits placed | | 0 | 20 |
| Net cash flow from short-term deposits placed | 14 | 141 | 4,499 |
| Inflows from the sale of other financial assets | | 491 | 256 |
| Outflows for the acquisition of property, plant and equipment | 10 | -2,455 | -3,650 |
| Outflows for the acquisition of intangible assets | | -116 | -143 |
| Outflows for long-term deposits placed | | -40 | -16 |
| Net cash flow from investing activities | | -832 | 9,401 |
| Cash flows from financing activities | | | |
| Inflows from long-term loans and finance leases received | | 0 | 618 |
| Net cash flow from short-term loans and finance leases | | 194 | 9 |
| Interest paid | 7 | -2,343 | -2,959 |
| Outflows for the repayment of long-term loans and finance leases | 24 | -8,354 | -18,263 |
| Dividends paid | | -67 | -154 |
| Net cash flow from financing activities | | -10,570 | -20,749 |
| Opening balance of cash and cash equivalents | | 5,294 | 11,107 |
| Exchange rate differences relating to cash | | -16 | -15 |
| Net cash flow for the period from ordinary operations | | -1,660 | -5,798 |
| Closing balance of cash and cash equivalents | 19 | 3,618 | 5,294 |

* Adjustments are disclosed in point V: Correction of material error

The notes are a constituent part of the financial statements and must be read in connection with them.

TABLE 5: CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE INTEREUROPA GROUP FOR 2017

IN EUR THOUSAND

| | Note | Share capital | Share premium account | PROFIT RESERVES | | | | | Fair value reserves | Foreign currency translation differences | RETAINED EARNINGS | | Equity pertaining to controlling interests | Equity pertaining to non-controlling interests | Total equity |
|---------------------------------------------------------------------------------------------|------|---------------|-----------------------|-----------------|------------------------------|-------------------------------------|--------------------------------------------|----------------|---------------------|------------------------------------------|---------------------------------|--------------------------------------|--------------------------------------------|------------------------------------------------|--------------|
| | | | | Legal reserves | Reserves for treasury shares | Treasury shares (as deduction item) | Reserves under the articles of association | Other reserves | | | Net profit loss brought forward | Net profit for the accounting period | | | |
| Reporting as at 31 December 2016 | | 27,489 | 18,455 | 4,653 | 180 | -180 | 15 | 609 | 50,575 | -7,570 | 33,686 | 1,500 | 129,412 | 9,066 | 138,478 |
| Correction of error* | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -896 | -13,048 | 248 | | -13,696 | -442 | -14,138 |
| Reporting as at 31 December 2016 after correction of error | | 27,489 | 18,455 | 4,653 | 180 | -180 | 15 | 609 | 49,679 | -7,570 | 20,638 | 1,748 | 115,716 | 8,625 | 124,341 |
| Total comprehensive income | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -2,308 | 902 | 88 | -1,002 | -2,320 | -827 | -3,147 |
| Net profit or loss for the financial year | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -1,002 | -1,002 | -977 | -1,979 |
| Other comprehensive income | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -2,308 | 902 | 88 | 0 | -1,319 | 150 | -1,168 |
| Transactions with owners | | | | | | | | | | | | | | | |
| Transfer of net profit or loss from the previous year to net profit or loss brought forward | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,748 | -1,748 | 0 | 0 | 0 |
| Dividends and shares in profit | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -57 | -57 |
| Transfer of retained earnings to reserves | | 0 | 0 | 0 | 0 | 0 | | 307 | 0 | 0 | -307 | 0 | 0 | 0 | 0 |
| Settlement of net losses | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Closing balance as at 31 December 2017 | 20 | 27,489 | 18,455 | 4,653 | 180 | -180 | 15 | 916 | 47,371 | -6,668 | 22,167 | -1,002 | 113,395 | 7,741 | 121,136 |

* Adjustments are disclosed in point V: Correction of material error

The notes are a constituent part of the financial statements and must be read in connection with them.

TABLE 6: CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE INTEREUROPA GROUP FOR 2016

IN EUR THOUSAND

| | Note | Share capital | Share premium account | PROFIT RESERVES | | | | | | RETAINED EARNINGS | | | Equity pertaining to non-controlling interests | Total equity | |
|---------------------------------------------------------------------------------------------|------|---------------|-----------------------|-----------------|------------------------------|-------------------------------------|--------------------------------------------|----------------|---------------------|------------------------------------------|---------------------------------|--------------------------------------|------------------------------------------------|--------------|---------|
| | | | | Legal reserves | Reserves for treasury shares | Treasury shares (as deduction item) | Reserves under the articles of association | Other reserves | Fair value reserves | Foreign currency translation differences | Net profit loss brought forward | Net profit for the accounting period | Equity pertaining to non-controlling interests | | |
| Balance at 31 December 2015 | | 27,489 | 18,455 | 4,691 | 180 | -180 | 338 | 0 | 64,089 | -7,902 | 31,597 | -521 | 138,236 | 8,901 | 147,137 |
| Correction of error* | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -943 | 0 | -13,048 | 0 | -13,991 | -194 | -14,185 |
| Reporting as at 31 December 2015 after correction of error | | 27,489 | 18,455 | 4,691 | 180 | -180 | 338 | 0 | 63,146 | -7,902 | 18,549 | -521 | 124,245 | 8,707 | 132,952 |
| Total comprehensive income | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -13,467 | 332 | 6,739 | -1,707 | -8,103 | 72 | -8,031 |
| Net profit or loss for the financial year | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -1,707 | -1,707 | 103 | -1,604 |
| Other comprehensive income | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -13,467 | 332 | 6,739 | 0 | -6,396 | -31 | -6,427 |
| Transactions with owners | | | | | | | | | | | | | | | |
| Transfer of net profit or loss from the previous year to net profit or loss brought forward | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -521 | 521 | 0 | 0 | 0 |
| Payment of dividends and shares in profit | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -426 | 0 | -426 | -155 | -581 |
| Transfer of retained earnings to reserves | | 0 | 0 | 0 | 0 | 0 | 0 | 248 | 0 | 0 | -248 | 0 | 0 | 0 | 0 |
| Settlement of net losses | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -3,455 | 3,455 | 0 | 0 | 0 |
| Other changes | | 0 | 0 | -38 | 0 | 0 | -323 | 361 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Closing balance as at 31 December 2016 | 20 | 27,489 | 18,455 | 4,653 | 180 | -180 | 15 | 609 | 49,679 | -7,570 | 20,638 | 1,748 | 115,716 | 8,625 | 124,341 |

* Adjustments are disclosed in point V: Correction of material error

The notes are a constituent part of the financial statements and must be read in connection with them.

Notes to the consolidated financial statements

I. BASIS FOR COMPILATION

Statement of compliance

The financial statements of the Intereuropa Group have been compiled in accordance with the International Financial Reporting Standards, as adopted by the European Union, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union (hereinafter: the EU IFRS). They also include additional clarifications in accordance with the Companies Act.

The Management Board approved the consolidated financial statements on 13 March 2018.

Basis of measurement

The consolidated financial statements have been compiled on an historical cost basis, except for the items listed below, which are disclosed at fair value:

- available-for-sale financial assets at fair value whose fair value can be measured reliably, and
- land.

The methods used for measurement at fair value are described in point III.

The financial statements of the Intereuropa Group have been compiled on a going concern basis.

Functional and reporting currency

The attached consolidated financial statements were compiled in euros, which is the reporting currency of the Group. All financial information presented in euros is rounded to thousand units. Deviations of +1 or -1 in tables with disclosures are due to rounding.

Use of estimates and judgements

In compiling financial statements, the senior management regularly reviews and makes estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. The effects of changes to estimates are recognised in the period in which they occurred.

Information regarding significant assessments of uncertainty and critical judgements drawn up by the senior management in the application of accounting policies that have the greatest impact on the amounts in the financial statements are presented below.

Significant estimates and judgments

- The recoverable amount of assets for the sake of comparison with the carrying amount to test for asset impairment (Notes 10, 11 and 12).
In performing the asset impairment test, the senior management compared the recoverable amount of assets with their carrying amount, and recognised impairments if the former exceeded the latter.
- The useful life of depreciable assets (Notes 10, 11 and 12).
By no later than the end of the financial year, the senior management verifies the useful life of depreciable assets, taking into account the technical and economic obsolescence thereof.
- The value of doubtful receivables (Note 17).
The Group creates adjustments to the value of receivables based on the creditworthiness of customers, taking into account previous experiences.
- The valuation of financial instruments and land at fair value (Notes 10, 16 and 27).
The fair value of available-for-sale financial assets is assessed taking into account the bid price at the end of the reporting period. When measuring the fair value of land, the Group takes into account the ability of a market participant to generate economic benefits through the best use of an asset or its sale to another market participant.

- The creation of deferred tax assets and liabilities, and the possible use thereof (Note 9).
The senior management assessed the creation of deferred taxes on the basis of past experiences and data from projections of operations for the period 2018 to 2024, and in countries where the legal possibility to apply tax losses is shorter than the aforementioned period until the year of limitation, and assuming a stable tax environment in which the Group operates.
- The creation of provisions (Note 22).
Individual Group companies have created provisions for severance pay at retirement and jubilee benefits, and for lawsuits. Provisions are recognised if, as a result of a past event, companies have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The senior management of companies regularly verifies whether it is likely that there will be an outflow of resources yielding economic benefits in the settlement of a liability. The present value of severance pay and jubilee benefits is recorded in defined-benefit post-employment commitments. The basis for recognition comprises actuarial calculations that take into account assumptions and estimates at the time of the calculation (e.g. discount rate, estimated employee turnover rate, mortality rate and wage growth). Defined-benefit commitments are sensitive to changes in the aforementioned estimates; and
- The assessment of assumptions of control over subsidiaries and an associate (Notes 15 and 30).
The Group regularly verifies whether a change in influence has occurred. The following are deemed evidence of investors' significant influence:
 - representation on the management board or other decision-making body of a company in which the Group invests; and
 - participation in significant decisions, including decisions regarding dividends.

Changes in accounting estimates

The senior managements of companies have verified estimates, judgements and assumptions for 2017. Due to the amended depreciation rates for certain items of equipment there was a reduction in depreciation by EUR 9 thousand.

Changes in accounting policies

The accounting policies used in the compilation of the consolidated financial statements are the same as those applied in the compilation of the consolidated financial statements for the financial year ending 31 December 2016.

II. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis for consolidation

Subsidiaries

Subsidiaries are companies controlled by the parent company. Control exists when:

- the investor exercises influence over the company in which it has invested;
- the investor is exposed to a variable return or has the right to a variable return from its participation in the company in which it has invested; and
- the investor is able to affect the amount of its return through its influence over that company.

Voting rights are equivalent to shares of control

The financial statements of subsidiaries are included in the consolidated financial statements from the date control is assumed until the date it ceases. They are compiled taking into account the standard accounting policies of the Group.

Associate

The Group values its investment in an associate according to the equity method.

Transactions eliminated on consolidation

Balances, and revenues and expenses deriving from transactions within the Group are excluded during the compilation of the consolidated financial statements.

(b) Foreign currency

Transactions in foreign currencies

Transactions denominated in a foreign currency are translated into the functional currency of Group companies at the applicable exchange rate on the transaction date. Monetary assets and liabilities denominated in a foreign currency at the end of the reporting period are translated into the functional currency at the applicable exchange rate at that time. Non-monetary assets and liabilities denominated in a foreign currency and measured at fair value are translated into the functional currency at the exchange rate applicable on the day that fair value is determined. The reference exchange rate of the European Central Bank (ECB) is applied.

The Group recognises exchange rate differences arising in the settlement of monetary items or in the translation of monetary items at exchange rates other than those at which they were translated upon initial recognition during the period in question or at which they were presented in previous financial statements in profit or loss (as revenues or expenses) in the period in which they arise.

Financial statements of companies abroad

When translating the financial statements of subsidiaries based abroad with a functional currency that differs from the reporting currency (EUR) for their inclusion in the consolidated financial statements, the Group translates assets and liabilities into the reporting currency of the consolidated financial statements at the exchange rate applicable on the reporting date, while it translates revenues and expenses disclosed in the income statement and items disclosed in other comprehensive income at the average exchange rate for the period in question, which the Group assesses is an adequate approximation of the exchange rate on the transaction date. Any resulting exchange rate differences are recognised in other comprehensive income (foreign currency translation differences) until the disposal of a subsidiary, at which time exchange rate differences are transferred to the income statement.

(c) Financial instruments

Financial instruments comprise cash and cash equivalents, investments in equity and debt securities, operating and other receivables, loans received and granted, deposits and operating and other liabilities.

These instruments are initially recognised at fair value. The Group recognises ordinary purchases and sales of financial assets on the trading date, i.e. the date on which it undertakes to purchase or sell an asset. Any gain or loss resulting from the disposal of financial assets is also recognised on that date. Measurement following initial recognition is described below. The accounting of finance income and finance costs is described in the point regarding those items.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances at banks and other financial institutions, cash in hand and readily convertible securities.

The Group's statement of cash flows presents changes in inflows and outflows of cash and cash equivalents during the accounting period, using the indirect method, and explains changes in the balance thereof. The statement of cash flows was compiled using data from the Group's consolidated income statement for 2017, items from the consolidated statements of financial position as at 31 December 2017 and 31 December 2016, and other required data.

Available-for-sale financial assets

Following initial recognition, the Group measures available-for-sale financial assets at fair value (including costs directly attributable to their purchase), except investments in equity instruments that do not have a quoted market price on an active market and that are measured at historical cost because their fair value cannot be reliably measured. Changes in fair value are recognised in other comprehensive income (in equity). When an asset is derecognised, accumulated gains and losses disclosed in equity are transferred to profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments not traded on an active market. Loans comprise investments in the financial debts of other companies and the government, or the investments of other issuers. Receivables comprise rights arising from property and other relationships that entitle their holder to demand the payment of a debt, the delivery of goods or the rendering of services from a specific person. They are measured at amortised cost using the effective interest method.

Financial liabilities

The Group recognises financial liabilities on the day they arise. Financial liabilities are initially recognised on the trading date, i.e. when the Group becomes a contractual party in connection with the instrument in question. The Group derecognises a financial liability when the obligations specified in the contract have been discharged, have been cancelled or have expired. Following initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

(d) Equity

Share capital

The parent company's share capital is divided into 16,830,838 ordinary registered freely transferable no-par-value shares and 10,657,965 freely transferable no-par-value preference shares.

Share premium account

The share premium account comprises amounts from the simple reduction of the parent company's share capital. The share premium account may be used under the conditions and for the purposes set out by law.

Legal reserves

Legal reserves comprise amounts retained from profits generated in previous years, and are primarily earmarked for the settlement of potential future losses.

Reserves under the articles of association and other reserves

Reserves under the articles of association and other reserves are earmarked for the settlement of potential future losses and for other purposes.

Treasury shares

Treasury shares are disclosed in profit reserves (as a deduction item). Reserves for treasury shares are created in the amount paid for the acquisition thereof.

Fair value reserves

Fair value reserves relate to an increase in the carrying amount of assets according to the applicable revaluation model. They comprise the surplus from the revaluation of land and the surplus from the revaluation of financial assets.

Foreign currency translation differences

Foreign currency translation differences are the result of exchange rate differences that arise when the financial statements of subsidiaries are included in the consolidated financial statements.

Liabilities for dividends and other shares in profit

Liabilities for dividends and other shares in profit are recognised on the day the right to payment is exercised by a shareholder or owner.

(e) Property, plant and equipment

The Group initially recognises property, plant and equipment at historical cost, which includes amounts directly related to the purchase of an asset, as well as capitalised borrowing costs. Following the initial recognition of property, plant and equipment, the Group measures buildings and equipment using the historical cost model, while a revaluation model is used for land. According to the historical cost model, property, plant and equipment are disclosed at historical cost, less accumulated depreciation and any accumulated impairment loss. According to the applied revaluation model, land is disclosed at fair value on the revaluation date, less accumulated impairment loss. The Group verifies the need for revaluation annually. The Company revalues land every five years or more frequently if indications of a significant change in fair value exist (e.g. a change in the market prices of real estate in a particular country, a change in prices on the local real estate market, a change in comparable advertised prices, a significant change in the intended use of land or a change in achieved transaction prices).

An increase in the carrying amount of land as a result of revaluation is recognised directly in equity as a revaluation surplus in the statement of other comprehensive income. A decrease in the carrying amount of land as a result of revaluation reduces the revaluation surplus for that land. However, if the decrease in the carrying amount exceeds the accumulated revaluation surplus for the same asset, the difference in the decrease is transferred to profit or loss as an expense. The revaluation surplus for land, which constitutes an integral part of other comprehensive income, is transferred directly to profit or loss brought forward when the asset in question is derecognised.

Accounting for borrowing costs

Borrowing costs that may be directly attributed to the acquisition, construction or manufacture of an asset under construction represent a part of the historical cost of that asset. Borrowing costs comprise interest expense and exchange rate differences arising from loans in a foreign currency, if they are treated as a recalculation of interest expense. Other borrowing costs are recognised in the income statement as an expense in the period in which they arise.

Subsequent costs

The cost of replacing some part of an item of property, plant and equipment is recognised in the carrying amount of the asset in question if it is probable that the future economic benefits embodied within the part will flow to the Group, and its historical cost can be measured reliably. All other costs are recognised in profit or loss as expenses as they arise.

Depreciation

Depreciation is charged on a straight-line basis over the useful life of each individual item of property, plant and equipment. That method most precisely reflects the expected pattern of use of an asset. The estimated useful lives for the current and comparative periods are as follows:

- buildings 40–58 years;
- computer equipment 2–4 years; and
- other plant and equipment 3–10 years.

Depreciation methods and useful lives are reviewed once a year and adjusted as required.

(f) Intangible assets

Intangible assets comprise investments in industrial property rights (concessions, patents, licences, brands and similar rights) and other rights, the goodwill associated with an acquired company and other intangible assets. The period and method of amortisation of intangible assets with a finite useful life are reviewed, at a minimum, at the end of each financial year. Following initial recognition, intangible assets are disclosed using the historical cost model, i.e. at historical cost less accumulated amortisation and any accumulated impairment loss. The amortisation of intangible assets with a finite useful life is charged on a straight-line basis over the estimated useful life of each individual asset.

Subsequent costs

Subsequent costs in connection with intangible assets are only capitalised when they increase the future economic benefits of the asset to which the costs relate. All other costs are recognised in profit or loss as expenses as they arise.

Amortisation

The amortisation of intangible assets with a finite useful life is charged on a straight-line basis over the estimated useful life of each individual asset. That method most precisely reflects the expected pattern of use of an asset. The estimated useful lives for the current and comparative years are 3, 5, 10, 15 and 33 years. Amortisation methods, useful lives and residual values are verified at the end of each financial year and adjusted as required.

Goodwill

Any surplus of the historical cost of a business combination over the fair value of the acquired identifiable assets and liabilities is recognised as goodwill. Goodwill is not amortised. Instead, goodwill is tested annually for impairment by the acquiring party. Goodwill is disclosed at historical cost, less any accumulated impairment loss.

Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with the owners of equity. Thus, no goodwill is recognised as the result of such transactions. Any difference is recognised directly in equity.

(g) Investment property

Investment property comprises real estate purchased to generate rental income, to increase the value of non-current assets, or both. An assessment is required to determine whether real estate is deemed investment property. The Group assesses that elements of real estate made available in part for operating leasing and used in part by Intereuropa d.d., Koper or another subsidiary cannot be sold separately (or made available separately for finance leasing). Such real estate is therefore classified as property, plant and equipment in use in the provision of services. Only real estate that is made available for leasing in its entirety is recognised as investment property.

Following initial recognition, the Group disclosed investment property using the historical cost model, i.e. at historical cost less accumulated depreciation and any accumulated impairment loss. Revalued investment property (land) is transferred from property, plant and equipment at the carrying amount on the transfer date, while the associated revaluation surplus remains in equity and is transferred to profit or loss brought forward upon disposal. The same depreciation rates used for real estate classified as property, plant and equipment are applied to investment property.

(h) Inventories

Inventories of material are valued at historical cost, which comprises the purchase price, import duties and the direct costs of procurement. The purchase price is reduced by any discounts received. The weighted average price method is applied in the use of materials.

(i) Impairment of assets

FINANCIAL ASSETS

Operating receivables

The Group impairs operating receivables by creating a value adjustment in the amount of 100% of all receivables more than 180 days in arrears, and exceptionally (if supported by impartial evidence that the receivable in question will be repaid) by assessing the recoverability of individual receivables. When impairing receivables subject to legal actions, enforcement proceedings, bankruptcy, compulsory composition and similar proceedings, the estimated recoverability of those receivables (estimated future cash flows) by individual category is taken into account. The amount of impairment loss is recognised as an expense in profit or loss.

Loans granted

If there is objective evidence that an impairment loss on loans disclosed at amortised cost has been incurred, the Group measures the amount of the loss as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. Impairments are also made based on an assessment by senior management regarding the recoverability of individual loans. The Group recognises the amount of impairment loss as an expense in profit or loss.

Available-for-sale financial assets measured at fair value

The Group impairs available-for-sale financial assets if the market price of an asset has fallen for more than one year or if a decrease exceeds 20% of an investment's historical cost. If the accumulated loss for such assets has been recognised in equity, that loss must be derecognised from equity and disclosed in profit or loss as an expense. The amount of such a loss is the difference between the historical cost and the current fair value of the financial asset in question, less impairment loss previously recognised in profit or loss.

Available-for-sale financial assets measured at historical cost

If there is objective evidence that an impairment loss on financial assets disclosed at historical cost has been incurred because fair value cannot be measured reliably, the Group recognises an impairment loss if the carrying amount of such financial assets as at the balance-sheet date exceeds the proportionate part of the carrying amount of the total equity of the company in which the investment is held by more than 20%, as at the nearest possible date for which such data can be obtained.

NON-FINANCIAL ASSETS

The Group reviews the residual carrying amounts of its non-financial assets at each reporting date to determine whether there is any indication of impairment. If such indications exist, the recoverable amount of the asset is estimated. Goodwill and intangible assets with an infinite useful life that are not available for use are tested for impairment on each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less selling costs. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing purposes, assets that cannot be tested individually are grouped into the smallest possible groups of assets that generate cash flows from continued use and that are largely independent of cash generated by other assets or groups of assets (cash-generating unit). In order to test goodwill for signs of impairment, cash-generating units to which goodwill is allocated are subject to special testing; cash-generating units to which goodwill is allocated are combined so that the level of testing for impairment reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination is allocated to the cash-generating units or group of units that are expected to benefit from the synergies of the combination.

The Group's joint assets do not generate separate cash flows. If there is a sign of impairment of a joint asset, the recoverable amount of the cash-generating unit to which a joint asset belongs is determined.

The impairment of an asset or a cash-generating unit is recognised when its carrying amount exceeds its recoverable amount. That impairment is disclosed in the income statement. Impairment losses recognised in respect of a cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

Losses owing to the impairment of goodwill are not reversed. In respect of other assets, the Group assesses impairment losses in prior periods at the end of the reporting period to establish whether the loss has decreased or no longer exists. Impairment losses are reversed if there has been a change in the estimates based on which the recoverable amount is determined. An impairment loss is reversed to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in previous years.

(j) Non-current assets held for sale

Non-current assets or a disposal group comprising assets and liabilities (applicable to investment property, intangible assets and non-current financial assets within non-current assets, and only applicable to land and buildings within property, plant and equipment on grounds of materiality) whose carrying amount is reasonably expected to be settled primarily through sale and not through further use are classified as assets held for sale, with that sale envisaged within the next twelve months, at the latest.

A sale is highly likely when the entire plan and active programme to find a buyer are activated. An asset must also be actively marketed and efforts made to achieve a price that corresponds to its current fair value. An asset (or the constituent parts thereof or a disposal group) is remeasured in accordance with the Group's accounting policies immediately before its classification to assets held for sale. Accordingly, a non-current asset (or disposal group) is recognised at the lower of its carrying amount or fair value, less costs to sell.

The period for completion of a sale may be extended to more than one year due to special events and circumstances that are beyond the Group's control and there is sufficient evidence that the Group is consistently pursuing its plans to dispose of the asset.

If an asset held for sale no longer meets the criteria for classification to the aforementioned category, it must be reclassified to another appropriate asset category, i.e. the category to which it was classified before being classified as an asset held for sale.

(k) Employee benefits

Current employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis, and are disclosed as expenses as the service of the employee is provided in respect of the specific short-term benefit.

(l) Provisions

Provisions are recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Amounts recognised as provisions represent the best estimate of expenditure required for settlement as at the balance-sheet date. The risks and uncertainties inextricably associated with events and circumstances are taken into account to reach the best estimate of provisions. Where the effect of the time value of money is material, the amount of provisions represents the present value of expenditure expected to be required to settle an obligation.

Provisions are recognised by accruing the corresponding costs or expenses, and are reduced directly over time by the costs and/or expenses that they were created to cover, except actuarial gains and losses that are the result of increases or decreases in the present value of an obligation for certain employee benefits for severance pay at retirement due to changes in actuarial assumptions and experiential adjustments that are recognised in the revaluation surplus and transferred to profit or loss brought forward. Provisions are derecognised when the contingencies for which they were created no longer apply, or when they are no longer required. Revenues are recognised when provisions that were created by accruing the corresponding costs or expenses are derecognised. Provisions are adjusted at the end of the accounting period so that their value is equal to the present value of the expenditure expected to be required to settle the obligation in question.

Provisions for severance pay and jubilee benefits

Group companies that are obliged to pay jubilee benefits to employees and severance pay at retirement in accordance with the applicable legislation, the collective agreement and internal rules create non-current provisions for these purposes. There are no other pension obligations. Provisions are created in the amount of the estimated future payments for severance pay and jubilee benefits, discounted as at the date of the actuarial calculation.

(m) *Non-current deferred income*

Deferred income that will cover projected expenses over a period of more than one year is disclosed under non-current deferred income. Donations and government grants received for the acquisition of property, plant and equipment are also classified to non-current deferred income. They are used by way of a transfer to operating revenues in the amount of depreciation costs for such assets. The Group classifies donations received for the acquisition of property, plant and equipment or for covering specific costs to non-current deferred income. They are earmarked to cover the costs of the depreciation of the aforementioned assets or to cover certain costs, and are used by way of a transfer to operating revenues.

(n) *Revenues*

Revenues are recognised when it is probable that future economic benefits will flow to the Company and those benefits can be measured reliably. To that end, all of the following criteria must be met:

1. the amount of revenues can be measured reliably;
2. it is probable that economic benefits associated with a transaction will flow to the Group;
3. the stage of completion of the transaction as at the balance-sheet date can be measured reliably; and
4. the costs incurred in connection with the transaction and the costs of the completion of the transaction can be measured reliably.

Revenues from services rendered

Revenues from services rendered are recognised in the income statement taking into account the stage of completion of the transaction at the end of reporting period. The stage of completion is assessed on the basis of a review of costs incurred (review of work performed).

Revenues from services rendered are measured at the selling prices of completed services stated in invoices or other documents, or at the prices of incomplete services taking into account the stage of completion thereof. In cases when a particular transaction is not completed as at the balance-sheet date, the Group believes that no reliable assessment can be made as to the outcome of such a transaction. Revenues are therefore only recognised up to the amount of direct costs incurred, and for which it can be expected that they will be covered.

Amounts collected on behalf of third parties, such as charged value-added tax and other levies (e.g. customs duties) are excluded from sales revenue.

Sales revenue is reduced at the time of a sale for granted discounts, which are evident from invoices or other relevant documents. Sales revenue is also reduced by the sales value of returned goods and subsequently approved discounts.

(o) *Costs – expenses*

The Group recognises costs and expenses in the period in which they arise.

(p) *Leases*

Leases granted

Revenues from operating leases are recognised over the lease term.

Leases received

Leases in which the Group assumes all the material risks and rewards incidental to the ownership of an asset are treated as finance leases. Following initial recognition, a leased asset is disclosed at the lower of its fair value or the present value of minimum lease payments. Following initial recognition, assets under finance leases are depreciated in the same manner as other items of property, plant and equipment. Other leases are treated as operating leases. The Group recognises leasing costs on a straight-line basis in the income statement.

(q) *Finance income and finance costs*

Finance income primarily comprises interest income, income from dividends and other shares in profit, revenues from the disposal of available-for-sale financial assets, positive exchange rate differences and revenues from the reversal of the impairment of financial assets. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the day a shareholder's right to payment was exercised.

Finance costs primarily comprise interest expense and other borrowing costs (unless capitalised), negative exchange rate differences and losses due to the impairment of financial assets. Borrowing costs are recognised in the income statement in the period in which they arise using the effective interest method.

(r) *Corporate income tax*

Corporate income tax comprises current taxes and deferred taxes. Corporate income tax is disclosed in the income statement, except to the extent that it relates to items disclosed directly in other comprehensive income, in which case it is disclosed in the latter.

Current tax is assessed in accordance with the applicable tax legislation as at the balance-sheet date. The financial year is the same as the calendar year, which in turn is the same as the fiscal year.

Deferred tax is disclosed taking into account temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax reporting purposes.

A deferred tax liability is disclosed in the amount that is expected to be paid when the temporary differences are reversed, based on the laws in force at the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised.

(s) *Amended and new standards, and interpretations*

The following amendments to existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective in the current reporting period:

- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative, adopted by the EU on 6 November 2017 (applicable to annual periods beginning on or after 1 January 2017).
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses, adopted by the EU on 6 November 2017 (applicable to annual periods beginning on or after 1 January 2017).

Standards and amendments to existing standards issued by the IASB and adopted by the EU but not yet effective

On the day these financial statements were approved, the following new standards had been issued by the IASB and adopted by the EU, but were not yet in force:

- IFRS 9 Financial Instruments, adopted by the EU on 22 November 2016 (applicable to annual periods beginning on or after 1 January 2018).

IFRS 9 includes requirements regarding recognition and measurement, impairment, derecognition and general hedge accounting.

Classification and Measurement – IFRS 9 introduces a new approach to the classification of financial assets, which depends on the characteristics of cash flows and the business model used to manage a specific financial instrument. This standard approach, which is based on a principle, replaces the existing requirements of IAS 39, which are based on rules. The new model also introduces a standard method for the impairment of all financial instruments.

Impairments – IFRS 9 brings a new impairment method with respect to expected loss, which requires the earlier identification of expected credit losses. The new standard requires companies to account for expected credit losses from the initial recognition of financial instruments and the earlier recognition of expected losses for an entire period.

Hedging – IFRS 9 introduces a significantly altered hedging model with the more specific disclosure of risk management activities. The new model represents a substantial overhaul of hedge accounting through the harmonisation of hedge accounting with risk management activities.

Own Credit Risk – IFRS 9 eliminates profit or loss volatility due to changes in credit risk arising from liabilities measured at fair value. This accounting changes means that gains from a reduction in own credit risk associated with such liabilities will no longer be recognised in profit or loss.

The Group has assessed that the effect of the initial application of IFRS 9 on its equity as at 1 January 2018 will be as described in the table below. The actual effect could change, as the Group is continuing with activities to assess the effect of the transition to IFRS 9.

TABLE 7: EFFECT OF THE APPLICATION OF IFRS 9 ON NET PROFIT OR LOSS BROUGHT FORWARD

IN EUR THOUSAND

| | reported as at 31 December 2017 | estimated impairment due to the transition to the IFRS 9 | estimated opening balance as at 1 January 2018 |
|-----------------------------------------------------------|---------------------------------|----------------------------------------------------------|------------------------------------------------|
| Net profit or loss brought forward | 22,264 | -680 | 21,584 |
| Net profit or loss brought forward – majority shareholder | 22,167 | -630 | 21,537 |
| Net profit or loss brought forward – minority shareholder | 97 | -50 | 47 |

The Group assesses that the application of IFRS 9 as at 1 January 2018 will result in the creation of additional impairments of the values in the table below.

TABLE 8: EFFECT OF THE APPLICATION OF IFRS 9 ON FINANCIAL ASSETS

IN EUR THOUSAND

| | Estimated additional value adjustments as at 1 January 2018 |
|----------------------------------------------|-------------------------------------------------------------|
| Trade receivables | 563 |
| Other operating receivables | 114 |
| Loans granted and deposits | 3 |
| Total additionally created value adjustments | 680 |

- IFRS 15 Revenues from Contracts with Customers and amendments to IFRS 15 Effective Date of IFRS 15, as adopted by the EU on 22 September 2016 (applicable to annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 15 Revenue from Contracts with Customers – Clarifications to IFRS 15, adopted by the EU on 31 October 2017 (applicable to annual periods beginning on or after 1 January 2018).

IFRS 15 specifies how and when reporting companies recognise revenues, and requires such companies to provide the users of financial statements more informative and relevant disclosures. The aforementioned standard supersedes IAS 18 Revenues and IAS 11 Construction Contracts, and numerous other interpretations relating to revenues. Application of the standard is mandatory for all companies that report in accordance with the IFRS, and applies to nearly all contracts with customers, the main exceptions being contracts on leases, financial instruments and insurance. The core principle of the new standard is that the recognition of revenues depicts the transfer of goods or services to a customer in an amount that reflects the consideration (i.e. payment) that a company expects in exchange for those goods or services. The new standard also brings improved disclosures of revenues, instructions for transactions that were not previously addressed in full (e.g. revenues from services and amendments to contracts) and improved guidance for the recognition of agreements that contain several elements.

The Group has analysed agreements concluded with customers in terms of the presence of major performance obligations. The Group assesses that the introduction of the new IFRS 15 on 1 January 2018 will not have a significant effect on its equity. Given the nature of the Group's operations and the types of revenues it generates, the timing of recognition and the measurement of its revenues are not expected to change with the application of IFRS 15.

- IFRS 16 Leases, adopted by the EU on 31 October 2017 (applicable to annual periods beginning on or after 1 January 2019).

The Group is still studying the impact of the introduction of this standard, but does not expect any significant effects on its financial statements.

- Amendments to IFRS 4 Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, adopted by the EU on 3 November 2017 (applicable to annual periods beginning on or after 1 January 2018 or when IFRS 9 Financial Instruments is applied for the first time).

The Group does not expect any effects from the introduction of amendments to the aforementioned standard, as it does not operate as an insurance company.

New standards and amendments to existing standards issued by the IASB but not yet adopted by the EU.

The IFRS as adopted by the EU do not currently differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards, amendments to existing standards and new interpretations that have not been adopted for application by the EU:

- IFRS 14 Regulatory Deferral Accounts (applicable to annual periods beginning on or after 1 January 2016). The European Commission opted not to begin proceedings to approve this interim standard, but will wait until the publication of the final version thereof.
- IFRS 17 Insurance Contracts (applicable to annual periods beginning on or after 1 January 2021).

The Group does not expect the amendments to have a significant impact on its financial statements on the date of first application, as it does not operate in the insurance sector.

- IFRS 2 Share-Based Payments – Classification and Measurement of Share-Based Payment Transactions (applicable to annual periods beginning on or after 1 January 2018).

The Group does not expect the amendments to have a significant impact on its financial statements on the date of first application, as it does not make share-based payments.

- Amendments to IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation (applies to annual periods beginning on or after 1 January 2019).

The Group does not expect the amendments to have a significant impact on its financial statements on the date of first application, as it does not hold financial assets with the possibility of prepayment with negative compensation.

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture, and subsequent amendments (the date of application has been postponed indefinitely until the completion of the research project in connection with the equity method).

The Group does not expect any significant impact, but is still studying the potential effects of amendments to the aforementioned standards on its financial statements.

- Amendments to IAS 28 Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures (applies to annual periods beginning on or after 1 January 2019).

The Group does not expect the amendments to have a significant impact on its financial statements on the date of first application.

- Amendments to IAS 40 Investment Property – Transfers of Investment Property (applicable to annual periods beginning on or after 1 January 2018).

The Group does not expect the amendments to have a significant impact on its financial statements on the date of first application, as it only transfers real estate to and from investment property when an actual change in the use of real estate occurs.

- Amendments to various standards (Improvements to IFRS, 2014–2016 cycle) proceeding from the project of annual improvements to the IFRS (IFRS 1, IFRS 12 and IAS 28), primarily to eliminate discrepancies and to provide interpretations (the amendments to IFRS 12 apply to annual periods beginning on or after 1 January 2017, while the amendments to IFRS 1 and IAS 28 apply to annual periods beginning on or after 1 January 2018).

The Group does not expect any of the amendments to the aforementioned standards to have a significant impact on its financial statements, as it does not hold participating interests in subsidiaries, joint ventures, associates or unconsolidated structured entities that are classified as assets held for sale or discontinued operations.

- Amendments to various standards (Improvements to IFRS, 2015–2017 cycle) proceeding from the project of annual improvements to the IFRS (IFRS 3, IFRS 11, IFRS 12 and IAS 23), primarily to eliminate discrepancies and to provide interpretations (the amendments apply to annual periods beginning on or after 1 January 2019).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (applicable to annual periods beginning on or after 1 January 2018).

The Group does not expect this interpretation to have a significant impact on its financial statements on the date of first application, as it applies the exchange rate applicable on the date of a transaction upon the initial recognition of non-monetary prepayment assets or deferred income liabilities.

- IFRIC 23 Uncertainty over Income Tax Treatments (applies to annual periods beginning on or after 1 January 2019).

The Group assesses that the amendments to aforementioned standards and interpretations will not have a significant impact on its financial statements.

III. DETERMINATION OF FAIR VALUE

Given the Group's accounting policies and classification approach, the determination of the fair value of both financial and non-financial assets and liabilities is required in a number of cases. The fair values of individual groups of assets were determined for measurement and/or reporting purposes based on the methods described below. Where necessary, further clarifications regarding assumptions used to determine fair values are disclosed in the notes to individual asset or liability items.

Land

Following recognition, the Group measures land at a revalued amount equal to the fair value on the revaluation date (i.e. the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction, on the principal (or most advantageous) market, between market participants at the measurement date under current market terms, regardless of whether the price can be directly observed or estimated using another valuation technique). Depending on the circumstances or situation, the fair value of land is measured using one or more valuation techniques. They are the market approach, cost approach and income approach. The Group carries out revaluation every five years or more frequently if indications of a significant change in fair value exist (e.g. a change in the market prices of real estate in a particular country, a change in prices on the local real estate market, a change in comparable advertised prices, a significant change in the intended use of land or a change in achieved transaction prices).

Available-for-sale financial assets

The fair value of available-for-sale financial assets is determined taking into account a quoted market price at the end of the reporting period.

Operating receivables and liabilities

The Group assesses that the disclosed value of operating receivables and liabilities reflects their fair value.

Financial liabilities

Fair value is calculated for reporting purposes based on the present value of future principal and interest payments, discounted using the market interest rate at the end of the reporting period.

IV. FINANCIAL RISK MANAGEMENT

The Group is exposed to the following risks in the use of financial instruments:

- credit risk,
- liquidity risk,
- market risk, and
- business risk.

This point discusses the Group's exposure to the individual risks stated above, and our objectives, policies and procedures for measuring and managing risks, as well as the Group's management of capital. Other quantitative disclosures are included in Note 27 to the consolidated financial statements.

Risk management policies

The senior management of the Group is fully responsible for establishing the risk management framework. The Group has a risk management committee that is responsible for the development and supervision of risk management policies. The tasks of the risk management committee include:

- the drafting of reports on the management of risks within the Intereuropa Group for the parent company's Management Board and Supervisory Board;
- the definition of individual types of risk to which the Intereuropa Group is exposed;
- the continuous control and monitoring of key risks;
- the identification of new significant risks;
- the definition of a methodology for measuring exposure to individual types of risk;
- the assessment of exposure to individual types of risk;
- the definition and implementation of the risk management policy to address individual types of risk;
- the drafting of proposals to implement measures for hedging against individual types of risk;
- the adoption of changes and amendments to risk management rules and other relevant organisational regulations and instructions associated with risks; and
- the implementation of other tasks and activities aimed at managing the risks to which the Intereuropa Group is exposed.

Risk management rules for the entire Intereuropa Group were also adopted. Risk management policies are formulated with the aim of identifying and analysing the risks that the Group faces. This in turn serves as the basis for establishing the appropriate limits and controls, and for the monitoring of risks and compliance with the aforementioned limits.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily in connection with Group's trade receivables.

The Group's exposure to credit risk depends primarily on the characteristics of each customer. However, senior management also takes into account the demographic background of its customers and the solvency risk associated with the sector and country in which a customer operates, as these factors may affect credit risk, particularly in the current adverse economic situation. The relevant policies require an analysis of the creditworthiness of each major new customer, before the Group offers its standard payment and delivery terms. The Group's review includes external assessments, if available.

The Group creates impairments that represent its estimated losses from operating and other receivables and investments. The main elements of such a value adjustment are the specific part of the loss relating to individual significant risks and the common part of the loss formed for groups of similar assets due to losses that have already been incurred but are not yet defined.

Liquidity risk

Liquidity risk is the risk that the Group will be unable settle its financial liabilities using cash or other financial assets. The Group ensures liquidity by always having sufficient liquid assets to settle its liabilities at maturity, in both normal and high-stress situations, without incurring unacceptable losses or risking damage to its reputation. The costs of services are monitored by core business activity, which helps in the planning of cash-flow needs and optimising returns on investments. The Group also ensures that it has sufficient amounts of cash or credit lines available to cover operating expenses for the respective period. This also applies to the servicing of its financial debt, but does not include potential consequences from exceptional circumstances that cannot be foreseen, such as natural disasters.

The Group also provides financial guarantees required for the performance of operational business activities vis-à-vis customs authorities.

Market risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates and equity instruments, would affect the revenues of the Group or the value of financial instruments. The objectives of market risk management are to manage and control exposure to market risks within reasonable limits, while optimising returns.

In the context of falling variable interest rates last year, the Group did not enter into any interest rate swaps or other derivative contracts to hedge against fluctuations or a rise in variable interest rates. The effect of changes in the variable EURIBOR interest rate on the income statement is presented in the table Analysis of the effect of changes in interest rates on pre-tax profit (Note 27).

Currency risk

Subsidiaries operating outside the euro area are particularly exposed to currency risk, which primarily involves the risk of changes in the exchange rates of the Serbian dinar, Croatian kuna and Ukrainian hryvnia vis-à-vis the euro. With regard to cash flows from operating activities, the aforementioned subsidiaries use a natural hedge against the risk of changes in the exchange rate of their national currency vis-à-vis the euro, meaning that they match inflows with outflows in individual currencies in terms of timing and amount, and do not use foreign exchange futures. However, subsidiaries that have raised loans in euros have open foreign exchange positions in their statements of financial position. It is highly likely that a change in the exchange rate of the national currency vis-à-vis the euro would have a significant impact on the operations of those companies. The companies in Ukraine are most exposed to currency risk.

On the contrary, exposure to currency risk is low for Group companies that operate in countries of the euro area, as cash flows at those companies are almost exclusively in euros. The effect on their operations is thus minor.

Business risk

Business risk is the risk of incurring a direct or indirect loss due to a wide range of reasons associated with processes within the Group, staff, technology and the infrastructure, and as the result of external factors not related to credit, market and liquidity risks. These include risks arising from legal and regulatory requirements, and generally accepted corporate standards. Business risks derive from the overall operations of the Group. The Group's objective is to manage business risks with the aim of establishing a balance between avoiding financial losses and damage to the Group's reputation and overall cost efficiency, and avoiding such control procedures that would hinder or limit self-initiative and creativity. Primary responsibility for developing and introducing controls for managing business risks is borne by the head of each organisational unit.

Compliance with the Group's standards is supported by a programme of audits by the Internal Audit Department. The Internal Audit Department discusses the results of internal audits with the heads of audited business units, while a summary is submitted to the senior management of the parent company and the audit committee.

V. CORRECTION OF MATERIAL ERROR

While compiling the consolidated financial statements of the Intereuropa Group for 2017, the parent company identified a material error in the compilation of the consolidated financial statements in previous years. For this reason, financial data were recalculated, as shown in the tables below, while the Intereuropa Group's statement of financial position as at 1 January 2016 and 31 December 2016 and income statement for 2016 were corrected.

The error as at 1 January 2016 relates to the erroneous disclosure of the value of property, plant and equipment and investment property at the subsidiaries Intereuropa, logističke usluge d.o.o., Zagreb and Intereuropa RTC d.d., Sarajevo in the total amount of EUR 14,918 thousand. These two companies failed to take the proper indicators into account for the impairment of real estate in the past. While compiling the financial statements for 2017, it was determined that indications of the impairment of property, plant and equipment and investment property existed in previous years at both companies. Appraisals of the recoverable amount of those assets were thus drawn up as at 1 January 2016 and 31 December 2016 by an independent valuer. The amounts of the material error as at both dates and thus in the income statement for 2016 were identified on this basis.

The error as at 1 January 2016 also relates to the erroneous disclosure of the value of property, plant and equipment, specifically the investment in goodwill at the subsidiary Intereuropa RTC d.d., Sarajevo in the total amount of EUR 1,233 thousand. It was determined that an error was made in the calculation of the recoverable amount of the investment in goodwill in previous years. As a result, the investment in goodwill was written off in full as at 1 January 2016.

At the subsidiary Zetatrans A.D., Podgorica, an error was identified in the disclosure of deferred tax expenses in the income statement for 2016 and deferred tax liabilities as at 31 December 2016 in the amount of EUR 849 thousand as the result of failure to take into account changes in local tax legislation in August 2016. An error as at 1 January 2016 also resulted in an error in expenses for deferred taxes and a reduction in deferred tax assets in the amount of EUR 97 thousand at the subsidiary Intereuropa, logističke usluge d.o.o., Zagreb. The total effect of the aforementioned errors, which is reflected in expenses for deferred taxes, thus amounts to EUR 946 thousand.

TABLE 9: EFFECT OF THE ERROR ON ITEMS REPORTED IN THE STATEMENT OF FINANCIAL POSITION AS AT 1 JANUARY 2016 IN EUR THOUSAND

| Effect on the Group's statement of financial position | Reporting as at 1 January 2016 after correction of error | Correction of error | Reporting as at 1 January 2016 |
|-------------------------------------------------------|----------------------------------------------------------|---------------------|--------------------------------|
| ASSETS | 277,436 | -14,457 | 291,893 |
| Property, plant and equipment | 193,609 | -14,457 | 208,066 |
| Investment property | 10,817 | -461 | 11,278 |
| Intangible assets (goodwill) | 4,592 | -1,233 | 5,825 |
| Deferred tax assets | 18,360 | 1,694 | 16,666 |
| EQUITY | 132,952 | -14,185 | 147,137 |
| Net profit or loss brought forward | 18,549 | -13,048 | 31,597 |
| Other | 114,403 | -1,137 | 115,540 |
| LIABILITIES | 144,484 | -272 | 144,756 |
| Deferred tax liabilities | 13,134 | -272 | 13,406 |

TABLE 10: EFFECT OF THE ERROR ON ITEMS REPORTED IN THE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 IN EUR THOUSAND

| Effect on the Group's statement of financial position | Reporting as at 31 December 2016 after correction of error | Correction of error | Reporting as at 31 December 2016 |
|-------------------------------------------------------|------------------------------------------------------------|---------------------|----------------------------------|
| ASSETS | 242,099 | -13,631 | 255,730 |
| Property, plant and equipment | 177,594 | -13,579 | 191,173 |
| Investment property | 9,424 | -416 | 9,840 |
| Intangible assets (goodwill) | 4,253 | -1,233 | 5,486 |
| Deferred tax assets | 12,989 | 1,597 | 11,392 |
| Equity | 124,341 | -14,221 | 138,562 |
| Net profit or loss brought forward | 20,638 | -13,048 | 33,686 |
| Other | 103,703 | -1,173 | 104,876 |
| LIABILITIES | 117,758 | 590 | 117,168 |
| Deferred tax liabilities | 12,049 | 590 | 11,459 |

TABLE 11: EFFECT OF ERROR ON ITEMS REPORTED IN THE INCOME STATEMENT FOR 2016 IN EUR THOUSAND

| Effect on the Group's income statement and statement of other comprehensive income | Reporting for 2016 after correction of error | Correction of error | Reporting for 2016 |
|--------------------------------------------------------------------------------------------------------------|----------------------------------------------|---------------------|--------------------|
| Other operating revenues (reversal of impairments of property, plant and equipment, and investment property) | 2,262 | 507 | 1,755 |
| Amortisation/depreciation | -6,158 | 438 | -6,596 |
| Corporate income tax (including deferred taxes) | -6,641 | -946 | -5,695 |
| Net profit or loss | -1,604 | -1 | -1,603 |
| Other comprehensive income | -6,427 | -36 | -6,391 |
| Total comprehensive income | -8,031 | -37 | -7,994 |

The correction of a material error had no effect on the Group's (joint) cash flows from operating, financing and investing activities for 2016.

VI. BUSINESS SEGMENTS

A business segment is an integral part of a company:

- that engages in business activities from which it generates revenues and incurs expenses (including revenues and expenses relating to transactions with other integral parts of the same company);
- whose operating results are reviewed regularly by an employee in a management position, who makes decisions regarding the allocation of resources to a specific segment and who assesses the latter's performance; and
- for which separate financial data are available.

Disclosures by geographic business segment are based on an internal reporting system used by senior management in the decision-making process.

TABLE 12: INFORMATION BY GEOGRAPHICAL SEGMENT

IN EUR THOUSAND

| | Slovenia | | Croatia | | "Bosnia and Herzegovina" | | Serbia | | Montenegro | |
|-----------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------------------|--------------|--------------|--------------|--------------|--------------|
| | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 |
| Revenues from external customers | 101,259 | 88,734 | 21,169 | 20,559 | 6,542 | 6,602 | 6,104 | 4,189 | 6,027 | 5,396 |
| Revenues from transactions with other segments | 3,350 | 3,209 | 631 | 539 | 414 | 383 | 641 | 870 | 78 | 144 |
| Total revenues | 104,609 | 91,944 | 21,800 | 21,098 | 6,956 | 6,986 | 6,745 | 5,059 | 6,105 | 5,540 |
| Depreciation and amortisation | 4,044 | 3,938 | 1,343 | 1,252 | 246 | 225 | 181 | 183 | 431 | 439 |
| Operating profit | 2,855 | 4,832 | 448 | 579 | 290 | 606 | 644 | 574 | 609 | 688 |
| Impairment of non-financial assets | 1,697 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,536 | 0 |
| Reversal of impairment of non-financial assets | 0 | 0 | 1,179 | 310 | 72 | 197 | 0 | 0 | 18 | 0 |
| Interest income | 188 | 224 | 28 | 25 | 2 | 0 | 5 | 5 | 38 | 38 |
| Interest expense | 2,117 | 2,670 | 71 | 70 | 9 | 12 | 62 | 77 | 2 | 1 |
| Profit from ordinary operations | 237 | 2,097 | -1,211 | 553 | 277 | 592 | 608 | 482 | 645 | 725 |
| Revenues from investments valued according to the equity method | 39 | 34 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Corporate income tax | -141 | 5,436 | 403 | 132 | 44 | 30 | 29 | 77 | 104 | 63 |

| | Slovenia | | Croatia | | "Bosnia and Herzegovina" | | Serbia | | Montenegro | |
|--------------------------------------------|--------------|--------------|--------------|--------------|--------------------------|--------------|--------------|--------------|--------------|--------------|
| | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 |
| Assets | 185,931 | 192,299 | 49,865 | 48,841 | 12,932 | 12,763 | 10,536 | 9,476 | 17,296 | 21,338 |
| Non-current assets | 158,000 | 166,661 | 43,844 | 43,254 | 11,498 | 11,533 | 9,111 | 8,463 | 12,466 | 17,821 |
| Operating liabilities | 19,152 | 16,943 | 3,245 | 48,842 | 1,159 | 888 | 640 | 618 | 747 | 616 |
| Financial liabilities | 71,523 | 77,162 | 937 | 1,628 | 154 | 213 | 1,042 | 1,150 | 392 | 404 |
| Investments according to the equity method | 39 | 39 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

* All adjustments are subject to consolidation procedures.

IN EUR THOUSAND

| | Ukraine | | Other | | Total | | Adjustments (including eliminations*) | | Group | |
|-----------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------------------------------|-----------------|-----------------|-----------------|
| | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 |
| Revenues from external customers | 3,496 | 5,489 | 5,281 | 4,642 | 149,877 | 135,612 | 12 | -16 | 149,889 | 135,596 |
| Revenues from transactions with other segments | 0 | 1 | 1,104 | 667 | 6,218 | 5,814 | -6,218 | -5,814 | 0 | 0 |
| Total revenues | 3,496 | 5,490 | 6,384 | 5,310 | 156,095 | 141,426 | -6,206 | -5,830 | 149,889 | 135,596 |
| Depreciation and amortisation | 40 | 50 | 69 | 68 | 6,353 | 6,155 | 0 | 2 | 6,353 | 6,158 |
| Operating profit | -12 | 108 | 284 | 249 | 5,118 | 7,636 | -4,807 | -30 | 311 | 7,606 |
| Impairment of non-financial assets | 53 | 0 | 0 | 0 | 7,286 | 0 | 0 | 0 | 7,286 | 0 |
| Reversal of impairment of non-financial assets | 0 | 0 | 0 | 0 | 1,269 | 507 | 0 | 0 | 1,269 | 507 |
| Interest income | 1 | 2 | 4 | 0 | 266 | 295 | -61 | -61 | 205 | 234 |
| Interest expense | 117 | 172 | 0 | 0 | 2,377 | 3,002 | -61 | -61 | 2,316 | 2,942 |
| Profit from ordinary operations | -434 | -200 | 277 | 246 | 2,003 | 4,496 | -4,031 | 541 | -2,028 | 5,037 |
| Revenues from investments valued according to the equity method | 0 | 0 | 0 | 0 | 39 | 34 | -29 | 5 | 10 | 39 |
| Corporate income tax | 0 | 0 | 40 | 26 | 479 | 5,764 | -430 | 876 | 49 | 6,641 |

| | Ukraine | | Other | | Total | | Adjustments (including eliminations*) | | Group | |
|--------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------------------------------|-----------------|-----------------|-----------------|
| | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 |
| Assets | 1,912 | 1,914 | 3,297 | 3,278 | 281,771 | 289,909 | -48,012 | -47,810 | 233,759 | 242,099 |
| Non-current assets | 1,228 | 1,247 | 1,045 | 1,080 | 237,192 | 250,058 | -44,838 | -45,076 | 192,354 | 204,983 |
| Operating liabilities | 910 | 851 | 788 | 842 | 26,641 | 69,600 | -1,425 | -47,385 | 25,215 | 22,214 |
| Financial liabilities | 1,538 | 1,309 | 0 | 0 | 75,587 | 81,865 | -2,805 | -928 | 72,781 | 80,937 |
| Investments according to the equity method | 0 | 0 | 0 | 0 | 39 | 39 | 34 | 63 | 73 | 102 |

VII. CHANGES WITHIN THE GROUP

The subsidiary Intereuropa Transport d.o.o. was deleted from the companies register in December 2017 following the completion of liquidation proceedings.

VIII. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Sales revenue

TABLE 13: SALES REVENUE BY BUSINESS LINE

IN EUR THOUSAND

| | Land transport | | Logistics solutions | | Intercontinental transport | | Other services | | Intereuropa Group | |
|---------------|----------------|--------------|---------------------|--------------|----------------------------|--------------|----------------|--------------|-------------------|--------------|
| | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 |
| Sales revenue | 80,945 | 75,333 | 21,842 | 18,942 | 40,578 | 34,721 | 6,524 | 6,600 | 149,889 | 135,596 |

The Group provides logistics services through three business lines: land transport (groupage, domestic transport, road transport, railway freight and customs clearance services), logistic solutions (warehousing and distribution) and intercontinental transport (air freight, sea freight, shipping agency and car logistics services). The Group also offers additional services, such as the leasing of business premises, parking services at customs terminals, trade fair logistics and insurance brokerage services.

NOTE 2: Other operating revenues

TABLE 14: OTHER OPERATING REVENUES

IN EUR THOUSAND

| | January–December 2017 | January–December 2016 |
|------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| Gains on the sale of property, plant and equipment | 306 | 704 |
| Reversal of impairments of property, plant and equipment, and investment property | 1,269 | 507 |
| Revenues from the reversal of provisions | 38 | 22 |
| Government grants received | 108 | 79 |
| Revenues from the reversal of adjustments to the value of receivables and from recovered written-off receivables | 581 | 714 |
| Other operating revenues | 875 | 235 |
| Total | 3,177 | 2,262 |

NOTE 3: Costs of goods, materials and services

TABLE 15: COSTS OF GOODS, MATERIALS AND SERVICES

IN EUR THOUSAND

| | January–December 2017 | January–December 2016 |
|------------------------------------------------------|-----------------------|-----------------------|
| Costs of materials and historical cost of goods sold | 4,240 | 4,037 |
| Costs of services | 103,053 | 90,011 |
| direct costs | 91,573 | 79,813 |
| costs of telecommunication services | 451 | 460 |
| maintenance costs | 2,250 | 2,270 |
| insurance premiums | 793 | 763 |
| training and education costs | 98 | 60 |
| other costs of services | 7,888 | 6,645 |
| Total | 107,293 | 94,048 |

Direct costs primarily comprise the costs of subcontractors (transportation, port-related services, etc.) that are directly related to the provision of our services. Other costs of services primarily comprise the reimbursement of work-related costs to employees, the costs of intellectual services, education and training costs, the costs of municipal services, security, hired workers and rents, and the costs of payment transactions.

NOTE 4: Labour costs

TABLE 16: LABOUR COSTS

IN EUR THOUSAND

| | January–December 2017 | January–December 2016 |
|------------------------------------------------|--------------------------|--------------------------|
| Costs of wages and salaries | 19,695 | 19,232 |
| Social security costs | 4,265 | 3,929 |
| Other labour costs: | 3,213 | 3,404 |
| annual leave allowance | 752 | 816 |
| transportation and meal allowances | 1,907 | 2,033 |
| other labour costs | 460 | 531 |
| expenses for employee participation in profits | 94 | 24 |
| Total | 27,173 | 26,565 |

TABLE 17: EMPLOYEES BY EDUCATIONAL LEVEL

| Categories of educational qualifications | Beginning of 2017 | End of 2017 | Changes in 2017 | Average number of employees by educational qualification in 2017* | Average number of employees by educational qualification in 2016* |
|------------------------------------------|----------------------|--------------|--------------------|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Qualification levels I to III | 89 | 80 | -9 | 85 | 92 |
| Qualification levels IV to V | 791 | 788 | -3 | 790 | 803 |
| Qualification levels VI to IX | 494 | 501 | 7 | 498 | 501 |
| Total | 1,374 | 1,369 | -5 | 1,372 | 1,396 |

* The average number of employees is calculated using the balance of employees at the beginning and end of the year.

NOTE 5: Amortisation/depreciation

TABLE 18: AMORTISATION/DEPRECIATION

IN EUR THOUSAND

| | January–December 2017 | January–December 2016 |
|-----------------------------------------------------------------------|--------------------------|--------------------------|
| Amortisation of intangible assets | 517 | 500 |
| Depreciation of property, plant and equipment and investment property | 5,836 | 5,658 |
| Total | 6,353 | 6,158 |

NOTE 6: Other operating expenses

TABLE 19: OTHER OPERATING EXPENSES

IN EUR THOUSAND

| | January–December 2017 | January–December 2016 |
|-----------------------------------------------------------------------------|--------------------------|--------------------------|
| Building land use fees and similar expenses | 1,482 | 1,606 |
| Expenses from impairments and write-offs of property, plant and equipment | 7,343 | 82 |
| Expenses from value adjustments (impairments) and write-offs of receivables | 918 | 798 |
| Expenses from value adjustments (impairments) and write-offs of inventories | 28 | 8 |
| Other operating expenses | 2,165 | 987 |
| Total | 11,936 | 3,481 |

The majority of other operating expenses derive from the impairment of real estate (EUR 7,290 thousand), building land fees and similar expenses (EUR 1,482 thousand) and other operating expenses, which mainly comprise provisions created for the settlement of liabilities from past operations in the amount of EUR 1.361 thousand, for which the Group assesses that an outflow of cash is probable.

NOTE 7: Finance income and costs

TABLE 20: FINANCE INCOME AND COSTS

IN EUR THOUSAND

| | January–December 2017 | January–December 2016 |
|-------------------------------------------------------------------|--------------------------|--------------------------|
| Interest income | 206 | 234 |
| Income from dividends and other shares in profit | 10 | 9 |
| Gains on the sale of financial assets | 146 | 216 |
| Total finance income | 362 | 459 |
| Interest expense | -2,316 | -2,942 |
| Expenses from the disposal of financial assets | -30 | -1 |
| Finance costs from impairments and write-offs of financial assets | -37 | -9 |
| Net exchange rate differences | -328 | -115 |
| Total finance costs | -2,711 | -3,067 |
| Loss from financing activities | -2,349 | -2,608 |

Interest income and expenses are calculated using the effective interest method.

NOTE 8: Result recognised according to the equity method

The recognised result of the associate Rail Cargo Logistics d.o.o., Ljubljana, in which the Group held a 26% participating interest as at the reporting date, was EUR 10 thousand.

NOTE 9: Corporate income tax (current and deferred tax)**TABLE 21: RECONCILIATION OF PROFIT FOR ACCOUNTING AND TAX PURPOSES**

IN EUR THOUSAND

| | 2017 | 2016 |
|---------------------------------------------------------------------|-----------|---------------|
| Current tax | -304 | -372 |
| Deferred tax | 352 | -6,268 |
| Tax | 49 | -6,641 |
| Pre-tax profit | -2,325 | 5,040 |
| Tax calculated according to prescribed rate | -189 | -784 |
| Tax from unrecognised expenses | -543 | -290 |
| Tax from revenues deducted from taxable base | 88 | 79 |
| Tax from expenses deducted from taxable base | 64 | 62 |
| Tax from expenses added to taxable base | -17 | 0 |
| Tax from tax relief | 130 | 69 |
| Tax from the reversal of deferred tax assets from tax losses | 0 | -4,921 |
| Tax from the creation of deferred tax assets from tax losses | 636 | 0 |
| Tax as the result of change in tax legislation | 0 | -849 |
| Tax from tax losses for which no deferred tax assets can be created | -82 | -7 |
| Tax from other items | -38 | 0 |
| Tax | 49 | -6,641 |

Senior management assesses that the most significant impact on deferred taxes was an increase in deferred tax assets as the result of tax losses from previous years at the parent company (in the amount of EUR 2,633 thousand), which is based on data from the projection of Intereuropa d.d.'s operations in the period 2018 to 2024. The following assumptions were taken into account in that regard:

- the utilisation of tax losses until 2024, taking into account valid tax rates;
- the exclusion of 95% of dividends; and
- deferred tax liabilities from the revaluation of land are taken into account as a source for netting.
- The reduction in deferred taxes was primarily the result of a reduction in deferred tax assets from the disposal of financial assets at the parent company (in the amount of EUR 2,477 thousand) and a reduction in deferred tax assets at the subsidiary Intereuropa, logističke usluge, d.o.o., Zagreb (in the amount of EUR 376 thousand), which was based on the projection of that company's operations for the period 2018 to 2024 and a 5-year limit on the use of tax losses.

The average weighted tax rate for 2017 was 11.82%, compared with 13.97% in 2016.

Unused tax losses amounted to EUR 92,388 thousand as at 31 December 2017 (EUR 81,088 thousand as at 31 December 2016). Deferred tax assets in the amount of EUR 11,252 thousand were recognised for unused tax losses in the amount of EUR 59,264 thousand (EUR 45,504 thousand as at 31 December 2016), while no deferred tax assets were recognised for the remainder of EUR 33,124 thousand (but would have amounted to EUR 6,271 thousand). The largest proportion of deferred tax assets were disclosed in the parent company (EUR 11,103 thousand) with no restrictions on use in future tax periods (years).

Unused tax credits for which the Group has not recognised deferred tax assets amounted to EUR 4,558 thousand as at 31 December 2017 (deferred tax assets would have totalled EUR 710 thousand).

Unrecognised deferred liabilities from the undistributed net profits of subsidiaries amounted to EUR 245 thousand.

TABLE 22: CURRENT AND DEFERRED TAX RELATING TO EQUITY ITEMS

IN EUR THOUSAND

| | 2017 | 2016 |
|--------------|------------|--------------|
| Current tax | 0 | -363 |
| Deferred tax | 526 | 2,004 |
| Total | 526 | 1,641 |

TABLE 23: CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES THAT WERE NOT NETTED IN 2017

IN EUR THOUSAND

| Deferred tax assets | Balance as at 1 January 2017 | Change in income statement | Change in other comprehensive income | Exchange rate differences | Balance as at 31 December 2017 |
|-------------------------------------------------------|------------------------------|----------------------------|--------------------------------------|---------------------------|--------------------------------|
| Property, plant and equipment | 1,649 | -362 | 49 | 25 | 1,361 |
| Revaluation of receivables owing to value adjustments | 7 | 0 | 0 | 0 | 7 |
| Revaluation of financial assets | 2,582 | -2,478 | 0 | 0 | 104 |
| Provisions | 128 | 75 | 7 | 0 | 210 |
| Tax loss | 8,618 | 2,616 | -36 | 4 | 11,202 |
| Other | 5 | 0 | 0 | 0 | 5 |
| Total | 12,989 | -149 | 20 | 29 | 12,888 |
| Deferred tax liabilities | Balance as at 1 January 2017 | Change in income statement | Change in other comprehensive income | Exchange rate differences | Balance as at 31 December 2017 |
| Property, plant and equipment | 12,029 | -502 | -523 | 60 | 11,064 |
| Revaluation of financial assets | 20 | 0 | -20 | 0 | 0 |
| Total | 12,049 | -502 | -543 | 60 | 11,064 |
| Effect | | 353 | -524 | | |

TABLE 24: CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES THAT WERE NOT NETTED IN 2016

IN EUR THOUSAND

| Deferred tax assets | Balance as at 1 January 2016 | Change in income statement | Change in other comprehensive income | Exchange rate differences | Balance as at 31 December 2016 |
|-------------------------------------------------------|------------------------------|----------------------------|--------------------------------------|---------------------------|--------------------------------|
| Property, plant and equipment | 1,710 | -61 | 0 | 0 | 1,649 |
| Revaluation of receivables owing to value adjustments | 7 | 0 | 0 | 0 | 7 |
| Revaluation of financial assets | 2,088 | 493 | 0 | 1 | 2,582 |
| Provisions | 107 | 7 | 14 | 0 | 128 |
| Tax loss | 14,445 | -5,828 | 0 | 1 | 8,618 |
| Other | 3 | 2 | 0 | 0 | 5 |
| Total | 18,360 | -5,387 | 14 | 2 | 12,989 |
| Deferred tax liabilities | Balance as at 1 January 2016 | Change in income statement | Change in other comprehensive income | Exchange rate differences | Balance as at 31 December 2016 |
| Property, plant and equipment | 13,125 | 881 | -2,003 | 26 | 12,029 |
| Revaluation of financial assets | 9 | 0 | 10 | 0 | 20 |
| Total | 13,134 | 881 | -1,993 | 26 | 12,049 |
| Effect | | -6,268 | -1,979 | | |

NOTE 10: Property, plant and equipment

TABLE 25: CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN 2017

IN EUR THOUSAND

| | Land | Buildings | Other plant and equipment | Equipment under finance leases | Investments in property, plant and equipment owned by others | Property, plant and equipment under construction | Total |
|----------------------------------------------------------------|---------------|----------------|---------------------------|--------------------------------|--------------------------------------------------------------|--------------------------------------------------|-----------------|
| HISTORICAL COST | | | | | | | |
| Balance as at 31 December 2016 | 93,042 | 177,361 | 34,333 | 1,944 | 0 | 420 | 307,100 |
| Correction of error | -1,142 | 0 | 0 | 0 | 0 | 0 | -1,142 |
| Reported as at 1 January 2017 after correction of error | 91,900 | 177,361 | 34,333 | 1,944 | 0 | 420 | 305,957 |
| Acquisitions | 0 | 0 | 0 | 0 | 0 | 2,623 | 2,623 |
| Transfer of advances | -190 | 0 | 0 | 0 | 0 | 190 | 0 |
| Repayment of advance | 0 | 0 | 0 | 0 | 0 | -47 | -47 |
| Activations | 103 | 552 | 1,949 | 0 | 2 | -2,607 | -1 |
| Sales | -95 | -803 | -859 | 0 | 0 | 0 | -1,757 |
| Write-downs | 0 | -86 | -1,006 | 0 | 0 | 0 | -1,092 |
| Transfer to investment property | -815 | 0 | 0 | 0 | 0 | 0 | -815 |
| Transfer to available-for-sale assets | -39 | -430 | 0 | 0 | 0 | 0 | -469 |
| Revaluation to fair value | -2,528 | 0 | 0 | 0 | 0 | 0 | -2,528 |
| Transfer between items | 92 | -92 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 2 | 0 | 0 | 0 | 2 |
| Exchange rate differences | 5 | 933 | 21 | 31 | 0 | 2 | 992 |
| Balance as at 31 December 2017 | 88,433 | 177,435 | 34,440 | 1,975 | 2 | 582 | 302,866 |
| VALUE ADJUSTMENT | | | | | | | |
| Balance as at 31 December 2016 | -5,054 | -81,195 | -29,011 | -666 | 0 | 0 | -115,926 |
| Correction of error | -717 | -11,721 | 0 | 1 | 0 | 0 | -12,437 |
| Reported as at 1 January 2017 after correction of error | -5,771 | -92,916 | -29,011 | -666 | 0 | 0 | -128,363 |
| Amortisation/depreciation | 0 | -3,975 | -1,334 | -276 | 0 | 0 | -5,585 |
| Sales | 0 | 612 | 813 | 0 | 0 | 0 | 1,425 |
| Write-downs | 0 | 36 | 1,006 | 0 | 0 | 0 | 1,042 |
| Transfer to available-for-sale assets | 0 | 316 | 0 | 0 | 0 | 0 | 316 |
| Impairments | -3,667 | -2,915 | 0 | 0 | 0 | 0 | -6,582 |
| Reversal of impairments | 131 | 1,134 | 0 | 0 | 0 | 0 | 1,265 |
| Other | 2 | 38 | -1 | 0 | 0 | 0 | 39 |
| Exchange rate differences | 310 | -414 | -43 | -12 | 0 | 0 | -159 |
| Balance as at 31 December 2017 | -8,995 | -98,084 | -28,570 | -954 | 0 | 0 | -136,603 |
| CARRYING AMOUNT | | | | | | | |
| Balance as at 31 December 2016 | 87,988 | 96,166 | 5,322 | 1,278 | 0 | 420 | 191,173 |
| Correction of error | -1,859 | -11,721 | 0 | 0 | 0 | -1 | -13,580 |
| Reported as at 1 January 2017 after correction of error | 86,129 | 84,445 | 5,322 | 1,278 | 0 | 420 | 177,594 |
| Balance as at 31 December 2017 | 79,438 | 79,351 | 5,870 | 1,021 | 2 | 582 | 166,263 |

Verification of the existence of signs of the impairment of real estate in 2017 indicated the need to revalue the aforementioned assets.

The valuation of the Group's real estate was carried out by an independent real estate valuer with regard to cash-generating units (i.e. by individual location). The market approach and income approach were used to perform that valuation. The appraised values were used to determine the value of real estate as at 31 December 2017.

The aforementioned valuer also appraised value in use, but that method was not applied (save for AD Zetatrans, Podgorica) because that value was lower than fair value less costs to sell.

The Group defined several cash-generating units by country that are presented in two of three combined groups of cash-generating units (Koper, Ljubljana and other locations in Slovenia and in other countries the capitals of those countries and other locations) for reporting needs. The recoverable amount for cash-generating units is based on fair value less costs to sell, which was appraised using the income approach. Because land is appraised at fair value, the fair value of land was determined using the market approach. The value of land was appraised as the difference between the value of a cash-generating unit and the fair value of land.

TABLE 26: VALUATION METHODS AND APPLIED ASSUMPTIONS

| Groups of cash-generating units (locations) | Type of assets within the group of CGUs | Applied valuation method | Applied assumptions (level 3 inputs) |
|---------------------------------------------|-----------------------------------------|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Slovenia | | | |
| Koper | Land | market approach | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties |
| | Buildings | Income approach | Capitalization rate – 7.90%, 8.22%, 8.32% Deduction for vacancy – 10% (except for the Brnik superficies and 26B Koper warehouse calculation, where the deduction was 0%) Deduction for irrecoverability – 1% Insurance cost – 0.80% Replacement reserve – 1% Life span of improvement – 60 years |
| Ljubljana | Land | market approach | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties |
| | Buildings | Income approach | Capitalization rate – 8.32%, 8.22% Deduction for vacancy – 10% Deduction for irrecoverability – 1% Insurance cost – 0.80% Replacement reserve – 1% Life span of improvement – 60 years |
| Other locations | Land | market approach | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties |
| | Buildings | Income approach | Capitalization rate – from 7.9 – 8.32% to 8.82, 8.22, 8.08 Deduction for vacancy – 10% Deduction for irrecoverability – 1% Insurance cost – 0.80% (except for the Jesenice commercial building: 1.00%) Replacement reserve – 1% (except for the Jesenice commercial building: 1.50%) Life span of improvement – 60 years |

| Groups of cash-generating units (locations) | Type of assets within the group of CGUs | Applied valuation method | Applied assumptions (level 3 inputs) |
|---------------------------------------------|-----------------------------------------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Croatia | | | |
| Zagreb | Land | market approach | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties Capitalization rate – 8.89% Deduction for vacancy – 10% Deduction for irrecoverability – 1% Insurance cost – 0.80% Replacement reserve – 1% Life span of improvement – 60 years |
| | | | |
| Other locations | Land | market approach | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties Capitalization rate – 8.89% Deduction for vacancy – 10% Deduction for irrecoverability – 1% Insurance cost – 0.80% Replacement reserve – 1% Life span of improvement – 60 years |
| | Buildings | Income approach | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties Capitalization rate – 8.89% Deduction for vacancy – 10% Deduction for irrecoverability – 1% Insurance cost – 0.80% Replacement reserve – 1% Life span of improvement – 60 years |
| Bosnia and Herzegovina | | | |
| Sarajevo | Land | market approach | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties Life span of improvement – 60 years |
| | | | |
| Ostale lokacije | Land | market approach | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties Life span of improvement – 60 years |
| | Buildings | | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties Life span of improvement – 60 years |
| Montenegro | | | |
| Podgorica | Land | market approach | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties Capitalization rate – 9.12% Deduction for vacancy – 10% Deduction for irrecoverability – 1% Insurance cost – 0.80% Replacement reserve – 1% Life span of improvement – 60 years |
| | Buildings | | |
| Other locations | Land | market approach | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties Capitalization rate – 9.12% Deduction for vacancy – 10% Deduction for irrecoverability – 1% Insurance cost – 0.80% Replacement reserve – 1% Life span of improvement – 60 years |
| | Buildings | | |
| Serbia | | | |
| Beograd | Land | market approach | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties Capitalization rate – 8.87% Deduction for vacancy – 10% Deduction for irrecoverability – 1% Insurance cost – 0.80% Replacement reserve – 1% Life span of improvement – 60 years |
| | Buildings | | |

| Groups of cash-generating units (locations) | Type of assets within the group of CGUs | Applied valuation method | Applied assumptions (level 3 inputs) |
|---------------------------------------------|-----------------------------------------|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Macedonia | | | |
| Skopje | Buildings | Income approach | Capitalization rate – 9.75% Deduction for vacancy – 10% Deduction for irrecoverability – 1% Insurance cost – 0.80% Replacement reserve – 1% Life span of improvement – 60 years |
| Ukraine | | | |
| Kijev | Land | Market approach | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties |
| Other locations | Land | Market approach | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties |
| | Buildings | Income approach | Capitalization rate – 11.57% Deduction for vacancy – 10% Deduction for irrecoverability – 1% Insurance cost – 0.80% Replacement reserve – 1% Life span of improvement – 60 years |
| | | | |

TABLE 27: FAIR VALUE AND RECOVERABLE AMOUNT OF REAL ESTATE BY CASH-GENERATING UNIT (LOCATIONS) IN EUR THOUSAND

| CGU groups (locations) | Type of assets within the group of CGUs | Fair value as at 31 December 2017 | Recoverable amount as at 31 December 2017 | Impairment recognised in income statement | Reversal of impairment recognised in income statement | Revaluation to fair value in other comprehensive income (increase) | Revaluation to fair value in other comprehensive income (decrease) |
|------------------------|-----------------------------------------|-----------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
| Slovenia | | | | | | | |
| Koper | Land | 13,004 | | 0 | 0 | 933 | 244 |
| | Buildings | | 7,676 | 0 | 0 | 0 | 0 |
| Ljubljana | Land | 10,930 | | 24 | 0 | 0 | 1,731 |
| | Buildings | | 7,101 | 712 | 0 | 0 | 0 |
| Other locations | Land | 22,796 | | 28 | 0 | 66 | 1,974 |
| | Buildings | | 23,897 | 222 | 0 | 0 | 0 |
| Total | land | 46,730 | | 52 | 0 | 999 | 3,949 |
| | buildings | | 38,674 | 934 | 0 | 0 | 0 |
| | Total | 46,730 | 38,674 | 986 | 0 | 999 | 3,949 |
| Croatia | | | | | | | |
| Zagreb | Land | 4,584 | | 0 | | 0 | 124 |
| | Buildings | | 6,714 | 0 | 559 | 0 | 0 |
| Other locations | Land | 13,574 | | 0 | 113 | 359 | 0 |
| | Buildings | | 10,395 | 0 | 507 | 0 | 0 |
| Total | land | 18,158 | | 0 | 113 | 359 | 124 |
| | buildings | | 17,109 | 0 | 1,066 | 0 | 0 |
| | Total | 18,158 | 17,109 | 0 | 1,179 | 359 | 124 |

| CGU groups (locations) | Type of assets within the group of CGUs | Fair value as at 31 December 2017 | Recoverable amount as at 31 December 2017 | Impairment recognised in income statement | Reversal of impairment recognised in income statement | Revaluation to fair value in other comprehensive income (increase) | Revaluation to fair value in other comprehensive income (decrease) |
|------------------------|-----------------------------------------|-----------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
| Bosnia and Herzegovina | | | | | | | |
| Sarajevo | Land | 6,190 | | 0 | 0 | 0 | 144 |
| | Buildings | | 6,783 | 0 | 32 | 0 | 0 |
| Other locations | Land | 406 | | 0 | 0 | 1 | |
| | Buildings | | 739 | 0 | 36 | 0 | 0 |
| Total | land | 6,596 | | 0 | 0 | 1 | 144 |
| | buildings | | 7,522 | 0 | 68 | 0 | 0 |
| | Total | 6,596 | 7,522 | 0 | 68 | 1 | 144 |
| Serbia | | | | | | | |
| Belgrade | Land | 4,399 | | 0 | 0 | 276 | 0 |
| | Buildings | | 4,058 | 0 | 0 | 0 | 0 |
| Other locations | Land | 0 | | 0 | 0 | 0 | 0 |
| | Buildings | | 0 | 0 | 0 | 0 | 0 |
| Total | land | 4,399 | | 0 | 0 | 276 | 0 |
| | buildings | | 4,251 | 0 | 0 | 0 | 0 |
| | Total | 4,399 | 4,251 | 0 | 0 | 276 | 0 |
| Montenegro | | | | | | | |
| Podgorica | Land | 1,994 | | 3,001 | 0 | 0 | 0 |
| | Buildings | | 8,175 | 1,137 | 0 | 0 | 0 |
| Other locations | Land | 473 | | 587 | 18 | 0 | 0 |
| | Buildings | | 930 | 811 | 0 | 0 | 0 |
| Total | land | 2,467 | | 3,588 | 18 | 0 | 0 |
| | buildings | | 9,105 | 1,948 | 0 | 0 | 0 |
| | Total | 2,467 | 9,105 | 5,536 | 18 | 0 | 0 |
| Macedonia | | | | | | | |
| Skopje | Land | 0 | | 0 | 1 | 0 | 0 |
| | Buildings | | 753 | 0 | 0 | 0 | 0 |
| Other locations | Land | 0 | | 0 | 0 | 0 | 0 |
| | Buildings | | 0 | 0 | 0 | 0 | 0 |
| Total | land | 0 | | 0 | 1 | 0 | 0 |
| | buildings | | 753 | 0 | 0 | 0 | 0 |
| | Total | 0 | 753 | 0 | 1 | 0 | 0 |

| CGU groups (locations) | Type of assets within the group of CGUs | Fair value as at 31 December 2017 | Recoverable amount as at 31 December 2017 | Impairment recognised in income statement | Reversal of impairment recognised in income statement | Revaluation to fair value in other comprehensive income (increase) | Revaluation to fair value in other comprehensive income (decrease) |
|-------------------------|-----------------------------------------|-----------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
| Ukraine | | | | | | | |
| Kiev | Land | 644 | | 23 | 0 | 0 | 0 |
| | Buildings | | 0 | 0 | 0 | 0 | 0 |
| Other locations | Land | 0 | | 0 | 0 | 54 | 0 |
| | Buildings | | 0 | 30 | 0 | 0 | 0 |
| Total | land | 644 | | 23 | 0 | 54 | 0 |
| | buildings | | 0 | 30 | 0 | 0 | 0 |
| | Total | 644 | 0 | 53 | 0 | 54 | 0 |
| TOTAL Intereuropa Group | | | | | | | |
| Total | land | 78,994 | | 3,663 | 131 | 1,689 | 4,217 |
| | buildings | | 77,414 | 2,912 | 1,134 | 0 | 0 |
| | Total | 78,994 | 77,414 | 6,575 | 1,265 | 1,689 | 4,217 |

The direct sales comparison method was taken into account in the valuation of land. Land was broken down in the aforementioned valuation with regard to location. A detailed analysis was performed for each lot of land using transactions involving comparable land in the direct vicinity of the real estate subject to valuation. Adjustments were also made to approximate the indicative price of comparable land. Those adjustments relate to surface area, location and other functional characteristics of real estate subject to valuation, taking into account other comparable sold or advertised real estate.

The appraised fair value of buildings was calculated using the income approach to arrive at the total appraised value of a location, from which the appraised value of land was subtracted. The fair value of buildings less costs to sell was calculated in this manner.

At Intereuropa RTC d.d., Sarajevo, the appraised fair value of buildings was calculated using the comparable transactions method for comparable sales of buildings and excess land to arrive at the appraised value of a location, from which the appraised value of land was subtracted. The fair value of buildings less costs to sell was calculated in this manner.

The recoverable amount was determined while valuing buildings, i.e. their fair value less costs to sell, which was lower than the carrying amount of the aforementioned assets, resulting in the recognition of impairments.

The historical cost of property, plant and equipment whose carrying amount as at 31 December 2017 was 0 (zero) and are still in use was EUR 26,871 thousand (EUR 19,183 thousand as at 31 December 2016).

The carrying amount of land would be equal to EUR 21,216 thousand as at 31 December 2017 if the historical cost model was used.

The carrying amount of mortgaged property, plant and equipment (real estate) was EUR 112,152 thousand as at the reporting date. There were no other legal restrictions on the disposal of assets. The Group had commitments to purchase property, plant and equipment in the amount of EUR 773 thousand as at the reporting date.

TABLE 28: CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN 2016

IN EUR THOUSAND

| | Land | Buildings | Other plant and equipment | Equipment under finance leases | Property, plant and equipment under construction | Total |
|----------------------------------------------------------------------|----------------|----------------|---------------------------------|-----------------------------------------|-----------------------------------------------------------|-----------------|
| HISTORICAL COST | | | | | | |
| Balance as at 31 December 2015 | 107,954 | 176,311 | 34,173 | 1,454 | 320 | 320,212 |
| Correction of error | -1,194 | 0 | 0 | 0 | 0 | -1,194 |
| Reported as at 1 January 2016 after correction of error | 106,760 | 176,311 | 34,173 | 1,454 | 320 | 319,018 |
| Acquisitions | 0 | 0 | 0 | 0 | 3,569 | 3,569 |
| Activations | 0 | 753 | 2,241 | 476 | -3,470 | 0 |
| Sales | -7,405 | 0 | -1,740 | 0 | 0 | -9,145 |
| Write-downs | 0 | -50 | -355 | 0 | 0 | -405 |
| Transfer to available-for-sale assets | -321 | 0 | 0 | 0 | 0 | -321 |
| Revaluation to fair value | -7,042 | 0 | 0 | 0 | 0 | -7,042 |
| Other | 0 | 0 | 16 | 0 | 0 | 16 |
| Exchange rate differences | -92 | 347 | -2 | 14 | 0 | 267 |
| Reported as at 31 December 2016 after correction of error | 91,900 | 177,361 | 34,333 | 1,944 | 420 | 305,957 |
| VALUE ADJUSTMENT | | | | | | |
| Balance as at 31 December 2015 | -5,127 | -76,762 | -29,827 | -430 | 0 | -112,146 |
| Correction of error | -723 | -12,541 | 0 | 0 | 0 | -13,264 |
| Reported as at 1 January 2016 after correction of error | -5,850 | -89,303 | -29,827 | -430 | 0 | -125,410 |
| Amortisation/depreciation | 0 | -4,363 | -1,234 | -232 | 0 | -5,829 |
| Sales | 5 | 0 | 1,721 | 0 | 0 | 1,726 |
| Write-downs | 0 | 40 | 354 | 0 | 0 | 394 |
| Impairments | -69 | 0 | 0 | 0 | 0 | -69 |
| Reversal of impairments | 7 | 472 | 0 | 0 | 0 | 479 |
| Other | 0 | 420 | -15 | 0 | 0 | 405 |
| Exchange rate differences | 135 | -181 | -10 | -4 | 0 | -60 |
| Reported as at 31 December 2016 after correction of error | -5,771 | -92,916 | -29,011 | -666 | 0 | -128,364 |
| CARRYING AMOUNT | | | | | | |
| Balance as at 31 December 2015 | 102,827 | 99,549 | 4,346 | 1,024 | 320 | 208,066 |
| Correction of error | -1,916 | -12,541 | 0 | 0 | 0 | -14,458 |
| Reported as at 1 January 2016 after correction of error | 100,911 | 87,008 | 4,346 | 1,024 | 320 | 193,609 |
| Reported as at 31 December 2016 after correction of error | 86,129 | 84,445 | 5,322 | 1,278 | 420 | 177,594 |

NOTE 11: Investment property

TABLE 29: CHANGES IN INVESTMENT PROPERTY

IN EUR THOUSAND

| | 2017 | 2016 |
|----------------------------------------------|---------------|---------------|
| HISTORICAL COST | | |
| Balance as at 31 December | 14,420 | 15,593 |
| Correction of error | 0 | 0 |
| Balance as at 1 January | 14,420 | 15,593 |
| Increase | 15 | 11 |
| Transfers from property, plant and equipment | 815 | 0 |
| Sales | 0 | 0 |
| Write-downs | -3 | -3 |
| Transfer to available-for-sale assets | -430 | 0 |
| Impairments | 0 | -1,181 |
| Balance as at 31 December | 14,818 | 14,420 |
| VALUE ADJUSTMENT | | |
| Balance as at 31 December | -4,996 | -4,316 |
| Correction of error | 0 | -460 |
| Balance as at 1 January | -4,996 | -4,776 |
| Amortisation/depreciation | -251,49 | -249 |
| Disposals | 0 | 0 |
| Write-downs | 2 | 1 |
| Impairments | -708 | 0 |
| Reversal of impairments | 4 | 28 |
| Transfer to available-for-sale assets | 311 | 0 |
| Balance as at 31 December | -5,639 | -4,996 |
| CARRYING AMOUNT | | |
| Balance as at 31 December 2015 | 9,424 | 11,278 |
| Correction of error | 0 | -460 |
| Balance as at 1 January | 9,424 | 10,817 |
| Balance as at 31 December | 9,179 | 9,424 |

TABLE 30: VALUATION METHODS AND ASSUMPTIONS

| Cash-generating unit group (location) | Type of assets within the group of CGU (location) | Applied valuation method | Applied assumptions (level 3 inputs) |
|---------------------------------------|---------------------------------------------------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Slovenia | | | |
| Koper | Land | market approach | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties |
| | Buildings | income approach | Capitalization rate – 7.82% Deduction for vacancy – from 10% to Deduction for irrecoverability – from 1% to Life span of improvement – 60 years |
| Bosnia and Herzegovina | | | |
| Sarajevo | Buildings | income approach | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties |

TABLE 31: RECOVERABLE AMOUNT

IN EUR THOUSAND

| Cash-generating unit group (location) | Type of assets within the group of CGU (location) | Recoverable amount as at 31 December 2017 | Impairment recognised in income statement | Reversal of impairment recognised in income statement |
|---------------------------------------|---------------------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------------------|
| Slovenija | | | | |
| | Land | 4,574 | 0 | 0 |
| | Buildings | 3,853 | 708 | 0 |
| Bosna in Hercegovina | | | | |
| | Land | | | |
| | Buildings | 510 | 0 | 4 |
| Intereuropa Group | | | | |
| Total | Land | 4,574 | 0 | 0 |
| | Buildings | 4,363 | 708 | 4 |

The carrying amount of mortgaged investment property was EUR 8,617 thousand as at the reporting date. That amount represents additional collateral for liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

Investment property was impaired on the basis of an impairment test. The valuation of investment property was carried out by an independent real estate valuer, by location (e.g. cash-generating units). The market approach and income approach were used to assess the recoverable amount, which was lower than the carrying amount of the aforementioned assets, resulting in the recognition of impairments.

Senior management assesses that the fair value of investment property is EUR 10,078 thousand, EUR 9,567 thousand of which relates to investment property located in Slovenia and EUR 511 thousand of which relates to investment property located in Bosnia and Herzegovina.

TABLE 32: REVENUES AND EXPENSES FROM INVESTMENT PROPERTY

IN EUR THOUSAND

| | 2017 | 2016 |
|----------------------------------------------------|------------|------------|
| Rental income from investment property | 1,199 | 1,253 |
| Direct operating expenses from investment property | -550 | -491 |
| Total | 650 | 762 |

NOTE 12: Intangible assets

TABLE 33: CHANGES IN INTANGIBLE ASSETS IN 2017

IN EUR THOUSAND

| | Long-term property rights | Other intangible assets | Goodwill | Intangible assets under construction | Total |
|---------------------------------------|---------------------------|-------------------------|-----------|--------------------------------------|---------------|
| HISTORICAL COST | | | | | |
| Balance as at 1 January 2017 | 5,782 | 4,328 | 42 | 395 | 10,547 |
| Acquisitions | 0 | 0 | 0 | 78 | 78 |
| Transfer of advances | 0 | 0 | 0 | 0 | 0 |
| Repayment of advance | 0 | 0 | 0 | 0 | 0 |
| Activations | 117 | 126 | 0 | -243 | 0 |
| Sales | 0 | 0 | 0 | 0 | 0 |
| Write-downs | -942 | 0 | 0 | 0 | -942 |
| Other | 0 | 0 | 0 | 0 | 0 |
| Exchange rate differences | 17 | 0 | 0 | 2 | 19 |
| Balance as at 31 December 2017 | 4,974 | 4,454 | 42 | 232 | 9,702 |
| VALUE ADJUSTMENT | | | | | |
| Balance as at 1 January 2017 | -5,056 | -1,238 | 0 | 0 | -6,294 |
| Amortisation | -218 | -299 | 0 | 0 | -517 |
| Sales | 0 | 0 | 0 | 0 | 0 |
| Write-downs | 942 | 0 | 0 | 0 | 942 |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 |
| Exchange rate differences | -17 | 0 | 0 | 0 | -17 |
| Balance as at 31 December 2017 | -4,349 | -1,537 | 0 | 0 | -5,886 |
| CARRYING AMOUNT | | | | | |
| Balance as at 1 January 2017 | 726 | 3,090 | 42 | 395 | 4,253 |
| Balance as at 31 December 2017 | 625 | 2,917 | 42 | 232 | 3,816 |

The majority of long-term property rights comprises rights associated with software. Other intangible assets comprise software to support comprehensive logistics services.

The historical cost of intangible assets whose carrying amount as at 31 December 2017 was 0 (zero) and are still in use was EUR 2,593 thousand.

The Group had commitments to purchase intangible assets in the amount of EUR 50 thousand as at the reporting date.

TABLE 34: CHANGES IN INTANGIBLE ASSETS IN 2016

IN EUR THOUSAND

| | Long-term property rights | Other intangible assets | Goodwill | Intangible assets under construction | Total |
|----------------------------------------------------------------------|------------------------------|----------------------------|--------------|--------------------------------------------|---------------|
| HISTORICAL COST | | | | | |
| Balance as at 31 December 2015 | 5,709 | 4,307 | 1,275 | 319 | 11,610 |
| Correction of error | 0 | 0 | -1,233 | 0 | -1,233 |
| Reported as at 1 January 2016 after correction of error | 5,709 | 4,307 | 42 | 319 | 10,377 |
| Acquisitions | 0 | 0 | 0 | 161 | 161 |
| Activations | 63 | 20 | 0 | -83 | 0 |
| Exchange rate differences | 10 | 0 | 0 | -2 | 8 |
| Balance as at 31 December 2016 | 5,782 | 4,327 | 42 | 395 | 10,546 |
| VALUE ADJUSTMENT | | | | | |
| Balance as at 31 December 2015 | -4,837 | -948 | 0 | 0 | -5,785 |
| Correction of error | 0 | 0 | 0 | 0 | 0 |
| Reported as at 1 January 2016 after correction of error | -4,837 | -948 | 0 | 0 | -5,785 |
| Amortisation/depreciation | -210 | -290 | 0 | 0 | -500 |
| Other | 3 | 0 | 0 | 0 | 3 |
| Exchange rate differences | -12 | 0 | 0 | 0 | -12 |
| Balance as at 31 December 2016 | -5,056 | -1,237 | 0 | 0 | -6,293 |
| CARRYING AMOUNT | | | | | |
| Balance as at 31 December 2015 | 872 | 3,359 | 1,275 | 319 | 5,825 |
| Correction of error | 0 | 0 | -1,233 | 0 | -1,233 |
| Reported as at 1 January 2016 after correction of error | 872 | 3,359 | 42 | 319 | 4,592 |
| Reported as at 31 December 2016 after correction of error | 726 | 3,090 | 42 | 395 | 4,253 |

NOTE 13: Other non-current assets

Other non-current assets in the amount of EUR 29 thousand (EUR 49 thousand as at 31 December 2016) comprise non-current deferred costs and expenses.

NOTE 14: Loans granted and deposits

TABLE 35: COMPOSITION OF LOANS AND DEPOSITS

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|--------------------------------------|------------------|------------------|
| Long-term loans and deposits | 57 | 30 |
| - loans granted | 4 | 6 |
| - deposits | 54 | 24 |
| Short-term loans and deposits | 1,992 | 2,124 |
| - loans granted | 79 | 78 |
| - deposits | 1,913 | 2,046 |
| Total | 2,050 | 2,154 |

As at the balance-sheet date, the Group had pledged long-term deposits in the amount of EUR 40 thousand and short-term deposits in the amount of EUR 34 thousand as collateral for contingent liabilities.

NOTE 15: Investment in associate

This item comprises an investment in the associate Rail Cargo Logistics d.o.o., Ljubljana, in which Intereuropa d.d. held a 26% participating interest as at 31 December 2017.

TABLE 36: CHANGE IN INVESTMENT IN ASSOCIATE AND JOINT VENTURE

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|--------------------------------------------|------------------|------------------|
| Balance at beginning of accounting period | 102 | 135 |
| Profit according to the equity method | 10 | 39 |
| Distribution of profit | -39 | -34 |
| Sales | 0 | -36 |
| Attributable changes in equity | 0 | -1 |
| Balance at end of accounting period | 73 | 102 |

TABLE 37: ASSETS, LIABILITIES, REVENUES AND EXPENSES OF THE COMPANY

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|-------------------------------------------|------------------|------------------|
| ASSETS | 1.676 | 1.973 |
| Non-current assets | 10 | 16 |
| Current assets | 1.666 | 1.957 |
| LIABILITIES | 1.676 | 1.973 |
| Equity | 200 | 239 |
| Non-current liabilities | 13 | 17 |
| Current liabilities | 1.462 | 1.717 |
| Revenues | 11.133 | 9.680 |
| Expenses (including corporate income tax) | 11.097 | 9.603 |
| Profit from ordinary operations | 49 | 95 |
| Other comprehensive income | 0 | -2 |
| Total comprehensive income | 37 | 75 |

NOTE 16: Other non-current financial assets

Available-for-sale financial assets.

TABLE 38: CHANGES IN AVAILABLE-FOR-SALE FINANCIAL ASSETS

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|--------------------------------------------|------------------|------------------|
| Balance at beginning of accounting period | 542 | 519 |
| Sales | -476 | -19 |
| Impairments | -34 | -5 |
| Revaluation to fair value | 1 | 48 |
| Balance at end of accounting period | 33 | 542 |

Available-for-sale financial assets as at 31 December 2017 comprised investments in equity instruments that do not have a quoted market price on an active market and whose fair value cannot be reliably measured. They totalled EUR 27 thousand (EUR 80 thousand as at 31 December 2016).

NOTE 17: Current operating receivables

TABLE 39: CURRENT OPERATING RECEIVABLES

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|-------------------------------------------|------------------|------------------|
| Current trade receivables | 31,646 | 26,618 |
| Current operating receivables from others | 2,606 | 2,186 |
| Total | 34,252 | 28,804 |

Of the total trade receivables as at 31 December 2017 in the amount of EUR 31,646 thousand, EUR 1.291 thousand relate to receivables for services in progress.

Changes in value adjustments to trade and other receivables

TABLE 40: CHANGES IN VALUE ADJUSTMENTS TO TRADE AND OTHER RECEIVABLES

IN EUR THOUSAND

| | 2017 | 2016 |
|---------------------------------------------------------------------------------------------------|--------------|--------------|
| Adjustments to the value of receivables as at 1 January | 5,073 | 6,038 |
| - written-off receivables | -1,029 | -1,078 |
| - recovered receivables | -581 | -663 |
| + additional increase in adjustments to value | 889 | 766 |
| - exchange rate differences | 18 | 9 |
| Closing balance of adjustments to the value of trade receivables as at 31 December | 4,370 | 5,073 |
| Adjustments to the value of other current receivables as at 1 January | 1,353 | 1,358 |
| - written-off receivables | 0 | 0 |
| - recovered receivables | 0 | -8 |
| + additional increase in adjustments to value | 6 | 3 |
| - exchange rate differences | -2 | 0 |
| Closing balance of adjustments to the value of other current receivables as at 31 December | 1,357 | 1,353 |

TABLE 41: STRUCTURE OF CURRENT RECEIVABLES BY MATURITY

IN EUR THOUSAND

| | Gross value as at 31 December 2017 | Value adjustment as at 31 December 2017 | Gross value as at 31 December 2016 | Value adjustment as at 31 December 2016 |
|--------------------------------------------|---------------------------------------------|-----------------------------------------------------|---------------------------------------------|-----------------------------------------------------|
| Current trade receivables | | | | |
| Non-past-due | 23,184 | 3 | 19,184 | 2 |
| 0 to 30 days past due | 5,153 | 0 | 4,300 | 1 |
| 31 to 90 days past due | 2,191 | 3 | 1,877 | 6 |
| 91 to 180 days past due | 828 | 48 | 936 | 9 |
| More than 180 days past due | 4,660 | 4,316 | 5,394 | 5,055 |
| Current trade receivables | 36,016 | 4,370 | 31,691 | 5,073 |
| Other current operating receivables | | | | |
| Non-past-due | 1,408 | 0 | 2,111 | 0 |
| 0 to 30 days past due | 861 | 0 | 53 | 0 |
| 31 to 90 days past due | 6 | 0 | 2 | 0 |
| 91 to 180 days past due | 374 | 0 | 0 | 0 |
| More than 180 days past due | 1,314 | 1,357 | 1,372 | 1,353 |
| Other current operating receivables | 3,963 | 1,357 | 3,538 | 1,353 |

Court proceedings (enforcement, lawsuits, bankruptcy and compulsory composition) have been initiated for the majority of receivables more than 181 days in arrears. Exposure to various types of risks arising from trade receivables is managed by using an internal credit rating system for domestic customers and by verifying the credit ratings obtained from specialised companies for foreign customers. Based on information obtained, customers with lower credit ratings are required to supply collateral instruments to secure payments (e.g. bills of exchange, pledges of movable property and sureties). Operating receivables are not secured via insurance companies.

The Intereuropa Group had trade receivables with a carrying amount of EUR 10,000 thousand pledged as collateral as at the balance-sheet date. That amount represents additional collateral for contingent liabilities in the amount of EUR 14,600 thousand for which the underlying collateral comprises pledged items of property, plant and equipment.

NOTE 18: Other current assets

Other current assets amounting to EUR 514 thousand comprise current deferred costs.

NOTE 19: Cash and cash equivalents

Cash and cash equivalents amounted to EUR 3,618 thousand, and comprise cash held in bank accounts, call deposits and cash in hand. The reasons for increases and decreases in cash and cash equivalents during 2017 are presented in the statement of cash flows.

NOTE 20: Equity

Share capital

Intereuropa d.d.'s share capital amounted to EUR 27,488,803 as at 31 December 2017, and is divided into 16,830,838 ordinary registered freely transferable no-par-value shares and 10,657,965 freely transferable no-par-value preference shares. Ordinary shares provide their holders the right to participate in the management of the Company (voting right), the right to a share in profits and the right to a corresponding portion of residual assets after the liquidation or bankruptcy of the Company. The number of shares as at 31 December 2017 was unchanged relative to the previous year.

Preference shares provide their holders the right to a share in profits and the right to a corresponding portion of residual assets after the liquidation or bankruptcy of the Company. Preference shares give their holders priority in the sharing of profits in the amount of EUR 0.01 (preferential amount) per share. The preferential amount is paid out in addition to the share in profits received by the holders of ordinary shares, in accordance with the relevant resolution on the use of distributable profit.

Share premium account

The share premium account comprises amounts from the simple reduction of the parent company's share capital. The share premium account may be used under the conditions and for the purposes set out by law.

Treasury shares

The parent company controlling held 18,135 treasury shares as at the reporting date. The number of treasury shares has not changed since 31 December 2016. The Company holds no rights arising from treasury shares. Other group companies do not hold own shares. Reserves for treasury shares were created in 2008 in an amount equal to their historical cost of EUR 180 thousand.

Fair value reserves

Fair value reserves primarily relate to the revaluation of land in the amount of EUR 47,367 thousand and available-for-sale financial assets in the amount of EUR 4 thousand. Changes during the financial year are disclosed in the statement of comprehensive income.

Foreign currency translation differences

Foreign currency translation losses were down by EUR 817 thousand relative to 2016 owing to the effect of foreign exchange rate differences arising from the recalculation of equity items in the financial statements of subsidiaries abroad from local currencies into the reporting currency.

NOTE 21: Non-controlling interests in equity

TABLE 42: NON-CONTROLLING INTERESTS

IN EUR THOUSAND

| | Country in which company is registered | Non-controlling interests | | Equity pertaining to non-controlling interests | | Net profit pertaining to non-controlling interests | |
|------------------------------------------------|----------------------------------------|---------------------------|--------------|------------------------------------------------|--------------|----------------------------------------------------|--------------|
| | | 31. 12. 2017 | 31. 12. 2016 | 31. 12. 2017 | 31. 12. 2016 | 31. 12. 2017 | 31. 12. 2016 |
| Interzav, d.o.o., Koper | Slovenia | 28.72% | 28.72% | 20 | 19 | 11 | 11 |
| Intereuropa, logističke usluge, d.o.o., Zagreb | Croatia | 0.04% | 0.04% | 17 | 20 | - | - |
| Intereuropa sajam, d.o.o., Zagreb | Croatia | 49.00% | 49.00% | 326 | 326 | 25 | 26 |
| Intereuropa Skopje DOO, Skopje | Macedonia | 0.44% | 0.44% | 8 | 8 | - | - |
| Intereuropa RTC d.d., Sarajevo | Bosnia and Herzegovina | 4.23% | 4.23% | 468 | 647 | 10 | 10 |
| AD Intereuropa logističke usluge, Belgrade | Serbia | 26.38% | 26.38% | 2,173 | 1,876 | 153 | 107 |
| TOV TEK ZTS, Uzhhorod | Ukraine | 10.07% | 10.07% | -16 | -1 | -22 | -10 |
| Intereuropa Kosova L.L.C., Prishtina | Kosovo | 10.00% | 10.00% | 58 | 53 | 15 | 14 |
| Zetatrans A.D., Podgorica | Montenegro | 30.73% | 30.73% | 4,686 | 6,118 | 153 | 204 |
| Total | | | | 7,741 | 9,066 | 346 | 361 |

TABLE 43: SUMMARY OF ACCOUNTING INFORMATION FOR NON-CONTROLLING INTERESTS

IN EUR THOUSAND

| Non-controlling interests | 28.72% | | 0.04% | | 49.00% | |
|------------------------------------|-------------------------|------|------------------------------------------------|------|-----------------------------------|------|
| Company name | Interzav, d.o.o., Koper | | Intereuropa, logističke usluge, d.o.o., Zagreb | | Intereuropa sajam, d.o.o., Zagreb | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Non-current assets | 0 | 0 | 17 | 17 | 241 | 253 |
| Current assets | 26 | 25 | 2 | 2 | 148 | 124 |
| Equity and non-current liabilities | 21 | 20 | 18 | 18 | 360 | 360 |
| Current liabilities | 5 | 5 | 1 | 1 | 29 | 17 |
| Revenues | 54 | 50 | 9 | 9 | 276 | 240 |
| Profit from ordinary operations | 14 | 13 | 0 | 0 | 30 | 33 |

| Non-controlling interests | 0.44% | | 4.23% | | 26.38% | |
|------------------------------------|--------------------------------|------|--------------------------------|------|--------------------------------------------|-------|
| Company name | Intereuropa Skopje DOO, Skopje | | Intereuropa RTC d.d., Sarajevo | | AD Intereuropa logističke usluge, Belgrade | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Non-current assets | 4 | 4 | 486 | 488 | 2,404 | 2,233 |
| Current assets | 5 | 5 | 61 | 52 | 376 | 267 |
| Equity and non-current liabilities | 8 | 8 | 493 | 497 | 2,456 | 2,156 |
| Current liabilities | 1 | 1 | 54 | 44 | 323 | 262 |
| Revenues | 12 | 8 | 299 | 305 | 1,801 | 1,349 |
| Profit from ordinary operations | 0 | 0 | 12 | 11 | 160 | 127 |

| Non-controlling interests | 10.07% | | 10.00% | | 30.73% | |
|------------------------------------|------------------------------|------|--------------------------------------|------|---------------------------|-------|
| Company name | TOV TEK ZTS d.o.o., Uzhhorod | | Intereuropa Kosova L.L.C., Prishtina | | Zetatrans A.D., Podgorica | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Non-current assets | 59 | 46 | 7 | 8 | 3,831 | 5,476 |
| Current assets | 69 | 67 | 98 | 96 | 1,484 | 1,081 |
| Equity and non-current liabilities | 4 | 0 | 58 | 53 | 4,924 | 6,229 |
| Current liabilities | 124 | 113 | 47 | 51 | 391 | 328 |
| Revenues | 357 | 553 | 320 | 308 | 2,141 | 1,825 |
| Profit from ordinary operations | -22 | -10 | 17 | 15 | 198 | 223 |

The value of the non-controlling interest of Zetatrans in comprehensive income is EUR 0 (EUR -2 thousand in 2016).

NOTE 22: Provisions

TABLE 44: CHANGES IN PROVISIONS IN 2017

IN EUR THOUSAND

| | Balance 1 January 2017 | Drawn down (used) | Reversed | Additional creation of provisions charged to expenses | Additional creation of provisions charged to equity | Exchange rate differences | Balance at 31 December 2017 |
|-----------------------------------------------------------------|------------------------------|-------------------------|------------|-------------------------------------------------------------------|-----------------------------------------------------------------|---------------------------------|--------------------------------------|
| Provisions for severance pay at retirement and jubilee benefits | 1,285 | -120 | -5 | 117 | 59 | 4 | 1,340 |
| Provisions for lawsuits | 562 | -16 | -25 | 483 | 0 | 6 | 1,012 |
| Other non-current provisions | 0 | 0 | 0 | 878 | 0 | 0 | 878 |
| Total | 1,847 | -136 | -30 | 1,478 | 59 | 10 | 3,230 |

The recognition of provisions for a lawsuit in the amount of EUR 1,012 thousand primarily relates to a dispute regarding utilities fees and a claim for damages in Croatia, while the remainder relates to legal proceedings in other countries.

The Group also assessed on the basis of past liabilities that an outflow of cash is probable. It therefore created other non-current provisions in the amount of EUR 878 thousand.

TABLE 45: CHANGES IN PROVISIONS IN 2016

IN EUR THOUSAND

| | Balance 1 January 2016 | Drawn down (used) | Reversed | Additional creation of provisions charged to expenses | Additional creation of provisions charged to equity | Exchange rate differences | Balance at 31 December 2016 |
|-----------------------------------------------------------------|------------------------------|-------------------------|------------|-------------------------------------------------------------------|-----------------------------------------------------------------|---------------------------------|--------------------------------------|
| Provisions for severance pay at retirement and jubilee benefits | 1,072 | -135 | -14 | 177 | 184 | 1 | 1,285 |
| Provisions for lawsuits | 918 | -413 | -21 | 74 | 0 | 4 | 562 |
| Other non-current provisions | 4,172 | -4,160 | -12 | 0 | 0 | 0 | 0 |
| Total | 6,162 | -4,708 | -47 | 251 | 184 | 5 | 1,847 |

TABLE 46: CHANGES IN PROVISIONS FOR SEVERANCE PAY AND JUBILEE BENEFITS

IN EUR THOUSAND

| | Balance 1 January 2017 | Interest expense | Payments | Increase during current year | Actuarial gains or losses | Exchange rate differences | Total as at 31 December 2017 |
|-----------------------------|------------------------------|---------------------|-------------|---------------------------------------|---------------------------------|---------------------------------|---------------------------------------|
| Provisions | 1,285 | 34 | -120 | 74 | 63 | 4 | 1,340 |
| Jubilee benefits | 343 | 10 | -60 | 20 | 9 | 1 | 323 |
| Severance pay at retirement | 943 | 24 | -60 | 54 | 54 | 2 | 1,017 |

The calculation of provisions for severance pay at retirement and jubilee benefits is based on an actuarial calculation as at 31 December 2017, in which the following assumptions were taken into account:

- the number of employees, their gender, age, total length of service, length of service with a company and the relevant basis for calculation;
- the method for calculating severance pay at retirement under national legislation;
- growth in average wages in specific countries;
- age-based employee turnover, prerequisites for retirement in accordance with the minimum conditions for exercising the right to an old-age pension; and
- the application of the following discount rates: 2.075% in Slovenia, 0.50% in Serbia, 3.50% in Montenegro, 1.00% in Bosnia and Herzegovina, and 3.25% in Croatia.

NOTE 23: Non-current operating liabilities

TABLE 47: NON-CURRENT FINANCIAL LIABILITIES

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|--------------------------------------------------------|------------------|------------------|
| Non-current trade payables | 282 | 306 |
| Non-current trade payables for employee profit-sharing | 95 | 24 |
| Total | 377 | 330 |

NOTE 24: Financial liabilities

TABLE 48: STRUCTURE OF LONG-TERM LOANS AND FINANCE LEASES RECEIVED

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|--------------------------|------------------|------------------|
| Long-term loans received | 66,404 | 73,793 |
| Finance leases | 591 | 943 |
| Total | 66,995 | 74,736 |

TABLE 49: CHANGES IN LONG-TERM LOANS AND FINANCE LEASES

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|---------------------------------|------------------|------------------|
| Balance as at 1 January | 74,736 | 92,499 |
| New finance leases | 0 | 618 |
| Repayments | -3,170 | -13,205 |
| Transfer to current liabilities | -4,584 | -5,175 |
| Exchange rate differences | 13 | -1 |
| Closing balance | 66,995 | 74,736 |

TABLE 50: LONG-TERM LOANS AND FINANCE LEASES BY MATURITY

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|----------------------------|------------------|------------------|
| Maturity from 1 to 2 years | 66,835 | 5,040 |
| Maturity of 2 to 3 years | 160 | 69,666 |
| Maturity of 3 to 4 years | 0 | 15 |
| Maturity of 4 to 5 years | 0 | 14 |
| Total | 66,995 | 74,736 |

TABLE 51: LONG-TERM LOANS AND FINANCE LEASES WITH RESPECT TO COLLATERAL

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|-----------------------------------------|------------------|------------------|
| Secured | 66,918 | 74,598 |
| Liens on real estate and securities | 66,918 | 74,104 |
| Bills of exchange, corporate guarantees | 0 | 493 |
| Unsecured | 77 | 138 |
| Total | 66,995 | 74,736 |

TABLE 52: STRUCTURE OF SHORT-TERM LOANS AND FINANCE LEASES

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|------------------------------------------------------|------------------|------------------|
| Short-term loans and finance leases received | 4,846 | 5,358 |
| Liabilities for dividends and other shares in profit | 941 | 843 |
| Total | 5,786 | 6,201 |

Of the total liabilities for dividends in the amount of EUR 941 thousand, EUR 533 thousand relates to liabilities to the holders of preference shares.

TABLE 53: SHORT-TERM LOANS AND FINANCE LEASES WITH RESPECT TO COLLATERAL

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|-------------------------------------|------------------|------------------|
| Secured | 4,784 | 5,296 |
| Liens on real estate and securities | 4,509 | 4,685 |
| Bills of exchange | 263 | 580 |
| Other | 12 | 30 |
| Unsecured | 61 | 62 |
| Total | 4,846 | 5,358 |

The Group had no overdue unpaid liabilities under loan agreements as at the reporting date.

During the 2017 financial year, the Group fulfilled all financial commitments agreed with banks, as set out in the financial restructuring agreement concluded in 2012.

NOTE 25: Current operating liabilities

TABLE 54: CURRENT OPERATING LIABILITIES

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|-------------------------------------------------|------------------|------------------|
| Current trade payables | 20,998 | 18,050 |
| Current operating liabilities based on advances | 591 | 525 |
| Other current operating liabilities | 3,249 | 3,310 |
| Total | 24,838 | 21,885 |

Of the total current operating liabilities as at 31 December 2017, EUR 2,462 thousand related to liabilities for costs for which suppliers' invoices were not yet received (EUR 2,169 thousand as at 31 December 2016). Except for customs liabilities, the Group does not issue collateral instruments to secure payments to our suppliers. Current operating liabilities comprised liabilities to employees for wages and wage compensation, liabilities for contributions and taxes, and other liabilities.

NOTE 26: Contingent liabilities

Contingent liabilities comprise potential liabilities not disclosed in the statement of financial position and for which the Group assesses that an outflow of economic benefits will not be likely in the settlement of those liabilities.

TABLE 55: CONTINGENT LIABILITIES

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|-------------------------------------------------------------------------------|------------------|------------------|
| Contingent liabilities from bank guarantees and guarantees given to others | 16,965 | 18,967 |
| Contingent liabilities from lawsuits | 753 | 1,614 |
| Contingent liabilities to D.S.U., družba za svetovanje in upravljanje, d.o.o. | 126 | 250 |
| Other contingent liabilities | 105 | 105 |
| Total | 17,949 | 20,936 |

Guarantees and warranties primarily comprise contingent liabilities arising from guarantees for potential customs liabilities that might arise from transit procedures, the verification of origin, and various analyses and controls of goods.

NOTE 27: Fair value

TABLE 56: FAIR VALUE OF FINANCIAL INSTRUMENTS

IN EUR THOUSAND

| | 31 December 2017 | | 31 December 2016 | |
|------------------------------------------------------|------------------|---------------|------------------|----------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets | | | | |
| Available-for-sale financial assets | 33 | 33 | 542 | 542 |
| - measured at fair value | 5 | 5 | 462 | 462 |
| - measured at historical cost | 27 | 27 | 80 | 80 |
| Loans and deposits | 2,049 | 2,049 | 2,154 | 2,154 |
| Operating receivables | 34,268 | 34,268 | 28,804 | 28,804 |
| Cash and cash equivalents | 3,618 | 3,618 | 5,294 | 5,294 |
| Total | 39,968 | 39,968 | 36,794 | 36,794 |
| Financial liabilities | | | | |
| Loans and finance leases | 71,841 | 71,841 | 80,094 | 80,094 |
| - at fixed interest rates | 949 | 949 | 1,115 | 1,115 |
| - at variable interest rates | 70,892 | 70,892 | 78,979 | 78,979 |
| Liabilities for dividends and other shares in profit | 941 | 941 | 843 | 843 |
| Operating liabilities | 25,215 | 25,215 | 22,214 | 22,214 |
| Total | 97,996 | 97,996 | 103,151 | 103,151 |

The Group assesses that the carrying amount of receivables and liabilities with a maturity of less than one year is a proper reflection of their fair value.

Fair value hierarchy of instruments

The table illustrates the classification of land and financial instruments with respect to the calculation of their fair value. They are classified to the following three levels:

- level 1 includes the unadjusted price quoted on an active market on the date of measurement;
- level 2 includes inputs other than the quoted prices included in level 1 that can be directly or indirectly observed for assets or liabilities; and
- level 3 includes unobservable inputs for an asset or liability.

The Group assumes that the disclosed fair value of current financial assets and liabilities is a sufficiently precise approximation of actual fair value.

TABLE 57: FAIR VALUE HIERARCHY

IN EUR THOUSAND

| Fair value hierarchy | 31 December 2017 | | | |
|------------------------------------------------------|------------------|----------|----------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Land | 0 | 0 | 79,438 | 79,438 |
| Financial assets | | | | |
| Available-for-sale financial assets | 5 | 0 | 27 | 33 |
| Loans and deposits | 0 | 0 | 2,050 | 2,050 |
| Operating receivables | 0 | 0 | 34,268 | 34,268 |
| Cash and cash equivalents | 0 | 0 | 3,618 | 3,618 |
| Total | 5 | 0 | 119,400 | 119,406 |
| Financial liabilities | | | | |
| Loans and finance leases | 0 | 0 | 71,841 | 71,841 |
| - at fixed interest rates | 0 | 0 | 949 | 949 |
| - at variable interest rates | 0 | 0 | 70,892 | 70,892 |
| Liabilities for dividends and other shares in profit | 0 | 0 | 941 | 941 |
| Operating liabilities | 0 | 0 | 25,215 | 25,215 |
| Total | 0 | 0 | 97,997 | 97,997 |
| Fair value hierarchy | 31 December 2016 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Land | 0 | 0 | 87,988 | 87,988 |
| Financial assets | | | | |
| Available-for-sale financial assets | 462 | 0 | 80 | 542 |
| Loans and deposits | 0 | 0 | 2,154 | 2,154 |
| Operating receivables | 0 | 0 | 28,804 | 28,804 |
| Cash and cash equivalents | 0 | 0 | 5,294 | 5,294 |
| Total | 462 | 0 | 124,320 | 124,782 |
| Financial liabilities | | | | |
| Loans and finance leases | 0 | 0 | 80,094 | 80,094 |
| - at fixed interest rates | 0 | 0 | 1,115 | 1,115 |
| - at variable interest rates | 0 | 0 | 78,979 | 78,979 |
| Liabilities for dividends and other shares in profit | 0 | 0 | 843 | 843 |
| Operating liabilities | 0 | 0 | 22,214 | 22,214 |
| Total | 0 | 0 | 103,151 | 103,151 |

NOTE 28: Financial risks

Liquidity risk is managed through the active management of cash and includes:

- the monitoring and planning of cash flows;
- regular collection activities and daily contact with major customers;
- short-term borrowing within the Group; and
- the option of using short-term credit lines via banks.

The table illustrates estimated undiscounted cash flows, including future interest.

TABLE 58: LIQUIDITY RISK AS AT 31 DECEMBER 2017

IN EUR THOUSAND

| | Carrying amount | Total contractual cash flows | 6 months or less | 6 to 12 months | 1 to 2 years | 2 to 5 years | More than 5 years |
|------------------------------------------------------|-----------------|------------------------------|------------------|----------------|---------------|--------------|-------------------|
| Loans from banks and others | 70,892 | 74,057 | 3,047 | 3,298 | 67,712 | 0 | 0 |
| Loans received on the basis of finance leases | 941 | 941 | 392 | 533 | 0 | 0 | 0 |
| Liabilities for dividends and other shares in profit | 949 | 1,021 | 317 | 68 | 488 | 147 | 0 |
| Trade payables (excluding the Group) | 21,280 | 21,280 | 20,966 | 32 | 119 | 71 | 92 |
| Liabilities based on advances | 591 | 591 | 591 | 0 | 0 | 0 | 0 |
| Other operating liabilities | 3,344 | 3,344 | 3,249 | 4 | 91 | 0 | 0 |
| Total | 97,997 | 101,234 | 28,562 | 3,935 | 68,410 | 218 | 92 |

Financial liabilities from bank loans raised on the basis of the financial restructuring agreement fall due for payment during the second half of 2019. The Group is planning to pursue a strategy again in 2018 aimed at the sale of non-strategic real estate and further reduce the balance of bank loans, and thus mitigate liquidity risk. The Company intends to refinance the remaining portion of principal that matures during the second half of 2019.

The Group estimates a time span of between 6 months and 5 years for contingent liabilities from bank guarantees and guarantees issued in the amount of EUR 10,630 thousand.

TABLE 59: LIQUIDITY RISK AS AT 31 DECEMBER 2016

IN EUR THOUSAND

| 31 December 2016 | Carrying amount | Contractual cash flows | 6 months or less | 6 to 12 months | 1 to 2 years | 2 to 5 years | More than 5 years |
|-----------------------------------------------|-----------------|------------------------|------------------|----------------|--------------|---------------|-------------------|
| Loans from banks and others | 78,978 | 84,337 | 3,813 | 3,420 | 6,641 | 70,462 | 0 |
| Loans received on the basis of finance leases | 1,114 | 1,229 | 93 | 123 | 481 | 532 | 0 |
| Trade payables (excluding the Group) | 18,357 | 18,357 | 17,882 | 168 | 119 | 72 | 116 |
| Liabilities based on advances | 525 | 525 | 324 | 68 | 3 | 129 | 0 |
| Other operating liabilities | 3,936 | 3,936 | 3,889 | 7 | 18 | 22 | 0 |
| Total | 102,910 | 108,384 | 26,001 | 3,786 | 7,262 | 71,217 | 116 |

The table presents a sensitivity analysis and the impact on profit or loss from ordinary operations.

TABLE 60: INTEREST-RATE RISK IN 2017

IN EUR THOUSAND

| Type of variable interest rate | Loan amount 31 December 2017 | Increase in IR by 10 basis points | Increase in IR by 25 basis points | Increase in IR by 50 basis points |
|--------------------------------|------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| 3-month EURIBOR | 70,628 | -71 | -177 | -353 |
| 1-month EURIBOR | 263 | 0 | -1 | -1 |
| Total | 70,892 | -71 | -177 | -354 |

TABLE 61: INTEREST-RATE RISK IN 2016

IN EUR THOUSAND

| Type of variable interest rate | Loan amount 31.12.2016 | Increase in IR by 10 basis points | Increase in IR by 25 basis points | Increase in IR by 50 basis points |
|--------------------------------|---------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| 3-month EURIBOR | 78,783 | -79 | -197 | -394 |
| 1-month EURIBOR | 197 | 0 | 0 | -1 |
| Total | 78,979 | -79 | -197 | -395 |

TABLE 62: APPLIED EXCHANGE RATES

IN EUR THOUSAND

| Country | Functional currency | 2017 | | 2016 | |
|------------------------|------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | | Year-end exchange rate in EUR* | Average exchange rate in EUR* | Year-end exchange rate in EUR* | Average exchange rate in EUR* |
| Croatia | EUR | - | - | - | - |
| Macedonia | HRK | 7.440 | 7.464 | 7.560 | 7.533 |
| Bosnia and Herzegovina | MKD | 61.215 | 61.458 | 61.800 | 61.616 |
| Serbia | BAM | 1.956 | 1.956 | 1.956 | 1.956 |
| Ukraine | RSD | 118.660 | 121.380 | 123.600 | 122.900 |
| Albania | UAH | 32.150 | 29.941 | 27.170 | 28.176 |
| Albanija | ALL | 133.040 | 134.230 | 136.190 | 137.400 |

* ECB reference exchange rates taken into account.

TABLE 63: CURRENCY RISK AS AT 31 DECEMBER 2017

IN EUR THOUSAND

| 31 December 2017 | EUR | HRK | RSD | Other | Total |
|--------------------------------------------------------------------|----------------|------------|------------|------------|----------------|
| Operating receivables | 26,884 | 4,058 | 903 | 2,423 | 34,268 |
| Long-term loans granted and deposits | 54 | 0 | 0 | 4 | 57 |
| Short-term loans granted and deposits | 1,850 | 125 | 0 | 17 | 1,992 |
| Long-term loans received | -66,327 | -591 | 0 | -77 | -66,995 |
| Short-term loans received | -5,088 | -346 | -263 | -89 | -5,786 |
| Operating liabilities | -20,231 | -2,841 | -472 | -1,671 | -25,215 |
| Gross exposure disclosed in statement of financial position | -62,859 | 405 | 168 | 607 | -61,679 |

TABLE 64: CURRENCY RISK AS AT 31 DECEMBER 2016

IN EUR THOUSAND

| 31 December 2016 | EUR | HRK | RSD | Other | Total |
|--------------------------------------------------------------------|----------------|-------------|-------------|--------------|----------------|
| Operating receivables | 22,600 | 3,261 | 543 | 2,400 | 28,804 |
| Long-term loans granted and deposits | 24 | 0 | 0 | 6 | 30 |
| Short-term loans granted and deposits | 1,506 | 165 | 0 | 453 | 2,124 |
| Long-term loans received | -73,654 | -929 | 0 | -152 | -74,736 |
| Short-term loans received | -5,758 | -141 | -197 | -105 | -6,201 |
| Operating liabilities | -17,794 | -2,561 | -478 | -1,381 | -22,214 |
| Gross exposure disclosed in statement of financial position | -73,076 | -205 | -132 | 1,221 | -72,193 |

TABLE 65: CREDIT RISK

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|-----------------------------------------------|------------------|------------------|
| Loans granted and deposits placed with others | 2,049 | 2,154 |
| Operating receivables | 34,268 | 28,804 |
| of which trade receivables | 31,646 | 26,618 |
| Cash and cash equivalents | 3,618 | 5,294 |
| Total | 39,935 | 36,252 |

TABLE 66: CAPITAL MANAGEMENT

IN EUR THOUSAND

| | 2017 | 2016 |
|-----------------------------------|-------------|-------------|
| Non-current financial liabilities | 66,995 | 74,736 |
| Current financial liabilities | 5,786 | 6,201 |
| Total financial liabilities | 72,781 | 80,937 |
| Equity | 121,136 | 124,341 |
| Debt / equity | 0.60 | 0.65 |
| Current financial assets | 1,992 | 2,124 |
| Cash and cash equivalents | 3,618 | 5,294 |
| Net financial liabilities | 67,171 | 73,519 |
| Net debt / equity | 0.55 | 0.59 |
| Total assets | 233,759 | 242,099 |
| Equity to total assets | 0.52 | 0.51 |

The main purpose of capital management is to ensure capital adequacy, the highest possible level of financial stability and long-term solvency for the needs of financing operations, and the maximisation of value for shareholders. The Group's debt-to-equity ratio was lower at the end of 2017. The Group continued to pursue its strategic policy to reduce its debt throughout 2017.

NOTE 29: Costs of auditing services

TABLE 67: COSTS OF AUDITING SERVICES

IN EUR THOUSAND

| | 2017 | 2016 |
|-----------------------------------------|-----------|-----------|
| Auditing of the annual report | 71 | 77 |
| Other audit services | 1 | 0 |
| Total costs of auditing services | 72 | 77 |

NOTE 30: Intereuropa Group companies

TABLE 68: COMPOSITION OF THE INTEREUROPA GROUP AS AT 31 DECEMBER 2017

IN EUR THOUSAND

| Composition of the Group/in EUR thousand | Ownership stake as at 31 December 2017 | Ownership stake as at 31 December 2016 | Value of equity as at 31 December 2017 | Value of equity as at 31 December 2016 |
|-------------------------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|
| Parent company | | | | |
| Intereuropa d.d., Koper | | | 84,884 | 87,118 |
| Subsidiaries | | | | |
| Intereuropa Transport, d.o.o., Koper (in liquidation) | 100.00% | 100.00% | 0 | 40 |
| Interagent, d.o.o., Koper | 100.00% | 100.00% | 557 | 635 |
| Interzav, d.o.o., Koper | 71.28% | 71.28% | 71 | 68 |
| Intereuropa, logističke usluge, d.o.o., Zagreb | 99.96% | 99.96% | 42,216 | 41,351 |
| Intereuropa sajam, d.o.o., Zagreb | 51.00% | 51.00% | 666 | 664 |
| Intereuropa Skopje DOO, Skopje | 99.56% | 99.56% | 1,845 | 1,820 |
| Intereuropa RTC d.d., Sarajevo | 95.77% | 95.77% | 11,062 | 11,114 |
| AD Intereuropa logističke usluge, Belgrade | 73.62% | 73.62% | 8,238 | 7,111 |
| TOV TEK ZTS d.o.o., Uzhhorod | 89.93% | 89.93% | -162 | -12 |
| Intereuropa Kosova L.L.C., Prishtina | 90.00% | 90.00% | 582 | 530 |
| Zetatrans A.D., Podgorica | 69.27% | 69.27% | 15,249 | 19,908 |
| TOV Intereuropa – Kiev, Ukraine | 100.00% | 100.00% | -374 | -235 |
| Intereuropa Albania, Durrës | 100.00% | 100.00% | 82 | 84 |

The proportion of voting rights at all subsidiaries is equal to the ownership stake.

NOTE 31: Transactions with related parties

TABLE 69: REMUNERATION OF KEY MANAGEMENT PERSONNEL

IN EUR THOUSAND

| | 2017 | 2016 |
|----------------------------------------------------------------------------------------------------------------------------|--------------|------------|
| Current remuneration (gross wages, annual leave and sick leave, shares in profit, non-monetary earnings (fringe benefits)) | 930 | 848 |
| Severance pay | 95 | 32 |
| Other earnings | 59 | 54 |
| Total | 1,084 | 934 |

The Group did not approve loans to key management personnel in 2017.

TABLE 70: DISCLOSURE OF TRANSACTIONS WITH RELATED PARTIES

IN EUR THOUSAND

| Revenues from the sale of services | January–December 2017 | January–December 2016 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| Associate and joint venture* | 683 | 1.039 |
| Companies that are controlled or jointly controlled by an individual, or a member of their immediate family, who is in a relationship with the Intereuropa Group | 68 | 25 |
| Costs of services | January–December 2017 | January–December 2016 |
| Associate and joint venture* | 3,856 | 3,768 |
| Companies that are controlled or jointly controlled by an individual, or a member of their immediate family, who is in a relationship with the Intereuropa Group | 77 | 0 |
| Balance of operating receivables | 31 December 2017 | 31 December 2016 |
| Associate / joint venture* | 104 | 130 |
| Companies that are controlled or jointly controlled by an individual, or a member of their immediate family, who is in a relationship with the Intereuropa Group | 7 | 10 |
| Balance of operating liabilities | 31 December 2017 | 31 December 2016 |
| Associate | 534 | 504 |

* A portion of an investment in a joint venture was sold in 2016, resulting in that investment becoming a participating interest in an associate.

NOTE 32: Events after the balance-sheet date

There were no significant events after the balance-sheet date.



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Independent Auditor's Report

To the owners of Intereuropa d.d.

Report on the Audit of consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Intereuropa d.d., Koper and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of 31 December 2017, the consolidated statement of profit or loss and consolidated statement of other comprehensive income, the consolidated statement of cash flows, and the consolidated statement of changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and EU Regulation (EU) No 537/2014. Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of consolidated Financial Statements* section of our report. We are independent in accordance with both the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in Slovenia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter- comparative information

We draw attention to Note V. *Correction of material error* to the consolidated financial statement which indicates that the comparative information presented as at and for the year ended 31 December 2016 has been restated. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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TRR: SI 56 2900 0000 1851 102
vpis v sodni register: Okrožno sodišče v Ljubljani
št. reg. vl.: 061/12062100
osnovni kapital: 54.892,00 EUR
ID za DDV: SI20437145
matična št.: 5648556

| Fair value of land lots | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The carrying amount of land as at 31 December 2017: EUR 79.438 thousand (2016: EUR 86.129 thousand); fair value reserve as at 31 December 2017: EUR 47.371 thousand (2016: EUR 49.679 thousand); total revaluation loss for land lots through other consolidated comprehensive income in 2017: EUR 2.528 thousand (2016: EUR 8.223 thousand); Impairment loss for PPE recognised in consolidated profit and loss statement in amount EUR 7.343 thousand (2016: EUR 82 thousands).</p> <p>We refer to the consolidated financial statements: Notes II (e) Property, plant and equipment and II (i) Impairment of assets (significant accounting policies), Notes VIII. 10: Property, plant and equipment and VIII 20: Equity (notes to the financial statements).</p> | |
| Key audit matter | Our response |
| <p>The Group's property, plant and equipment includes land lots at various locations across Slovenia used to support its business operations, primarily in providing warehousing and storage services. The land's total carrying amount, stated at EUR 79.438 thousand as at 31 December 2017, is determined based on the revaluation model. Pursuant to the model, the carrying amount of the land is determined as its fair value at the date of most recent revaluation less any subsequent impairment losses.</p> <p>The Group estimates the fair values of its land lots with the assistance of contracted external appraisers, and by reference to the lots' market values, based on the prices observed in recent transactions with similar assets. Therefore, the determination of these fair values involves application of significant judgement and estimates by the Management Board, including primarily those in respect of the selection of comparable lots and transactions and any adjustments to the those transaction prices to reflect the specific attributes of the Group's land lots, such as the size, location and restriction on use.</p> <p>In light of the above circumstances, we consider determination of the fair value of land to be a key audit matter.</p> | <p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> Assessing the competence, experience and objectivity of the external experts engaged by the Group and considering whether there were any matters that might have limited the scope of their work; Assessing the fair value measurement methodology used by the Group's external appraisers against the requirements of the relevant financial reporting standards; With the support of external valuation experts engaged by us, critically evaluating the judgements and assumptions used in the Group's land valuations. This included, but was not limited to: <ul style="list-style-type: none"> Assessing the selection of comparable transactions and reasonableness of any related adjustments for size, location, type of transaction; By reference to the respective land acquisition and ownership documents, evaluating, for each individual lot, the accuracy and relevance of the input data, such as, among others, comparability of location, intended use of the land and size of land lots in the appraisers report; Inspecting the Group's recent land lot sales transactions to assess whether they resulted in significant profits or losses in order to assess the historical accuracy of fair value estimates; |

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| | |
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| | <ul style="list-style-type: none"> Evaluating the appropriateness and sufficiency of the financial statements disclosures in respect of fair value measurements. |
|--|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| Impairment of property plant and equipment and investment property | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The carrying amount of property, plant and equipment as at December 2017, less the value of land lots: EUR 86.825 thousands (2016: EUR 91.465 thousand) and Impairment loss of property plant and equipment in amount of EUR 2.915 thousands. The carrying amount of investment property as at 31 December 2017: EUR 9.179 thousand (31 December 2016: EUR 9.424 thousand) and Impairment loss of investment properties in the amount of EUR 708 thousand as at that date (2016: EUR 0 thousands).</p> <p>We refer to the consolidated financial statements: Notes II (e) Property, plant and equipment, II (g) Investment properties, and II (i) Impairment of assets (significant accounting policies), Notes VIII. 10: Property, plant and equipment, VIII.11. Investment properties and VIII 20: Equity (notes to the financial statements).</p> | |
| Key audit matter | Our response |
| <p>The Group's property, plant and equipment (PPE) includes buildings and equipment at various locations across Slovenia used to support its business operations, primarily in providing warehousing and storage services. The property, plant and equipment's total carrying amount, less the value of land, stated at EUR 86.825 thousand as at 31 December 2017, is determined based on its cost less accumulated depreciation and any subsequent impairment losses.</p> <p>The Group's investment properties include land and buildings at various locations across Slovenia that are leased out and hold for purpose of achieving renting income or for appreciation in value.</p> <p>The investment property's total carrying amount, stated at EUR 9.179 thousand as at 31 December 2017, is determined based on the cost model.</p> <p>Management's process of identifying impairment indicators and, where necessary, estimating the recoverable amounts of items of property plant and equipment or related cash-generating units (CGUs) is complex and requires significant judgement.</p> <p>In 2017, the Group identified presence of impairment triggers in some of the major CGUs in Slovenia and abroad and therefore decided to start the assessment of impairment of all its identifiable CGU's.</p> | <p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> Testing the design and implementation of internal controls relating to impairment testing process; Evaluating the Management Board's assessment of impairment indicators for property, plant and equipment and investment property, and the appropriateness of grouping assets into CGUs; Testing of the Management Board's assumptions used in the value-in-use calculations. The procedure included: <ul style="list-style-type: none"> Comparing cash flows used to management reporting information related to the given CGU's performance in the current and past year; Comparing observable market inputs in the calculation of discount rates to market data; Assessing the method of determination of the terminal value and the assumptions used in estimating the terminal growth rate; |

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| <p>Management's assessment resulted in PPE related impairment losses in the amount of EUR 2.915 thousand and investment property related impairment losses recorded of EUR 708 thousand in the consolidated financial statements.</p> <p>The Group estimated the recoverable amounts of its property, plant and equipment with the assistance of contracted external appraisers, and by reference to the higher of the value in use or the recoverable of fair value less costs of disposal. As CGUs include land lots that are accounted to at fair value, the recoverable amount of PPE was determined as residual of recoverable amount of complete CGU and fair value of land.</p> <p>Therefore, the determination of these recoverable values involves application of significant judgement and estimates by the management, including :</p> <ul style="list-style-type: none"> • assumptions in respect of cash flows, discount rates and terminal values used in the value in use calculations, • judgements in respect of appropriateness of grouping assets into cash generating units • Selection of comparable properties and transactions, and any adjustments to related transaction prices to reflect the specific attributes of the Group's properties, such as the size, location and restriction on use. <p>In light of the above circumstances, we consider determination of the value of property plant and equipment to be a key audit matter.</p> | <ul style="list-style-type: none"> • Assessing the historical accuracy of the Management Board's estimates, by comparing the prior year's plan to the actual outcomes in 2017; • Evaluating the competence, experience and objectivity of external appraisers engaged by the Group, with whom we also discussed the valuation reports and the work performed; • With the assistance from external valuation experts engaged by us, evaluating the appropriateness and consistency of valuation methodologies applied in determination of recoverable amounts; • For appraised values with no impairment necessary, testing on a sample basis whether that recoverable amount was defined as higher of value in use or fair value less costs of disposal; • Where impairment was based on the value in use method evaluation of the appropriateness of inputs and estimates entering value-in-use calculation, such as estimated revenues, risk adjusted discount rate and market growth rate, terminal growth rate; • Where impairment was based on the asset's fair value less costs of disposal method we have evaluated the appropriateness of the valuation method used with assistance from external valuation experts engaged by us. Where fair value less cost of disposal was based on comparable transactions, assessment if the appropriate adjustment for size, location and intended use were made. Where fair value less cost of disposal was based on market capitalisation method we evaluated the appropriateness of input data like market capitalisation rate, deduction for vacancy and deduction for bad debt and estimated useful life of related real estate improvements; • Evaluating the adequacy of the impairment-related disclosures in the consolidated financial statements. |
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| Revenue recognition | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Revenue from sales recognised in 2017: EUR 149.889 thousand (2016: EUR 135.596 thousand). Other liabilities relates to deferral accounts in 2017: EUR 2.462 thousands (31 December 2016: EUR 2.169 thousand).</p> <p>We refer to the financial statements: Note II (n) Revenues (significant accounting policies), Note VIII. 1: Sales revenue (notes to the financial statements) and VIII 25. Short term operating liabilities.</p> | |
| Key audit matter | Our response |
| <p>The Group's revenues come from a wide range of services: land transportation, sea freight, airfreight, customs services, automotive logistics and full undertaking of logistics functions. Revenue from these services is generally recognized by reference to their stage of completion at the reporting date.</p> <p>Assessment of the accuracy and timing of revenue recognition is one of the key judgemental areas for our audit, due to the multitude of revenue streams, as listed above, as well as the fact that services rendered are charged to customers in accordance with various types of service agreements.</p> <p>Also, the Group routinely sub-contracts its transportation services to external carriers. Significant judgment is required of management in assessing whether the Group acts as a principal or agent in performing those services, and consequently, whether or not the gross amounts received from customers in exchange for services rendered can be recognized as revenue. Assessing the reporting date stage of completion in respect of the sub-contracted services is also inherently complex.</p> | <p>Our procedures included, among others,</p> <ul style="list-style-type: none"> • Testing of the design, implementation and operating effectiveness of controls over the revenue cycle. This included using our own IT specialists in evaluating the controls in the IT systems that support the recording of revenue; • Assessing the Group's policy for recognizing revenue, including considering whether the policy is in accordance with relevant financial reporting standards; • For a sample of contracts entered into during the year, selected from all key revenue streams, assessing whether they were appropriately recognized within revenue and any accrued or deferred income at the year end. This included, among others: <ul style="list-style-type: none"> - Challenging management's conclusions with regards to selected aspects of accounting for revenues, such as potential agency or lease relationships, and the timing of revenue recognition. We focused on evaluation of the timing of transfer of risks and responsibilities taken by the Group as defined by incoterms used in transactions; - Critically evaluating the Group's estimates of the stage of completion of the services at the reporting date by inspecting of contracts and supporting documents, such as invoices received from the sub-contractors, customs documents, freight lists, and by reference to the Group's list of open orders as at 31 December 2017. |

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| | |
|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <ul style="list-style-type: none">• Inspecting a sample of credit notes issued after year-end in order to assess whether the revenue for the year was recognized in the appropriate period;• Assessing the accuracy of accrued and deferred income balances by tracing a sample of such balances to invoices raised pre or post year end and recalculating the amount accrued or deferred based on contract terms and costs incurred in the period up to year end;• Inspecting manual journal entries posted to revenue accounts as well as the underlying documentation, with particular focus on the journal entries after the balance sheet date. |
|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Other Information

Management is responsible for other information. The other information comprises the Introduction, Business Report and Sustainability Report included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. Other information was obtained before the date of issuance of the auditor's report, except for the Minutes of the Supervisory Board's meeting on the adoption of the Annual report of the Intereuropa Group for the year ended 31 December 2017.

Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With respect to the Business Report, we have considered whether the Business Report includes the disclosures required by the Company's Act (hereafter referred to as "the applicable legal requirements").

Based solely on the work required to be undertaken in the course of the audit of the consolidated financial statements and the procedures above, in our opinion:

- the information given in the Business Report for the financial year for which the consolidated financial statements are prepared, is consistent in all material aspects with the consolidated financial statements; and
- the Business Report has been prepared in accordance with the applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group and its environment in which it operates, obtained in the course of our audit, we are required to report if we have identified material misstatements in the Business Report and other information that we obtained prior to the date of this auditors' report. We have nothing to report in this respect.

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Responsibility of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using of the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility for the Audit of Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

We were appointed by General Meeting of Shareholders on 30 June 2017 to audit the consolidated financial statements of the Group for the year ended 31 December 2017. Our total uninterrupted period of engagement is 2 years, covering periods ending 31 December 2016 to 31 December 2017. We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Group dated 18 April 2018;
- we have not provided any prohibited non-audit services (NASS) referred in Article 5 of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

For the period to which our statutory audit relates, in addition to the audit, we have provided the following service to the Group which are not disclosed in the Management Report or in the consolidated financial statements of the Group:

- Review of the report on the off-balance sheet items as at 31 December 2016 for off-balance items established in the process of ownership transformation of the Intereuropa d.d., Koper and under contract with the D.S.U., Property Management and Consultancy (LLC) Ljubljana.

On behalf of the auditing company

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Polona Repinc Kofol
Certified Auditor

Danilo Bukovec
Certified Auditor
Director

Ljubljana, 18 April 2018

KPMG Slovenija, d.o.o.
1

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4.2 FINANCIAL REPORT OF THE PARENT COMPANY INTEREUROPA D.D.

Financial statements of the parent company Intereuropa d.d., Koper with explanatory notes

Intereuropa d.d., Koper (hereinafter: the Company) is the parent company of the Intereuropa Group and is established in Slovenia. The Company's registered office is located at Vojkovo nabrežje 32, 6000 Koper. The Company provides logistics services through a network of business units. Pursuant to the resolution adopted by the General Meeting on 15 July 2005, the parent company Intereuropa d.d., Koper transitioned to the International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union, for a period of five financial years beginning 1 January 2006, for the purpose of compiling and presenting its separate financial statements. Pursuant to the General Meeting resolution adopted on 8 July 2011, the Company resolved to apply the IFRS for an indefinite period of time, effective 1 January 2011.

TABLE 1: INCOME STATEMENT OF INTEREUROPA D.D., KOPER FOR 2017

IN EUR THOUSAND

| | Notes | January– December 2017 | January– December 2016 |
|--------------------------------------------------------|----------|---------------------------|---------------------------|
| Sales revenue | 1 | 103,976 | 91,052 |
| Other operating revenues | 2 | 760 | 743 |
| Costs of goods, materials and services | 3 | -76,529 | -64,793 |
| Labour costs | 4 | -17,459 | -16,648 |
| Amortisation/depreciation | 5 | -4,040 | -3,933 |
| Other operating expenses | 6 | -3,925 | -1,713 |
| Operating profit | | 2,783 | 4,708 |
| Finance income | | 862 | 2,548 |
| Finance costs | | -3,459 | -5,298 |
| Loss from financing activities | 7 | -2,597 | -2,750 |
| Profit from ordinary operations | | 186 | 1,958 |
| Corporate income tax (including deferred taxes) | 8 | 154 | -5,413 |
| Net profit or loss for the accounting period | | 340 | -3,455 |
| Basic and diluted earnings per ordinary share (in EUR) | 18 | 0.01 | -0.13 |

The notes are a constituent part of the financial statements and must be read in connection with them.

TABLE 2: STATEMENT OF OTHER COMPREHENSIVE INCOME OF INTEREUROPA D.D., KOPER FOR 2017

IN EUR THOUSAND

| | Notes | January– December 2017 | January– December 2016 |
|----------------------------------------------------------------------------------------------------|-------|---------------------------|---------------------------|
| Net profit or loss for the accounting period | | 340 | -3,455 |
| Other comprehensive Income | | -2,468 | -6,977 |
| Items that will be reclassified to profit or loss | | -85 | 37 |
| Change in the fair value of available-for-sale financial assets | 14 | 0 | 47 |
| Transfer of revaluation surplus for available-for-sale financial assets to profit or loss | | -104 | 0 |
| Change in deferred taxes in the revaluation surplus for available-for-sale financial assets | 8 | 19 | -10 |
| Items that will not be reclassified to profit or loss | | -2,383 | -7,014 |
| Change in fair value of land | | -2,950 | -8,283 |
| Transfer of revaluation surplus for land to net profit or loss brought forward | | -138 | -7,267 |
| Change in deferred taxes | 8 | 587 | 1,798 |
| Change in net profit or loss brought forward from the transfer of the revaluation surplus for land | | 138 | 7,267 |
| Actuarial net gains and losses for severance pay at retirement | 19 | -20 | -166 |
| Corporate income tax on net profit or loss brought forward | | 0 | -363 |
| Total comprehensive income | | -2,128 | -10,432 |

The notes are a constituent part of the financial statements and must be read in connection with them.

TABLE 3: STATEMENT OF FINANCIAL POSITION OF INTEREUROPA D.D., KOPER AS AT 31 DECEMBER 2017

IN EUR THOUSAND

| | Notes | 31. 12. 2017 | 31. 12. 2016 |
|----------------------------------------------|-----------|----------------|----------------|
| ASSETS | | | |
| Property, plant and equipment | 9 | 89,848 | 96,812 |
| Investment property | 10 | 8,668 | 8,903 |
| Intangible assets | 11 | 3,552 | 3,962 |
| Other non-current assets | 12 | 29 | 49 |
| Non-current operating receivables | | 16 | 0 |
| Deferred tax assets | 8 | 11,315 | 11,160 |
| Long-term loans granted and deposits | 13 | 229 | 10 |
| Other non-current financial assets | 14 | 44,323 | 45,739 |
| TOTAL NON-CURRENT ASSETS | | 157,980 | 166,635 |
| Available-for-sale assets | | 237 | 323 |
| Inventories | | 9 | 8 |
| Short-term loans granted and deposits | 13 | 1,211 | 1,343 |
| Other current financial assets | | 0 | 250 |
| Current operating receivables | 15 | 23,814 | 20,290 |
| Current receivables for corporate income tax | | 566 | 0 |
| Other current assets | 16 | 136 | 60 |
| Cash and cash equivalents | 17 | 413 | 1,822 |
| TOTAL CURRENT ASSETS | | 26,386 | 24,096 |
| TOTAL ASSETS | | 184,366 | 190,731 |
| EQUITY | | | |
| Share capital | | 27,489 | 27,489 |
| Share premium account | | 18,455 | 18,455 |
| Profit reserves | | 2,749 | 2,749 |
| Fair value reserves | | 32,342 | 34,929 |
| Net profit brought forward | | 3,509 | 3,496 |
| Net profit | | 340 | 0 |
| TOTAL EQUITY | 18 | 84,884 | 87,118 |
| LIABILITIES | | | |
| Provisions | 19 | 1,986 | 1,078 |
| Non-current deferred income | | 92 | 103 |
| Non-current financial liabilities | 21 | 66,327 | 73,175 |
| Non-current operating liabilities | 20 | 372 | 306 |
| Deferred tax liabilities | 8 | 7,587 | 8,193 |
| TOTAL NON-CURRENT LIABILITIES | | 76,364 | 82,855 |
| Current financial liabilities | 21 | 5,196 | 4,412 |
| Current operating liabilities | 22 | 17,875 | 15,849 |
| Current corporate income tax liabilities | | 47 | 497 |
| TOTAL CURRENT LIABILITIES | | 23,118 | 20,758 |
| TOTAL LIABILITIES | | 99,482 | 103,613 |
| TOTAL EQUITY AND LIABILITIES | | 184,366 | 190,731 |

The notes are a constituent part of the financial statements and must be read in connection with them.

TABLE 4: STATEMENT OF CASH FLOWS FOR INTEREUROPA D.D., KOPER FOR 2017

IN EUR THOUSAND

| | Notes | January– December 2017 | January– December 2016 |
|----------------------------------------------------------------------------------------|-----------|---------------------------|---------------------------|
| Cash flows from operating activities | | | |
| Net profit or loss for the accounting period | | 340 | -3,455 |
| Adjustments for: | | | |
| - amortisation and depreciation | 5 | 4,040 | 3,933 |
| - impairments and write-offs of property, plant and equipment and intangible assets | 6 | 1,706 | 80 |
| - gains on the sale of property, plant and equipment | 2 | -254 | -463 |
| - losses on the sale of property, plant and equipment | | 1 | 0 |
| - impairments and write-offs of receivables | | 245 | 228 |
| - other non-cash revenues | | -38 | 0 |
| - finance income | | -862 | -2,548 |
| - finance costs | | 3,459 | 5,298 |
| - corporate income tax (including deferred taxes) | 8 | -154 | 5,413 |
| Operating profit before changes in net working capital and taxes | | 8,483 | 8,487 |
| Changes in net working capital and provisions | | | |
| Changes in receivables | | -3,797 | 897 |
| Changes in inventories | | -1 | 1 |
| Changes in other current assets | | -77 | -22 |
| Changes in operating liabilities | | 2,000 | -2,737 |
| Changes in provisions | | 888 | -4,509 |
| Changes in non-current deferred income | | -11 | -15 |
| Income tax paid | | -1,016 | 0 |
| Net cash flow from operating activities | | 6,469 | 2,102 |
| Cash flows from investing activities | | | |
| Interest received | | 207 | 183 |
| Dividends received and shares in profit | | 496 | 792 |
| Inflows from the sale of property, plant and equipment, and assets held for sale | | 869 | 7,867 |
| Inflows from long-term loans granted | | 28 | 20 |
| Inflows from the sale of other non-current financial assets | | 514 | 256 |
| Net cash flow from short-term loans granted | | 90 | 51 |
| Net cash flow from short-term deposits placed | | 30 | 4,128 |
| Outflows for the acquisition of property, plant and equipment, and investment property | | -1,344 | -2,250 |
| Outflows for the acquisition of intangible assets | | -107 | -91 |
| Outflows for long-term loans granted | | -290 | 0 |
| Outflows for long-term deposits placed | | -40 | -10 |
| Outflows for increase in capital of subsidiaries | | -28 | -14 |
| Net cash flow from investing activities | | 425 | 10,932 |
| Cash flows from financing activities | | | |
| Interest paid | | -2,132 | -2,681 |
| Outflows for the repayment of long-term loans | | -6,671 | -16,700 |
| Inflows from short-term loans received | | 500 | 0 |
| Net cash flow from financing activities | | -8,303 | -19,381 |
| Opening balance of cash and cash equivalents | | 1,822 | 8,169 |
| Net cash flow for the period | | -1,409 | -6,347 |
| Closing balance of cash and cash equivalents | 17 | 413 | 1,822 |

The notes are a constituent part of the financial statements and must be read in connection with them.

TABLE 5: STATEMENT OF CHANGES IN EQUITY FOR INTEREUROPA D.D., KOPER FOR 2017

IN EUR THOUSAND

| | | | | PROFIT RESERVES | | | | RETAINED EARNINGS | | |
|-------------------------------------------------------------------------------------|-----------|---------------|-----------------------|-----------------|------------------------------|-------------------------------------|---------------------|----------------------------|------------|---------------|
| | Note | Share capital | Share premium account | Legal reserves | Reserves for treasury shares | Treasury shares (as deduction item) | Fair value reserves | Net profit brought forward | Net profit | Total equity |
| Opening balance as at 1 January 2017 | | 27.489 | 18.455 | 2.749 | 180 | -180 | 34.929 | 3.496 | 0 | 87.118 |
| Total comprehensive income for the period | | 0 | 0 | 0 | 0 | 0 | -2.587 | 119 | 340 | -2.128 |
| Net profit | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 340 | 340 |
| Other comprehensive income | | 0 | 0 | 0 | 0 | 0 | -2.587 | 119 | 0 | -2.468 |
| Transactions with owners | | | | | | | | | | |
| Transfer of net profit from the previous year to net profit or loss brought forward | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividends | | 0 | 0 | 0 | 0 | 0 | 0 | -106 | 0 | -106 |
| Settlement of net losses | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Closing balance as at 31 December 2017 | 18 | 27.489 | 18.455 | 2.749 | 180 | -180 | 32.342 | 3.509 | 340 | 84.884 |

The notes are a constituent part of the financial statements and must be read in connection with them.

TABLE 6: STATEMENT OF CHANGES IN EQUITY FOR INTEREUROPA D.D., KOPER FOR 2016

IN EUR THOUSAND

| | | | | PROFIT RESERVES | | | | RETAINED EARNINGS | | |
|-------------------------------------------------------------------------------------|-----------|---------------|-----------------------|-----------------|------------------------------|-------------------------------------|---------------------|----------------------------|--------------------|----------------|
| | Note | Share capital | Share premium account | Legal reserves | Reserves for treasury shares | Treasury shares (as deduction item) | Fair value reserves | Net profit brought forward | Net profit or loss | Total equity |
| Opening balance as at 1 January 2016 | | 27.489 | 18.455 | 2.749 | 180 | -180 | 48.659 | 89 | 535 | 97.976 |
| Total comprehensive income for the period | | 0 | 0 | 0 | 0 | 0 | -13.730 | 6.753 | -3.455 | -10.432 |
| Net profit | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -3.455 | -3.455 |
| Other comprehensive income | | 0 | 0 | 0 | 0 | 0 | -13.730 | 6.753 | 0 | -6.977 |
| Transactions with owners | | | | | | | | | | |
| Transfer of net profit from the previous year to net profit or loss brought forward | | 0 | 0 | 0 | 0 | 0 | 0 | 535 | -535 | 0 |
| Dividends | | 0 | 0 | 0 | 0 | 0 | 0 | -426 | 0 | -426 |
| Settlement of net losses | | 0 | 0 | 0 | 0 | 0 | 0 | -3.455 | 3.455 | 0 |
| Closing balance as at 31 December 2016 | 18 | 27.489 | 18.455 | 2.749 | 180 | -180 | 34.929 | 3.496 | 0 | 87.118 |

The notes are a constituent part of the financial statements and must be read in connection with them.

Notes to the financial statements of Intereuropa d.d.

I. BASIS FOR COMPILATION OF THE FINANCIAL STATEMENTS

Statement of compliance

The financial statements of Intereuropa d.d. have been compiled in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union. They also include additional clarifications in accordance with the Companies Act.

In terms of consolidating EU standards, there were no differences in the Company's accounting policies on the balance-sheet date between the IFRS as applied and the IFRS as adopted by the European Union.

The Management Board approved Intereuropa d.d.'s financial statements on 13 March 2018.

Basis of measurement

The financial statements have been compiled on an historical cost basis, except for land and available-for-sale financial assets which are disclosed at fair value, as the latter can be reliably measured. The methods used for measurement are described in point III.

The financial statements of Intereuropa d.d. have been compiled on a going concern basis.

Functional and reporting currency

The financial statements were compiled in euros, the functional and presentation currency of Intereuropa d.d., Koper. All financial information is rounded to thousand units. Deviations of +1 or -1 in tables with disclosures are possible due to rounding.

Use of estimates and judgments

In compiling the financial statements, the senior management must make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Information regarding significant assessments of uncertainty and critical judgements drawn up by the senior management in the application of accounting policies that have the greatest impact on the amounts in the financial statements are presented below.

Significant estimates and judgments

- The recoverable amount of assets, which is used for the sake of comparison with the carrying amount to test for asset impairment (Notes 9, 10 and 11).
In performing the asset impairment test, the senior management compared the recoverable amount of assets with their carrying amount, and recognised impairments if the former exceeded the latter.
- The useful life of depreciable assets (Notes 9, 10 and 11).
By no later than the end of the financial year, the senior management verifies the useful life of depreciable assets, taking into account the technical and economic obsolescence thereof.
- The value of doubtful receivables (Note 17).
The Company creates adjustments to the value of receivables based on the creditworthiness of customers, taking into account previous experiences.
- The valuation of financial instruments and land at fair value (Notes 14, 9 and 24).
The fair value of available-for-sale financial assets is determined taking into account a quoted market price at the end of the reporting period. When measuring the fair value of land, the Company takes into account the ability of a market participant to generate economic benefits through the best use of an asset or its sale to another market participant.
- The creation of deferred tax assets and liabilities, and the possible use thereof (Note 21).
The senior management assessed the creation of deferred taxes on the basis of past experiences and data from projections of operations for the period 2018 to 2024, and assuming a stable tax environment in which the Company operates.

- The creation of provisions (Note 19).

The Company has created provisions for severance pay at retirement, jubilee benefits and lawsuits, as well as other provisions. Provisions are recognised if, as a result of a past event, present legal or constructive obligations arise that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle those obligations. The Company's senior management regularly verifies whether it is likely that there will be an outflow of resources yielding economic benefits in the settlement of a liability. The present value of severance pay and jubilee benefits is recorded in defined-benefit post-employment commitments. The basis for recognition comprises an actuarial calculation that takes into account assumptions and estimates at the time of the calculation (e.g. discount rate, estimated employee turnover rate, mortality rate and wage growth). Defined-benefit commitments are sensitive to changes in the aforementioned estimates.

- The assessment of assumptions of control over subsidiaries and an associate (Note 14).

The Company regularly verifies whether a change in influence has occurred. The following are deemed evidence of investors' significant influence:

- representation on the management board or other decision-making body of a company in which the Group invests; and
- participation in the adoption of significant decisions, including decisions regarding dividends.

Changes in accounting estimates

The senior management has verified estimates, judgements and assumptions, and concluded that they were the same as those that applied during the compilation of the financial statements as at 31 December 2016, except the useful life of certain items of equipment, where the effect of that change was a reduction in depreciation by EUR 9 thousand.

Changes in accounting policies

All newly adopted or amended standards and interpretations that entered into force on 1 January 2017 were taken into account in the compilation of the Company's financial statements for the financial year ending 31 December 2017. Amendments to standards did not affect the recognition and measurement of items in the financial statements for 2017, nor are they expected to have an impact in the future.

II. SIGNIFICANT ACCOUNTING POLICIES

The Company consistently applies the same accounting principles and policies from period to period. Those principles and policies are presented in the enclosed financial statements. Comparative information is harmonised with the presentation of information for the current financial year. Amendments to accounting policies are disclosed.

(a) Foreign currency

Transactions in foreign currencies

Business transactions denominated in a foreign currency are translated into euros, the Company's functional currency, at the applicable exchange rate on the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the applicable exchange rate on the transaction date. Non-monetary assets and liabilities denominated in a foreign currency and measured at fair value are translated into the functional currency at the exchange rate applicable on the day that fair value is determined. The reference exchange rate of the ECB is applied.

Exchange rate differences arising in the settlement of monetary items or in the translation of monetary items at exchange rates other than those at which they were translated upon initial recognition during the period in question or at which they were presented in previous financial statements are recognised in profit or loss (as revenues or expenses) in the period in which they arise.

(b) Financial instruments

Financial instruments comprise cash and cash equivalents, investments in equity, operating and other receivables, loans received and granted, deposits, and operating and other liabilities.

These instruments are initially recognised at fair value. Ordinary purchases and sales of financial assets are recognised on the trading date, i.e. the date on which the Company undertakes to purchase or sell an asset. Any gain or loss resulting from the disposal of financial assets is also recognised on that date.

The accounting of finance income and finance costs is described in the point regarding those items.

Cash and cash equivalents comprise cash balances at banks, deposits and cash in hand. The Company's statement of cash flows presents changes in inflows and outflows of cash and cash equivalents during the accounting period, using the indirect method, and explains changes in the balance thereof. The statement of cash flows was compiled using data from the Company's income statement for 2017, items from the statements of financial position as at 31 December 2017 and 31 December 2016, and additional data.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in the other categories of financial asset referred to above. Following initial recognition those assets are measured at fair value. Subsequent revaluation effects (gains or losses), except impairment losses, are recognised directly in equity. When an asset is derecognised, accumulated gains and losses disclosed in equity are transferred to profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments not traded on an active market. Loans comprise investments in the financial debts of other companies, the government or other issuers. Receivables comprises rights arising from property and other relationships that entitle their holder to demand the payment of a debt, the delivery of goods or the rendering of services from a specific person. They are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss if they are derecognised or impaired.

Investments in subsidiaries

Non-current financial investments in the equity of subsidiaries included in the consolidated financial statements are valued at historical cost. Dividend income and income from other shares in profit are recognised in the income statement on the day a shareholder's or owner's right to payment was exercised. When an investment is deemed impaired, the amount of that impairment loss is recognised as an expense.

Financial liabilities

The Company recognises financial liabilities on the day they arise. Financial liabilities are initially recognised on the trading date, i.e. when the Company becomes a contractual party in connection with the instrument in question. The Company derecognises a financial liability when the commitments stipulated in the contract have been discharged, have been cancelled or have expired. Following initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

(c) Equity

Share capital

The Company's share capital is divided into 16,830,838 ordinary registered freely transferable no-par-value shares and 10,657,965 freely transferable no-par-value preference shares.

Share premium account

The Company's share premium account comprises amounts from the simple reduction of its share capital. The share premium account may be used under the conditions and for the purposes set out by law.

Legal reserves

Legal reserves comprise amounts retained from profits generated in previous years, and are primarily earmarked for the settlement of potential future losses.

Treasury shares

Treasury shares are disclosed in profit reserves (as a deduction item). Reserves for treasury shares are created in the amount paid for the acquisition thereof.

Fair value reserves

Fair value reserves relate to an increase in the carrying amount of assets according to the applicable revaluation model. They comprise the surplus from the revaluation of land and the surplus from the revaluation of financial assets.

Liabilities for dividends

Dividends are recognised as liabilities and are disclosed when the associated business event arises.

(d) Property, plant and equipment

The Company initially recognises property, plant and equipment at historical cost, which includes amounts directly related to the purchase of an asset, as well as capitalised borrowing costs. Following the initial recognition of property, plant and equipment, the Company measures buildings and equipment using the historical cost model, while a revaluation model is used for land. According to the historical cost model, buildings and equipment are disclosed at historical cost, less accumulated depreciation and any accumulated impairment loss. According to the applied revaluation model, land is disclosed at fair value on the revaluation date, less subsequently accumulated impairment loss. The Company revalues land every five years or more frequently if indications of a significant change in fair value exist (e.g. a change in the market prices of real estate in a particular country, a change in prices on the local real estate market, a change in comparable advertised prices, a significant change in the intended use of land or a change in achieved transaction prices).

An increase in the carrying amount of land as a result of revaluation is recognised directly in equity as a revaluation surplus in the statement of comprehensive income. A decrease in the carrying amount of land as a result of revaluation reduces the revaluation surplus for that land. However, if the decrease in the carrying amount exceeds the accumulated revaluation surplus for the same asset, the difference in the decrease is transferred to profit or loss as an expense. The revaluation surplus for land, which constitutes an integral part of equity, is transferred directly to profit or loss brought forward when the asset in question is derecognised.

Accounting for borrowing costs

Borrowing costs that may be directly attributed to the acquisition, construction or manufacture of an asset under construction represent a part of the historical cost of that asset. Borrowing costs comprise interest expense and exchange rate differences arising from loans in a foreign currency, if they are treated as a recalculation of interest expense. Other borrowing costs are recognised in the income statement as an expense in the period in which they arose.

Subsequent costs

The cost of replacing some part of an item of property, plant and equipment is recognised in the carrying amount of the asset in question if it is probable that the future economic benefits embodied within the part will flow to the Company, and its historical cost can be measured reliably. All other costs are recognised in profit or loss as expenses as they arise.

Depreciation

Depreciation is charged on a straight-line basis over the useful life of each individual item of property, plant and equipment. That method most precisely reflects the expected pattern of use of an asset. The estimated useful lives for the current and comparative periods are as follows:

- buildings 40–58 years;
- computer equipment 2–4 years; and
- other plant and equipment 3–10 years.

Depreciation and useful lives are reviewed once a year and adjusted as required.

(e) Intangible assets

Intangible assets comprise investments in industrial property rights (concessions, patents, licences, brands and similar rights) and other rights, and other intangible assets. The period and method of amortisation of intangible assets with a finite useful life are reviewed, at a minimum, at the end of each financial year. Intangible assets are initially measured at historical cost. Following initial recognition, intangible assets are disclosed using the historical cost model, i.e. at historical cost less accumulated amortisation and any accumulated impairment loss. The amortisation of intangible assets with a finite useful life is charged on a straight-line basis over the estimated useful life of each individual asset.

Subsequent costs

Subsequent costs in connection with intangible assets are only capitalised when they increase the future economic benefits of the asset to which the costs relate. All other costs are recognised in profit or loss as expenses as they arise.

Amortisation

Amortisation is charged on the historical cost of an asset, and is recognised in profit or loss on a straight-line basis over the useful lives of intangible assets, from the date that they are available for use. That method is the most precise reflection of the expected pattern of use of the future economic benefits embodied in an asset. The estimated useful lives for the current and comparative years are 3, 5, 10 and 15 years. Amortisation methods, useful lives and residual values are verified at the end of each financial year and adjusted as required.

The estimated useful lives for the current and comparative years are 3, 5, 10, 15 and 33 years. Amortisation methods, useful lives and residual values are verified at the end of each financial year and adjusted as required.

(f) *Investment property*

Investment property comprises real estate purchased to generate rental income, to increase the value of non-current assets, or both. An assessment is required to determine whether real estate is deemed investment property. The Company assesses that elements of real estate made available in part for operating leasing and used in part cannot be sold separately (or made available separately for finance leasing). Such real estate is therefore classified as property, plant and equipment used in the provision of services. Only real estate that is made available for leasing in its entirety is recognised as investment property.

Following initial recognition, investment property is disclosed using the historical cost model, i.e. at historical cost less accumulated depreciation and any accumulated impairment loss. Revalued investment property (land) is transferred from property, plant and equipment at the carrying amount on the transfer date, while the associated revaluation surplus remains in equity and is transferred to profit or loss brought forward upon disposal. The same useful lives used for real estate classified as property, plant and equipment are applied to investment property.

(g) *Inventories*

Inventories of material are valued at historical cost, which comprises the purchase price, import duties and the direct costs of procurement. The purchase price is reduced by any discounts received. The weighted average price method is applied in the use of materials.

(h) *Impairment of assets*

FINANCIAL ASSETS

Investments in subsidiaries

The Company assesses at the end of every financial year whether there are any indications that an investment may be impaired. If such indications exist, it estimates the recoverable amount of investments in subsidiaries. The recoverable amount of an asset is the greater of its fair value less selling costs, or its value in use. The estimated value of an asset in use is equal to the present value of estimated future cash flows based on projections of operations for five years and the estimated present value of the asset at disposal.

If the value of an investment in a subsidiary calculated using the discounted cash flow model is lower than the carrying amount of that investment, the value of the company in question is also appraised based on an estimate of the net value of its assets, where the higher of the two values is taken into account. If the carrying amount of a financial asset exceeds the recoverable amount, an investment in a subsidiary must be impaired.

The discounted cash flow model cannot be used to calculate the recoverable amount for companies with suspended operations. An estimate derived from other bases (e.g. an estimate of the net value of assets) is thus used.

Operating receivables

The Company impairs operating receivables by creating a value adjustment in the amount of 100% of all receivables more than 180 days in arrears, and exceptionally (if supported by impartial evidence that the receivable in question will be repaid) by assessing the recoverability of individual receivables. When impairing receivables subject to legal actions, enforcement proceedings, bankruptcy, compulsory composition and similar proceedings, the Company takes into account the estimated recoverability of those receivables (estimated future cash flows) by individual category.

Receivables are written off based on completed bankruptcy proceedings, confirmed compulsory composition proceedings and unsuccessful enforcement proceedings, and when receivables are deemed irrecoverable.

Loans granted

If there is objective evidence that an impairment loss on loans disclosed at amortised cost has been incurred, the Company measures the amount of the loss as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. Impairments are also made based on an assessment by senior management regarding the recoverability of individual loans.

Available-for-sale financial assets measured at fair value

The Company impairs available-for-sale financial assets if the market price of an asset has fallen for more than one year or if a decrease exceeds 20% of an investment's historical cost. If the accumulated loss for such assets has been recognised in equity, that loss must be derecognised from equity and disclosed in profit or loss as an expense. The amount of such a loss is the difference between the historical cost and the current fair value of the financial asset in question, less impairment loss previously recognised in profit or loss.

Available-for-sale financial assets measured at historical cost

If there is objective evidence that an impairment loss on financial assets disclosed at historical cost has been incurred because fair value cannot be measured reliably, the Company recognises an impairment loss if the carrying amount of such financial assets as at the balance-sheet date exceeds the proportionate part of the carrying amount of the total equity of the company in which the investment is held by more than 20%, as at the nearest possible date for which such data can be obtained.

NON-FINANCIAL ASSETS

The Company reviews the carrying amount of property, plant and equipment and intangible assets at each reporting date to determine whether any indications of impairment exist. If such indications exist, the recoverable amount of the asset is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less selling costs. In assessing value in use, expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing purposes, assets that cannot be tested individually are grouped into the smallest possible groups of assets that generate cash flows from continued use and that are largely independent of cash generated by other assets or groups of assets (cash-generating unit).

The impairment of an asset or a cash-generating unit is recognised when the carrying amount of that asset exceeds its recoverable amount. That impairment is disclosed as an expense in the income statement.

An impairment loss is reversed to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in previous years.

(i) *Non-current assets held for sale*

Non-current assets or a disposal group comprising assets and liabilities (applicable to investment property, intangible assets and non-current financial assets within non-current assets, and only applicable to land and buildings within property, plant and equipment on grounds of materiality) whose carrying amount is reasonably expected to be settled primarily through sale and not through further use are classified as assets held for sale, with that sale envisaged within the next twelve months, at the latest. A sale is highly likely when the entire plan and active programme to find a buyer are activated. An asset must also be actively marketed and efforts made to achieve a price that corresponds to its current fair value. An asset (or the constituent parts thereof or a disposal group) is remeasured immediately before its classification to assets held for sale. Accordingly, a non-current asset (or disposal group) is recognised at the lower of its carrying amount or fair value, less costs to sell.

The period for completion of a sale may be extended to more than one year due to special events and circumstances that are beyond the control of the Company and there is sufficient evidence that the Company is consistently pursuing its plans to dispose of the asset. If an asset held for sale no longer meets the criteria for classification to the aforementioned category, it must be reclassified to another appropriate asset category, i.e. the category to which it was classified before being classified as an asset held for sale.

(j) *Employee benefits*

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis, and are disclosed as expenses as the service of the employee is provided in respect of the specific short-term benefit.

(k) *Provisions*

Provisions are recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Amounts recognised as provisions represent the best estimate of expenditure required for settlement as at the balance-sheet date. The risks and uncertainties inextricably associated with events and circumstances are taken into account to reach the best estimate of provisions. Where the effect of the time value of money is material, the amount of provisions represents the present value of expenditure expected to be required to settle an obligation.

Provisions are recognised by accruing the corresponding costs or expenses, and are reduced directly over time by the costs and/or expenses that they were created to cover, except actuarial gains and losses from severance pay at retirement due to changes in actuarial assumptions and experiential adjustments that are recognised in the revaluation surplus and transferred in full to profit or loss brought forward immediately following recognition. Provisions are derecognised when the contingencies for which they were created no longer apply, or when they are no longer required. Revenues are recognised when provisions that were created by accruing the corresponding costs or expenses are derecognised. Provisions are adjusted at the end of the accounting period so that their value is equal to the present value of the expenditure expected to be required to settle the obligation in question.

Provisions for severance pay and jubilee benefits

In accordance with the applicable legislation, the collective agreement and internal rules, the Company is obliged to pay jubilee benefits to employees and severance pay at retirement. Non-current provisions are created for these purposes. There are no other pension obligations.

The aforementioned provisions are created in the amount of the estimated future payments for severance pay and jubilee benefits, discounted as at the date of the actuarial calculation. The calculation of provisions for severance pay at retirement was based on the assumptions specified in Note 19.

Interest expense and any increase during the current year are recognised in the income statement as labour costs, while interest is disclosed as a finance cost. Actuarial gains and losses from jubilee benefits are recognised in the income statement as labour costs, while actuarial gains and losses from severance pay at retirement are recognised in other comprehensive income in the revaluation surplus and transferred immediately following recognition to profit or loss brought forward. Provisions are used in an amount equal to the actual costs incurred costs for accrued severance pay at retirement and jubilee benefits.

(l) *Non-current deferred income*

The Company classifies donations received for the acquisition of property, plant and equipment or for covering specific costs to non-current deferred income. They are earmarked to cover the costs of the depreciation of the aforementioned assets or to cover certain costs, and are used by way of a transfer to operating revenues.

Deferred income that will cover projected expenses over a period of more than one year is disclosed under non-current deferred income. Donations and government grants received for the acquisition of property, plant and equipment are also classified to non-current deferred income. They are used by way of a transfer to operating revenues in the amount of depreciation costs for such assets.

(m) *Revenues*

Revenues are recognised when it is probable that future economic benefits will flow to the Company and those benefits can be measured reliably. To that end, all of the following criteria must be met:

1. the amount of revenues can be measured reliably;
2. it is probable that economic benefits associated with a transaction will flow to the Company;
3. the stage of completion of the transaction as at the balance-sheet date can be measured reliably; and
4. the costs incurred in connection with the transaction and the costs of the completion of the transaction can be measured reliably.

Revenues from services rendered

Revenues from services rendered are recognised in the income statement with regard to the stage of completion of the transaction at the end of reporting period. The stage of completion is assessed on the basis of a review of costs incurred (review of work performed). Revenues from services rendered are measured at the selling prices of completed services stated in invoices or other documents, or at the prices of incomplete services with regard to the stage of completion thereof. In cases when a particular transaction is not completed as at the balance-sheet date, the Company believes that no reliable assessment can be made as to the outcome of such a transaction. Revenues are therefore only recognised up to the amount of direct costs incurred, and for which it can be expected that they will be covered. Amounts collected on behalf of third parties, such as charged value-added tax and other levies are excluded from sales revenue. Sales revenue is reduced at the time of a sale for granted discounts, which are evident from invoices or other relevant documents. Sales revenue is also reduced by the sales value of returned goods and subsequently approved discounts.

(n) *Leases*

Leases granted

Revenues from operating leasing are recognised over the lease term.

Leases received

Operating leasing costs are recognised on a straight-time basis in the income statement.

(o) *Finance income and finance costs*

Finance income primarily comprises interest income from investments, income from dividends and other shares in profit, revenues from the disposal of available-for-sale financial assets, positive exchange rate differences and revenues from the reversal of the impairment of financial assets. Interest income is recognised as it accrues, using the effective interest method. Dividend income and income from other shares in profit are recognised in the income statement on the day a shareholder's or owner's right to payment was exercised.

Finance costs primarily comprise interest expense and other borrowing costs (unless capitalised), negative exchange rate differences and losses due to the impairment of financial assets. Borrowing costs are recognised in the income statement in the period in which they arise using the effective interest method.

(p) *Corporate income tax*

Corporate income tax comprises current taxes and deferred taxes. Corporate income tax is disclosed in the income statement, except to the extent that it relates to items disclosed directly in equity, in which case it is disclosed in other comprehensive income.

Current tax is assessed in accordance with the applicable tax legislation as at the reporting date. The financial year is the same as the calendar year, which in turn is the same as the fiscal year.

Deferred tax is disclosed taking into account temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax reporting purposes.

A deferred tax liability is disclosed in the amount that is expected to be paid when the temporary differences are reversed, based on the laws in force at the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised.

(q) *Net earnings per share*

The Company discloses basic earnings per share and diluted earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss pertaining to ordinary shareholders (net profit less the fixed and variable part pertaining to preferential shareholders) with the weighted average number of ordinary shares during the financial year.

Diluted earnings per share are calculated by adjusting the profit or loss pertaining to ordinary shareholders and the weighted average number of ordinary shares during the financial year for the effect of all dilutive potential ordinary shares. The Company does not hold dilutive potential shares. Basic earnings per share and diluted earnings per share are thus equal.

(r) *Amended standards and interpretations*

The following amendments to existing standards and new interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective in the current reporting period:

- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative, adopted by the EU on 6 November 2017 (applicable to annual periods beginning on or after 1 January 2017).
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses, adopted by the EU on 6 November 2017 (applicable to annual periods beginning on or after 1 January 2017).

Standards and amendments to existing standards issued by the IASB and adopted by the EU but not yet effective

On the day these financial statements were approved, the following new standards had been issued by the IASB and adopted by the EU, but were not yet in force:

- **IFRS 9 Financial Instruments**, adopted by the EU on 22 November 2016 (applicable to annual periods beginning on or after 1 January 2018).

IFRS 9 includes requirements regarding recognition and measurement, impairment, derecognition and general hedge accounting.

Classification and Measurement – IFRS 9 introduces a new approach to the classification of financial assets, which depends on the characteristics of cash flows and the business model used to manage a specific financial instrument. This standard approach, which is based on a principle, replaces the existing requirements of IAS 39, which are based on rules. The new model also introduces a standard method for the impairment of all financial instruments.

Impairments – IFRS 9 brings a new impairment method with respect to expected loss, which requires the earlier identification of expected credit losses. The new standard requires companies to account for expected credit losses from the initial recognition of financial instruments and the earlier recognition of expected losses for an entire period.

Hedging – IFRS 9 introduces a significantly altered hedging model with the more specific disclosure of risk management activities. The new model represents a substantial overhaul of hedge accounting through the harmonisation of hedge accounting with risk management activities.

Own Credit Risk – IFRS 9 eliminates profit or loss volatility due to changes in credit risk arising from liabilities measured at fair value. This accounting changes means that gains from a reduction in own credit risk associated with such liabilities will no longer be recognised in profit or loss.

The Company has assessed that the effect of the initial application of IFRS 9 on its equity as at 1 January 2018 will be as described in the table below. The actual effect could change, as the Company is continuing with activities to assess the effect of the transition to IFRS 9.

TABLE 7: EFFECT OF THE APPLICATION OF IFRS 9 ON NET PROFIT OR LOSS BROUGHT FORWARD

IN EUR THOUSAND

| | Reported as at 31 December 2017 | estimated impairment due to the transition to the IFRS 9 | estimated opening balance as at 1 January 2018 |
|---------------------------------|---------------------------------|----------------------------------------------------------|------------------------------------------------|
| Net profit loss brought forward | 3,509 | -429 | 3,080 |

The Company assesses that the application of IFRS 9 as at 1 January 2018 will result in the creation of additional impairments of the values in the table below:

TABLE 8: EFFECT OF THE APPLICATION OF IFRS 9 ON FINANCIAL ASSETS

IN EUR THOUSAND

| | Estimated additional value adjustments as at 1 January 2018 |
|----------------------------------------------|-------------------------------------------------------------|
| Trade receivables | 326 |
| Trade receivables within the Group | 102 |
| Other operating receivables | 0 |
| Loans granted and deposits | 0 |
| Loans to Group companies | 1 |
| Total additionally created value adjustments | 429 |

- IFRS 15 Revenues from Contracts with Customers and amendments to IFRS 15 Effective Date of IFRS 15, as adopted by the EU on 22 September 2016 (applicable to annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 15 Revenue from Contracts with Customers – Clarifications to IFRS 15, adopted by the EU on 31 October 2017 (applicable to annual periods beginning on or after 1 January 2018).

IFRS 15 specifies how and when reporting companies recognise revenues, and requires such companies to provide the users of financial statements more informative and relevant disclosures. The aforementioned standard supersedes IAS 18 Revenues and IAS 11 Construction Contracts, and numerous other interpretations relating to revenues. Application of the standard is mandatory for all companies that report in accordance with the IFRS, and applies to nearly all contracts with customers, the main exceptions being contracts on leases, financial instruments and insurance. The core principle of the new standard is that the recognition of revenues depicts the transfer of goods or services to a customer in an amount that reflects the consideration (i.e. payment) that a company expects in exchange for those goods or services. The new standard also brings improved disclosures of revenues, instructions for transactions that were not previously addressed in full (e.g. revenues from services and amendments to contracts) and improved guidance for the recognition of agreements that contain several elements.

The Company has analysed agreements concluded with customers in terms of the presence of major performance obligations. The Company assesses that the introduction of the new IFRS 15 on 1 January 2018 will not have a significant effect on its equity. Given the nature of the Company's operations and the types of revenues it generates, the timing of recognition and the measurement of its revenues are not expected to change with the application of IFRS 15.

- IFRS 16 Leases, adopted by the EU on 31 October 2017 (applicable to annual periods beginning on or after 1 January 2019).

The Company is still studying the impact of the introduction of this standard, but does not expect any significant effects on its financial statements.

- Amendments to IFRS 4 Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, adopted by the EU on 3 November 2017 (applicable to annual periods beginning on or after 1 January 2018 or when IFRS 9 Financial Instruments is applied for the first time).

The Company does not expect any effects from the introduction of amendments to the aforementioned standard, as it does not operate as an insurance company.

New standards and amendments to existing standards issued by the IASB but not yet adopted by the EU

The IFRS as adopted by the EU do not currently differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following new standards, amendments to existing standards and new interpretations that have not been adopted for application by the EU:

- IFRS 14 Regulatory Deferral Accounts (applicable to annual periods beginning on or after 1 January 2016). The European Commission opted not to begin proceedings to approve this interim standard, but will wait until the publication of the final version thereof.
- IFRS 17 Insurance Contracts (applicable to annual periods beginning on or after 1 January 2021).

The Company does not expect the amendments to have a significant impact on its financial statements on the date of first application, as it does not operate in the insurance sector.

- Amendments to IFRS 2 Share-Based Payments – Classification and Measurement of Share-Based Payment Transactions (applicable to annual periods beginning on or after 1 January 2018).

The Company does not expect the amendments to have a significant impact on its financial statements on the date of first application, as it does not make share-based payments.

- Amendments to IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation (applies to annual periods beginning on or after 1 January 2019).

The Company does not expect the amendments to have a significant impact on its financial statements on the date of first application, as it does not hold financial assets with the possibility of prepayment with negative compensation.

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture, and subsequent amendments (the date of application has been postponed indefinitely until the completion of the research project in connection with the equity method).

The Company does not expect any significant impact, but is still studying the potential effects of amendments to the aforementioned standard on its financial statements.

- Amendments to IAS 28 Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures (applies to annual periods beginning on or after 1 January 2019).

The Company does not expect the amendments to have a significant impact on its financial statements on the date of first application.

- Amendments to IAS 40 Investment Property – Transfers of Investment Property (applicable to annual periods beginning on or after 1 January 2018).

The Company does not expect the amendments to have a significant impact on its financial statements on the date of first application, as it only transfers real estate to and from investment property when an actual change in the use of real estate occurs.

- Amendments to various standards (Improvements to IFRS, 2014-2016 cycle) proceeding from the project of annual improvements to the IFRS (IFRS 1, IFRS 12 and IAS 28), primarily to eliminate discrepancies and to provide interpretations (the amendments to IFRS 12 apply to annual periods beginning on or after 1 January 2017, while the amendments to IFRS 1 and IAS 28 apply to annual periods beginning on or after 1 January 2018).

The Company does not expect any of the amendments to the aforementioned standards to have a significant impact on its financial statements, as it does not hold participating interests in subsidiaries, joint ventures, associates or unconsolidated structured entities that are classified as assets held for sale or discontinued operations.

- Amendments to various standards (Improvements to IFRS, 2015-2017 cycle) proceeding from the project of annual improvements to the IFRS (IFRS 3, IFRS 11, IFRS 12 and IAS 23), primarily to eliminate discrepancies and to provide interpretations (the amendments apply to annual periods beginning on or after 1 January 2019).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (applicable to annual periods beginning on or after 1 January 2018).

The Company does not expect this interpretation to have a significant impact on its financial statements on the date of first application, as it applies the exchange rate applicable on the date of a transaction upon the initial recognition of non-monetary prepayment assets or deferred income liabilities.

- IFRIC 23 Uncertainty over Income Tax Treatments (applies to annual periods beginning on or after 1 January 2019).

The Company assesses that the amendments to aforementioned standards and interpretations will not have a significant impact on its financial statements.

III. DETERMINATION OF FAIR VALUE

Given the Company's accounting policies, the determination of the fair value of both financial and non-financial assets and liabilities is required in a number of cases. The fair values of individual groups of assets were determined for measurement and/or reporting purposes based on the methods described below. Where necessary, further clarifications regarding assumptions used to determine fair values are disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The Company uses a revaluation model for land. Following recognition, land is measured at a revalued amount equal to the fair value on the revaluation date. This is the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction, on the principal (or most advantageous) market, between market participants at the measurement date under current market terms, regardless of whether the price can be directly observed or estimated using another valuation technique. Depending on the circumstances or situation, the fair value of land is measured using one or more valuation techniques. They are the market approach, cost approach and income approach. The Company carries out revaluation every five years or more frequently if indications of a significant change in fair value exist (e.g. a change in the market prices of real estate in a particular country, a change in prices on the local real estate market, a change in comparable advertised prices, a significant change in the intended use of land or a change in achieved transaction prices).

Investments in equities

The fair value of available-for-sale financial assets is determined taking into account the bid price at the end of the reporting period.

Operating receivables and liabilities

The Company assesses that the disclosed value of operating receivables and liabilities reflects their fair value.

Underlying financial liabilities

Fair value is calculated for reporting purposes based on the present value of future principal and interest payments, discounted using the market interest rate at the end of the reporting period.

IV. FINANCIAL RISK MANAGEMENT

Senior management has adopted risk management guidelines as part of risk management rules. The Company has a risk management committee that is responsible for the development and supervision of risk management policies.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily in connection with the Company's trade receivables.

The Company's exposure to credit risk depends primarily on the characteristics of each customer. However, senior management also takes into account the demographic structure of customers and the solvency risk associated with the sector and country in which a customer operates, as these factors may affect credit risk, particularly in the current adverse economic situation.

The relevant policies require an analysis of the creditworthiness of each major new customer, before the Company offers its standard payment and delivery terms. The Company creates impairments that represent its estimated losses from operating and other receivables and investments. The main elements of such a value adjustment are the specific part of the loss relating to individual significant risks and the common part of the loss formed for groups of similar assets due to previously incurred but as yet undefined losses.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to settle its financial liabilities using cash or other financial assets.

The Company ensures liquidity by always having sufficient liquid assets to settle its liabilities at maturity, under both normal and high-stress situations, without incurring unacceptable losses or risking damage to its reputation.

The Company primarily provides guarantees for potential customs liabilities that might arise from transit procedures, the verification of origin, and various analyses and controls of goods that are required for the performance of operational business activities.

Market risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates and equity instruments, would affect the revenues of the Company or the value of financial instruments. The objectives of market risk management are to manage and control exposure to market risks within reasonable limits, while optimising returns. The Company trades in financial instruments and assumes financial liabilities, both with the aim of managing market risks.

Business risk

Business risk is the risk of incurring a direct or indirect loss due to a wide range of reasons associated with processes at the Company, staff, technology and the infrastructure, and as the result of external factors not related to credit, market and liquidity risks. These include risks arising from legal and regulatory requirements, and generally accepted corporate standards. Business risks derive from the overall operations of the Company. The Company's objective is to manage business risks with the aim of establishing a balance between avoiding financial losses and damage to the Company's reputation and overall cost efficiency, and avoiding such control procedures that would hinder or limit self-initiative and creativity. Primary responsibility for developing and introducing controls for managing business risks is borne by the head of each organisational unit.

A programme of internal audits is implemented by the Internal Audit Department, which discusses the results of internal audits with the heads of audited business units, while a summary is submitted to the Company's Management Board and the audit committee.

V. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Sales revenue

Sales revenue in the amount of EUR 103,976 thousand comprises revenues from services rendered.

TABLE 9: SALES REVENUE

IN EUR THOUSAND

| | January–December 2017 | January–December 2016 |
|-----------------------------------------------|--------------------------|--------------------------|
| Revenues from sales to companies in the Group | 3,391 | 3,215 |
| Revenues from sales to others | 100,585 | 87,837 |
| Total | 103,976 | 91,052 |

The Company provides logistics services through three business lines: land transport (groupage, domestic transport, road transport, railway freight and customs clearance services), logistics solutions (warehousing and distribution) and intercontinental transport (air freight, sea freight, shipping agency and car logistics services). Other services provided by the Group include the leasing of commercial real estate, parking services at customs terminals, trade fair logistics and insurance brokerage services.

TABLE 10: SALES REVENUE BY BUSINESS LINE

IN EUR THOUSAND

| | Land transport | | Logistics solutions | | Intercontinental transport | | Other services | | Intereuropa d.d. | |
|--------------------------------------|-----------------|-----------------|---------------------|-----------------|----------------------------|-----------------|-----------------|-----------------|------------------|-----------------|
| | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 | Jan-Dec 2017 | Jan-Dec 2016 |
| Revenues from sales to third parties | 48,833 | 43,006 | 14,979 | 12,949 | 35,918 | 30,711 | 4,246 | 4,386 | 103,976 | 91,052 |

NOTE 2: Other operating revenues

TABLE 11: OTHER OPERATING REVENUES

IN EUR THOUSAND

| | January–December 2017 | January–December 2016 |
|------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Gains on the sale of property, plant and equipment | 254 | 463 |
| Government grants received | 104 | 72 |
| Revenues from the reversal of adjustments to the value of receivables and from recovered written-off receivables | 235 | 133 |
| Other operating revenues | 168 | 75 |
| Total | 760 | 743 |

NOTE 3: Costs of goods, materials and services

TABLE 12: COSTS OF GOODS, MATERIALS AND SERVICES

IN EUR THOUSAND

| | January–December 2017 | January–December 2016 |
|------------------------------------------------------|--------------------------|--------------------------|
| Costs of materials and historical cost of goods sold | 1,779 | 1,654 |
| Cost of services within the Group | 2,094 | 2,065 |
| Cost of services (excluding the Group): | 72,656 | 61,074 |
| direct costs | 65,804 | 55,346 |
| costs of telecommunication services | 163 | 165 |
| maintenance costs | 1,501 | 1,527 |
| insurance premiums | 495 | 454 |
| other costs of services | 4,693 | 3,580 |
| Total | 76,529 | 64,793 |

Direct costs primarily comprise the costs of subcontractors (transportation, port-related services, etc.) that are directly related to the provision of the services that the Company sells.

Other costs of services comprise the reimbursement of work-related costs to employees, the costs of intellectual services, the costs of rents, municipal services, education and training costs, security and hired workers, and the costs of payment transactions.

NOTE 4: Labour costs

TABLE 13: LABOUR COSTS

IN EUR THOUSAND

| | January–December 2017 | January–December 2016 |
|------------------------------------------------|--------------------------|--------------------------|
| Costs of wages and salaries | 12,342 | 11,923 |
| Other social security costs | 2,584 | 2,268 |
| Other labour costs: | 2,533 | 2,457 |
| annual leave allowance | 667 | 688 |
| transportation and meal allowances | 1,509 | 1,580 |
| other labour costs | 267 | 188 |
| expenses for employee participation in profits | 90 | 0 |
| Total | 17,459 | 16,648 |

TABLE 14: EMPLOYEES BY EDUCATIONAL LEVEL

| Categories of educational qualifications | Beginning of 2017 | End of 2017 | Changes in 2017 | Average number of employees by educational qualification in 2017* | Average number of employees by educational qualification in 2016* |
|------------------------------------------|-------------------|-------------|-----------------|-------------------------------------------------------------------|-------------------------------------------------------------------|
| Qualification levels I to III | 54 | 50 | -4 | 52 | 56 |
| Qualification levels IV to V | 288 | 279 | -9 | 284 | 298 |
| Qualification levels VI to IX | 264 | 260 | -4 | 262 | 261 |
| Total | 606 | 589 | -17 | 598 | 615 |

* The average number of employees is calculated using the balance of employees at the beginning and end of the year.

NOTE 5: Amortisation and depreciation

TABLE 15: AMORTISATION/DEPRECIATION

IN EUR THOUSAND

| | January–December 2017 | January–December 2016 |
|------------------------------------------------------------------------|-----------------------|-----------------------|
| Depreciation of property, plant and equipment, and investment property | 3,562 | 3,466 |
| Amortisation of intangible assets | 479 | 468 |
| Total | 4,040 | 3,933 |

NOTE 6: Other operating expenses

TABLE 16: OTHER OPERATING EXPENSES

IN EUR THOUSAND

| | January–December 2017 | January–December 2016 |
|-----------------------------------------------------------------------------|-----------------------|-----------------------|
| Building land use fees and similar expenses | 968 | 1,097 |
| Expenses from impairments and write-offs of property, plant and equipment | 1,707 | 80 |
| Expenses from value adjustments (impairments) and write-offs of receivables | 245 | 228 |
| Other operating expenses | 1,005 | 308 |
| Total | 3,925 | 1,713 |

The majority of other operating expenses derive from the impairment of real estate (EUR 1,697 thousand) and other operating expenses, which mainly comprise provisions created for liabilities from past operations in the amount of EUR 878 thousand.

NOTE 7: Finance income and costs

TABLE 17: FINANCE INCOME AND COSTS

IN EUR THOUSAND

| | January–December 2017 | January–December 2016 |
|----------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Interest income from Group companies | 44 | 61 |
| Interest income from others | 140 | 157 |
| Income from dividends and other shares in profit from Group companies | 448 | 750 |
| Income from participating interest in joint venture | 39 | 34 |
| Income from dividends and other shares in profit from other companies | 10 | 8 |
| Gains on the sale of financial assets | 146 | 202 |
| Revenues from the reversal of impairments of financial assets | 36 | 1,336 |
| Net exchange rate differences | 0 | 1 |
| Total finance income | 862 | 2,548 |
| Interest expense and other borrowing expenses | -2,116 | -2,669 |
| Expenses from impairments of investments in participating interests and shares in Group companies | -940 | -2,620 |
| Finance costs from impairments of loans and other financial assets vis-à-vis Group companies | -344 | 0 |
| Expenses from impairments of other financial assets | -34 | -8 |
| Expenses from the disposal of financial assets | -24 | -1 |
| Net exchange rate differences | -1 | 0 |
| Total finance costs | -3,459 | -5,298 |
| Loss from financing activities | -2,597 | -2,750 |

Interest income and expenses are calculated using the effective interest method.

Expenses from the impairment of financial investments in shares and participating interests in Group companies in the amount of EUR 940 thousand relate to the impairment of financial investments in the subsidiaries Zetatrans A.D., Podgorica and TOV Intereuropa – Kiev, Ukraine (Note 14).

Finance costs from impairments of loans and other financial assets vis-à-vis Group companies in the amount of EUR 344 thousand relate entirely to the subsidiary TOV Intereuropa – Kiev, Ukraine.

NOTE 8: Corporate income tax (current and deferred tax)

A tax rate of 19% was taken into account in the calculation of current corporate income tax in 2017.

TABLE 18: ADJUSTMENTS TO THE EFFECTIVE TAX RATE

IN EUR THOUSAND

| | 2017 | 2016 |
|--------------------------------------------------------------|------------|---------------|
| Current tax | 0 | -143 |
| Deferred tax | 154 | -5,270 |
| Tax | 154 | -5,413 |
| Pre-tax profit | 186 | -1,957 |
| Tax calculated according to prescribed rate | -35 | -333 |
| Tax from unrecognised expenses | -597 | -531 |
| Tax from revenues deducted from taxable base | 118 | 300 |
| Tax from expenses deducted from taxable base | 62 | 31 |
| Tax from expenses added to taxable base | -17 | 0 |
| Tax from tax relief | 0 | 41 |
| Tax from the reversal of deferred tax assets from tax losses | 0 | -4,921 |
| Tax from the creation of deferred tax assets from tax losses | 636 | 0 |
| Other | -13 | 0 |
| Tax | 154 | -5,413 |
| Effective tax rate | 0.83 | -2.77 |

TABLE 19: CHANGES IN CURRENT AND DEFERRED TAX RELATING TO EQUITY ITEMS

IN EUR THOUSAND

| | 2017 | 2016 |
|--------------|------------|--------------|
| Current tax | 0 | -363 |
| Deferred tax | 607 | 1,788 |
| Total | 607 | 1,425 |

Unused tax losses amounted to EUR 89,155 thousand as at 31 December 2017 (EUR 78,773 thousand as at 31 December 2016). Deferred tax assets in the amount of EUR 11,103 thousand were recognised for unused tax losses in the amount of EUR 58,437 thousand (EUR 44,759 thousand as at 31 December 2016), while no deferred assets were recognised for the remainder of EUR 30,718 thousand (but would have amounted to EUR 5,434 thousand).

Unused tax credits amounted to EUR 275 thousand at 31 December 2017. The Company has not recognised deferred tax assets for that amount (but they would have amounted to EUR 52 thousand).

Unrecognised deferred liabilities from the undistributed net profits of subsidiaries amounted to EUR 245 thousand.

TABLE 20: CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES THAT WERE NOT NETTED IN 2017

IN EUR THOUSAND

| Deferred tax assets | Balance as at 1 January 2017 | Change in income statement | Change in other comprehensive income | Balance as at 31 December 2017 |
|---------------------------------|---------------------------------|-------------------------------|--------------------------------------------|-----------------------------------|
| Revaluation of financial assets | 2,582 | -2,477 | 0 | 105 |
| Provisions | 108 | -2 | 2 | 108 |
| Tax loss | 8,470 | 2,633 | 0 | 11,103 |
| Total | 11,160 | 154 | 2 | 11,316 |
| Deferred tax liabilities | Balance as at 1 January 2017 | Change in income statement | Change in other comprehensive income | Balance as at 31 December 2017 |
| Revaluation of land | 8,173 | 0 | -586 | 7,587 |
| Revaluation of financial assets | 20 | 0 | -20 | 0 |
| Total | 8,193 | 0 | -606 | 7,587 |
| Effect | | 154 | -604 | |

Senior management's assessment of an increase in deferred tax assets as the result of tax losses from previous years (in the amount of EUR 2,633 thousand) is based on data from the projection of Intereuropa d.d.'s operations in the period 2018 to 2024.

The following assumptions were taken into account in that regard:

- the utilisation of tax losses until 2024, taking into account valid tax rates;
- the exclusion of 95% of dividends; and
- deferred tax liabilities from the revaluation of land that are taken into account as a source for netting.

TABLE 21: CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES THAT WERE NOT NETTED IN 2016

IN EUR THOUSAND

| Deferred tax assets | Balance as at 1 January 2016 | Change in income statement | Change in other comprehensive income | Balance as at 31 December 2016 |
|---------------------------------|---------------------------------|-------------------------------|--------------------------------------------|-----------------------------------|
| Revaluation of financial assets | 2,089 | 493 | 0 | 2,582 |
| Provisions | 82 | 9 | 17 | 108 |
| Tax loss | 14,241 | -5,771 | 0 | 8,470 |
| Total | 16,412 | -5,269 | 17 | 11,160 |
| Deferred tax liabilities | Balance as at 1 January 2016 | Change in income statement | Change in other comprehensive income | Balance as at 31 December 2016 |
| Revaluation of land | 9,957 | 0 | -1,783 | 8,173 |
| Revaluation of financial assets | 9 | 0 | 10 | 20 |
| Total | 9,966 | 0 | -1,773 | 8,193 |
| Effect | | -5,269 | -1,756 | |

NOTE 9: Property, plant and equipment

TABLE 22: CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN 2017

IN EUR THOUSAND

| CARRYING AMOUNT | Land | Buildings | Other plant and equipment | Property, plant and equipment under construction | Total |
|---------------------------------------|---------------|----------------|---------------------------|--------------------------------------------------|----------------|
| HISTORICAL COST | | | | | |
| Balance as at 1 January 2017 | 50,463 | 101,071 | 23,460 | 247 | 175,241 |
| Acquisitions | 0 | 0 | 0 | 1,497 | 1,497 |
| Activations | 103 | 283 | 1,283 | -1,670 | 0 |
| Disposals | -95 | -803 | -435 | 0 | -1,333 |
| Write-downs | 0 | -23 | -360 | 0 | -383 |
| Transfer to available-for-sale assets | -39 | -380 | 0 | 0 | -419 |
| Transfer to investment property | -815 | 0 | 0 | 0 | -815 |
| Revaluation to fair value – decrease | -2,950 | 0 | 0 | 0 | -2,950 |
| Other | 92 | -92 | 0 | 0 | 0 |
| Balance as at 31 December 2017 | 46,760 | 100,056 | 23,948 | 74 | 170,838 |
| VALUE ADJUSTMENT | | | | | |
| Balance as at 1 January 2017 | -69 | -58,677 | -19,683 | 0 | -78,429 |
| Depreciation | 0 | -2,465 | -863 | 0 | -3,328 |
| Disposals | 0 | 612 | 429 | 0 | 1,041 |
| Write-downs | 0 | 16 | 360 | 0 | 376 |
| Transfer to available-for-sale assets | 0 | 301 | 0 | | 301 |
| Impairments | -52 | -937 | 0 | 0 | -989 |
| Other | 0 | 38 | 0 | 0 | 38 |
| Balance as at 31 December 2017 | -121 | -61,113 | -19,756 | 0 | -80,990 |
| CARRYING AMOUNT | | | | | |
| Balance as at 1 January 2017 | 50,394 | 42,393 | 3,777 | 247 | 96,812 |
| Balance as at 31 December 2017 | 46,639 | 38,943 | 4,192 | 74 | 89,848 |

Verification of the existence of signs of the impairment of real estate in 2017 indicated the need to revalue the aforementioned assets.

The valuation of the Company's real estate was carried out by an independent real estate valuer with regard to cash-generating units (i.e. by individual location). The market approach and income approach were used to perform that valuation. The appraised values were used to determine the value of real estate as at 31 December 2017.

The aforementioned valuer also appraised value in use, but that method was not applied because that value was lower than fair value less costs to sell.

The Company defined several cash-generating units that are included in three combined groups of cash-generating units (Koper, Ljubljana and other locations) for reporting needs. The recoverable amount for cash-generating units is based on fair value less costs to sell, which was appraised using the income approach. Because land is appraised at fair value, the fair value of land was determined using the market approach. The value of land was appraised as the difference between the value of a cash-generating unit and the fair value of land.

TABLE 23: VALUATION METHODS AND APPLIED ASSUMPTIONS

| Groups of cash-generating units (locations) | Type of assets within the group of CGU | Applied valuation method | Applied assumptions (level 3 inputs) |
|---------------------------------------------|----------------------------------------|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Slovenia | | | |
| Koper | Land | market approach | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties |
| | Buildings | Income approach | Capitalization rate – 7.90%, 8.22%, 8.32% Deduction for vacancy – 10% (except for the Brnik superficies and 26B Koper warehouse calculation, where the deduction was 0%) Deduction for irrecoverability – 1% Insurance cost – 0.80% Replacement reserve – 1% Life span of improvement – 60 years |
| Ljubljana | Land | market approach | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties |
| | Buildings | Income approach | Capitalization rate – 8.32%, 8.22% Deduction for vacancy – 10% Deduction for irrecoverability – 1% Insurance cost – 0.80% Replacement reserve – 1% Life span of improvement – 60 years |
| Other locations | Land | market approach | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties |
| | Buildings | Income approach | Capitalization rate – from 7.9 – 8.32% to 8.82, 8.22, 8.08 Deduction for vacancy – 10% Deduction for irrecoverability – 1% Insurance cost – 0.80% (except for the Jesenice commercial building: 1.00%) Replacement reserve – 1% (except for the Jesenice commercial building: 1.50%) Life span of improvement – 60 years |

The direct sales comparison method was taken into account in the valuation of land. Land was broken down in the aforementioned valuation with regard to location. A detailed analysis was performed for each lot of land using transactions involving comparable land in the direct vicinity of the real estate subject to valuation. Adjustments were also made to approximate the indicative price of comparable land. Those adjustments relate to surface area, location and other functional characteristics of real estate subject to valuation, taking into account other comparable sold or advertised real estate.

The recoverable amount was determined while valuing buildings, i.e. their fair value less costs to sell, which was lower than the carrying amount of the aforementioned assets, resulting in the recognition of impairment.

TABLE 24: FAIR VALUES AND RECOVERABLE AMOUNTS OF REAL ESTATE BY CASH-GENERATING UNIT (LOCATION) IN EUR THOUSAND

| Groups of cash-generating units (locations) | Type of assets within the group of CGU | Fair value as at 31 December 2017 | Recoverable amount as at 31 December 2017 | Impairment recognised in income statement | Reversal of impairment recognised in income statement | Revaluation to fair value in other comprehensive income – increase | Revaluation to fair value in other comprehensive income – decrease |
|---------------------------------------------|----------------------------------------|-----------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
| Slovenia | | | | | | | |
| Koper | Land | 13,004 | | 0 | 0 | 933 | 244 |
| | Buildings | | 7,676 | 0 | 0 | 0 | 0 |
| Ljubljana | Land | 10,930 | | 24 | 0 | 0 | 1,731 |
| | Buildings | | 7,101 | 712 | 0 | 0 | 0 |
| Other locations | Land | 22,796 | | 28 | 0 | 66 | 1,974 |
| | Buildings | | 23,897 | 222 | 0 | 0 | 0 |
| Total | Land | 46,730 | | 52 | 0 | 999 | 3,949 |
| | Buildings | | 38,674 | 934 | 0 | 0 | 0 |

The historical cost of property, plant and equipment whose carrying amount as at 31 December 2017 was 0 (zero) and are still in use was EUR 19,183 thousand. The carrying amount of land would be equal to EUR 10,861 thousand as at 31 December 2017 if the historical cost model was used. The Company had commitments to purchase property, plant and equipment in the amount of EUR 627 thousand as at the reporting date.

TABLE 25: CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN 2016

IN EUR THOUSAND

| | Land | Buildings | Other plant and equipment | Property, plant and equipment under construction | Total |
|---------------------------------------|---------------|----------------|---------------------------------|--------------------------------------------------------------|----------------|
| HISTORICAL COST | | | | | |
| Balance as at 1 January 2016 | 65,292 | 100,633 | 22,920 | 119 | 188,964 |
| Acquisitions | 0 | 0 | 0 | 2,206 | 2,206 |
| Activations | 0 | 485 | 1,593 | -2,078 | 0 |
| Disposals | -7,405 | 0 | -998 | 0 | -8,403 |
| Write-downs | 0 | -47 | -60 | 0 | -107 |
| Transfer to available-for-sale assets | -321 | 0 | 0 | 0 | -321 |
| Revaluation to fair value – decrease | -7,103 | 0 | 0 | 0 | -7,103 |
| Other | 0 | 0 | 5 | 0 | 5 |
| Balance as at 31 December 2016 | 50,463 | 101,071 | 23,460 | 247 | 175,241 |
| VALUE ADJUSTMENT | | | | | |
| Balance as at 1 January 2016 | -5 | -56,251 | -19,961 | 0 | -76,217 |
| Depreciation | 0 | -2,463 | -770 | 0 | -3,233 |
| Disposals | 5 | 0 | 994 | 0 | 998 |
| Write-downs | 0 | 40 | 60 | 0 | 100 |
| Impairments | -69 | 0 | 0 | 0 | -69 |
| Other | 0 | -3 | -5 | 0 | -8 |
| Balance as at 31 December 2016 | -69 | -58,677 | -19,683 | 0 | -78,429 |
| CARRYING AMOUNT | | | | | |
| Balance as at 1 January 2016 | 65,287 | 44,382 | 2,959 | 119 | 112,747 |
| Balance as at 31 December 2016 | 50,394 | 42,394 | 3,777 | 247 | 96,812 |

The carrying amount of mortgaged real estate was EUR 77,836 thousand as at the reporting date (compared with EUR 84,639 thousand as at 31 December 2016). The Company is not subject to any other legal restrictions on the disposal of assets.

NOTE 10: Investment property

TABLE 26: CHANGES IN INVESTMENT PROPERTY

IN EUR THOUSAND

| | 2017 | 2016 |
|-------------------------------------------------------------|---------------|---------------|
| HISTORICAL COST | | |
| Balance as at 1 January | 13,101 | 14,274 |
| Acquisitions | 12 | 11 |
| Increase due to transfer from property, plant and equipment | 815 | 0 |
| Disposals | 0 | -3 |
| Write-downs | -3 | 0 |
| Decrease due to transfer to available-for-sale assets | -430 | 0 |
| Impairments | 0 | -1,181 |
| Balance as at 31 December | 13,495 | 13,101 |
| VALUE ADJUSTMENT | | |
| Balance as at 1 January | -4,198 | -3,966 |
| Depreciation | -234 | -233 |
| Disposals | 0 | 1 |
| Write-downs | 1 | 0 |
| Decrease due to transfer to available-for-sale assets | 311 | 0 |
| Impairments | -708 | 0 |
| Balance as at 31 December | -4,827 | -4,198 |
| CARRYING AMOUNT | | |
| Balance as at 1 January | 8,903 | 10,308 |
| Balance as at 31 December | 8,668 | 8,903 |

Investment property was impaired on the basis of an impairment test. The valuation of investment property was carried out by an independent real estate valuer, by location (e.g. cash-generating units). The market approach and income approach were used to assess the recoverable amount. The appraised recoverable amount was lower than the carrying amount of the aforementioned assets, resulting in their impairment.

TABLE 27: VALUATION METHODS AND APPLIED ASSUMPTIONS

| CGU group (locations) | Type of assets within the group of CGU | Applied valuation method | Applied assumptions (level 3 inputs) |
|-----------------------|----------------------------------------|--------------------------|--------------------------------------------------------------------------------------------------------|
| Investment properties | Land | market approach | Level 3: - applied arithmetic mean of corrected market values of the selected comparable properties |
| | Buildings | income approach | Level 3: |
| | | | Capitalization rate – 7.82% |
| | | | Deduction for vacancy – 10% |
| | | | Deduction for irrecoverability – 1% |
| | | | Life span of improvement – 60 years |

TABLE 28: RECOVERABLE AMOUNTS

IN EUR THOUSAND

| Cash-generating unit group (locations) | Type of assets within the group of CGU (location) | Recoverable amount as at 31 December 2017 | Impairment recognised in income statement | Reversal of impairment recognised in income statement |
|----------------------------------------|---------------------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------------------|
| Investment properties | Land | 4,574 | 0 | 0 |
| | Buildings | 3,853 | 708 | 0 |

The fair value of all investment property is EUR 9,567 thousand.

The carrying amount of mortgaged investment property was EUR 8,617 thousand as at the reporting date (compared with EUR 8,719 thousand as at 31 December 2016). That amount represents additional collateral for liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

TABLE 29: REVENUES AND EXPENSES FROM INVESTMENT PROPERTY

IN EUR THOUSAND

| | 2017 | 2016 |
|----------------------------------------------------|------------|------------|
| Rental income from investment property | 1,045 | 1,091 |
| Direct operating expenses from investment property | -489 | -456 |
| Total | 556 | 635 |

The Company had no binding contracts to purchase investment property on the reporting date, i.e. as at 31 December 2017.

NOTE 11: Intangible assets

TABLE 30: CHANGES IN INTANGIBLE ASSETS IN 2017

IN EUR THOUSAND

| | Long-term property rights | Other intangible assets | Intangible assets under construction | Total |
|---------------------------------------|---------------------------|-------------------------|--------------------------------------|---------------|
| HISTORICAL COST | | | | |
| Balance as at 1 January 2017 | 3,976 | 4,321 | 311 | 8,608 |
| Acquisitions | 0 | 0 | 68 | 68 |
| Activations | 24 | 126 | -150 | 0 |
| Balance as at 31 December 2017 | 4,000 | 4,447 | 229 | 8,676 |
| VALUE ADJUSTMENT | | | | |
| Balance as at 1 January 2017 | -3,407 | -1,238 | 0 | -4,645 |
| Amortisation | -182 | -297 | 0 | -479 |
| Balance as at 31 December 2017 | -3,589 | -1,535 | 0 | -5,124 |
| CARRYING AMOUNT | | | | |
| Balance as at 1 January 2017 | 569 | 3,083 | 311 | 3,962 |
| Balance as at 31 December 2017 | 411 | 2,912 | 229 | 3,552 |

The majority of long-term property rights comprises rights associated with computer software.

The historical cost of intangible assets whose carrying amount as at 31 December 2017 was 0 (zero) and are still in use was EUR 2,285 thousand. The Company had commitments to purchase intangible assets in the amount of EUR 50 thousand as at the reporting date.

TABLE 31: CHANGES IN INTANGIBLE ASSETS IN 2016

IN EUR THOUSAND

| | Long-term property rights | Other intangible assets | Intangible assets under construction | Total |
|---------------------------------------|------------------------------|----------------------------|-----------------------------------------|---------------|
| HISTORICAL COST | | | | |
| Balance as at 1 January 2016 | 3,972 | 4,305 | 223 | 8,500 |
| Acquisitions | 0 | 0 | 108 | 108 |
| Activations | 4 | 16 | -20 | 0 |
| Balance as at 31 December 2016 | 3,976 | 4,321 | 311 | 8,608 |
| VALUE ADJUSTMENT | | | | |
| Balance as at 1 January 2016 | -3,232 | -948 | 0 | -4,180 |
| Amortisation | -178 | -290 | 0 | -468 |
| Other | 3 | 0 | 0 | 3 |
| Balance as at 31 December 2016 | -3,407 | -1,238 | 0 | -4,645 |
| CARRYING AMOUNT | | | | |
| Balance as at 1 January 2016 | 740 | 3,357 | 223 | 4,320 |
| Balance as at 31 December 2016 | 569 | 3,083 | 311 | 3,962 |

NOTE 12: Other non-current assets

Other non-current assets in the amount of EUR 29 thousand (EUR 49 thousand as at 31 December 2016) comprise non-current deferred costs and expenses.

NOTE 13: Loans and deposits

TABLE 32: COMPOSITION OF LOANS AND DEPOSITS

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|----------------------------------------------|------------------|------------------|
| Long-term loans granted and deposits | 229 | 10 |
| - loans to subsidiaries | 189 | 0 |
| - deposits | 40 | 10 |
| Short-term loans granted and deposits | 1,211 | 1,343 |
| - loans to subsidiaries | 1,181 | 1,293 |
| - deposits | 30 | 50 |
| Total | 1,440 | 1,353 |

As at the balance-sheet date, the Company had pledged long-term deposits in the amount of EUR 40 thousand and short-term deposits in the amount of EUR 30 thousand as collateral for contingent liabilities.

TABLE 33: CHANGES IN LONG-TERM LOANS GRANTED AND DEPOSITS

IN EUR THOUSAND

| | 2017 | 2016 |
|----------------------------------|------------|------------|
| Balance as at 1 January | 10 | 253 |
| New deposits | 40 | 10 |
| New loans | 290 | 0 |
| Transfer from current portion | 20 | 0 |
| Transfer to current portion | -131 | -253 |
| Balance as at 31 December | 229 | 10 |

TABLE 34: LONG-TERM LOANS GRANTED AND DEPOSITS BY MATURITY

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|----------------------------|------------------|------------------|
| Maturity from 1 to 2 years | 127 | 10 |
| Maturity from 2 to 3 years | 102 | 0 |
| Total | 229 | 10 |

TABLE 35: LONG-TERM LOANS GRANTED WITH RESPECT TO COLLATERAL

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|--------------------------------------|------------------|------------------|
| Secured (based on bills of exchange) | 0 | 223 |
| Secured (other forms of collateral) | 189 | 0 |
| Total | 189 | 223 |

TABLE 36: SHORT-TERM LOANS GRANTED WITH RESPECT TO COLLATERAL

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|-------------------|------------------|------------------|
| Secured | 776 | 703 |
| Bills of exchange | 776 | 703 |
| Unsecured | 406 | 590 |
| Total | 1,182 | 1,293 |

NOTE 14: Other non-current financial assets

TABLE 37: OTHER NON-CURRENT FINANCIAL ASSETS

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|-------------------------------------------------------------------------------|------------------|------------------|
| Non-current investments in shares and participating interests in subsidiaries | 44,257 | 45,169 |
| Non-current investments in participating interests in associates | 39 | 39 |
| Other non-current financial assets | 27 | 531 |
| Total | 44,323 | 45,739 |

TABLE 38: INVESTMENTS IN SHARES AND PARTICIPATING INTERESTS IN SUBSIDIARIES

IN EUR THOUSAND

| | Ownership stake as at 31 December 2017/31 December 2016 | Value of equity as at 31 December 2017 | Value of equity as at 31 December 2016 | Value of participating interest as at 31 December 2017 | Value of participating interest as at 31 December 2016 |
|-------------------------------------------------------|---------------------------------------------------------|----------------------------------------|----------------------------------------|--------------------------------------------------------|--------------------------------------------------------|
| Intereuropa Transport, d.o.o., Koper (in liquidation) | 100.00% | 0 | 40 | 0 | 0 |
| Interagent, d.o.o., Koper | 100.00% | 557 | 635 | 430 | 430 |
| Interzav, d.o.o., Koper | 71.28% | 71 | 68 | 48 | 48 |
| Intereuropa, logističke usluge, d.o.o., Zagreb | 99.96% | 42,216 | 50,531 | 22,104 | 22,104 |
| Intereuropa sajam, d.o.o., Zagreb | 51.00% | 666 | 664 | 32 | 32 |
| Intereuropa Skopje DOO, Skopje | 99.56% | 1,845 | 1,820 | 855 | 855 |
| Intereuropa RTC d.d., Sarajevo | 95.77% | 11,062 | 15,285 | 7,438 | 7,438 |
| AD Intereuropa logističke usluge, Belgrade | 73.62% | 8,238 | 7,111 | 3,658 | 3,658 |
| TOV TEK ZTS d.o.o., Uzhhorod | 89.93% | -162 | -12 | 250 | 250 |
| Intereuropa Kosova L.L.C., Prishtina | 90.00% | 582 | 530 | 137 | 137 |
| Zetatrans A.D., Podgorica | 69.27% | 15,249 | 19,908 | 9,274 | 10,186 |
| TOV Intereuropa – Kiev, Ukraine | 100.00% | -374 | -235 | 0 | 0 |
| Intereuropa Albania, Durrës | 100.00% | 82 | 84 | 30 | 30 |

The carrying amount of pledged investments in shares and participating interests in subsidiaries was EUR 9,274 thousand as at the reporting date. That amount represents additional collateral for liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

Liquidation proceedings against Intereuropa Transport d.o.o. were completed in December 2017. The aforementioned subsidiary was deleted from the companies register on 28 December 2017. The capital of TOV Intereuropa – Kiev, Ukraine was increased by EUR 28 thousand.

TABLE 39: CHANGES IN INVESTMENTS IN SUBSIDIARIES

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|--------------------------------|------------------|------------------|
| Balance as at 1 January | 45,169 | 46,453 |
| Capital increase | 28 | 1,337 |
| Impairments | -940 | -2,620 |
| Closing balance | 44,257 | 45,169 |

The Company uses the discounted cash flow model to assess the recoverable amount of investments. Valuation is based on data from projections of future operations for the period 2018 to 2021, and the use of a WACC of between 9.3% and 14.4%, taking into account a long-term inflation rate of 2%.

Because the appraised value of the financial investments in Zetatrans A.D. Podgorica and TOV Intereuropa – Kiev, Ukraine according to the discounted cash flow model is lower than the carrying amount of those investments, their value was also appraised on the basis of the net value of assets. The appraised value based on the net value of assets was taken into account because it was higher than the value arrived at using the discounted cash flow model.

For this reason, impairments of the financial investments in Zetatrans A.D., Podgorica and TOV Intereuropa – Kiev, Ukraine were recognised in the respective amounts of EUR 912 thousand and EUR 28 thousand.

Associate

This item comprises an investment in the associate Rail Cargo Logistics, Železniška špedicija, d.o.o., Ljubljana, in which Intereuropa d.d. held a 26% participating interest as at 31 December 2017. The carrying amount of that investment was EUR 39 thousand, which was equal to the amount as at the same day the previous year.

Available-for-sale financial assets

TABLE 40: CHANGES IN AVAILABLE-FOR-SALE FINANCIAL ASSETS

IN EUR THOUSAND

| | 31 December 2017 | | 31 December 2016 | |
|--------------------------------|---------------------------------------------------|--------------------------------------------------------|---------------------------------------------------|--------------------------------------------------------|
| | Available-for-sale financial assets at fair value | Available-for-sale financial assets at historical cost | Available-for-sale financial assets at fair value | Available-for-sale financial assets at historical cost |
| Balance as at 1 January | 451 | 80 | 404 | 104 |
| Revaluation to fair value | 0 | 0 | 47 | 0 |
| Sales | -451 | -19 | 0 | -19 |
| Impairments | 0 | -34 | 0 | -5 |
| Closing balance | 0 | 27 | 451 | 80 |

Available-for-sale financial assets measured at historical cost comprise investments in shares and participating interests in companies that do not have a quoted market price on an active market. The Company therefore measured their value at historical costs, as their actual values cannot be reliably measured.

As at 31 December 2017, the Company had no available-for-sale financial assets pledged as collateral or security for liabilities recognised in the statement of financial position or for contingent liabilities.

NOTE 15: Current operating receivables

TABLE 41: CURRENT OPERATING RECEIVABLES

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|-----------------------------------------------------------------|------------------|------------------|
| Current operating receivables from Group companies | 581 | 577 |
| Current operating receivables from Group companies for interest | 188 | 216 |
| Current trade receivables (excluding the Group) | 22,302 | 18,551 |
| Current operating receivables from others | 742 | 945 |
| Total | 23,814 | 20,290 |

Of the total trade receivables (including trade receivables within the Group) as at 31 December 2017 in the amount of EUR 22,883 thousand, EUR 962 thousand relate to receivables for services in progress.

Current operating receivables in the amount of EUR 827 thousand as at 31 December 2017 were secured by enforcement drafts, guarantees and liens, and retention of title.

TABLE 42: CHANGES IN ADJUSTMENTS TO THE VALUE OF CURRENT OPERATING RECEIVABLES

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|------------------------------------------------------------------------------|------------------|------------------|
| Adjustments to value of trade receivables as at 1 January | 2,267 | 2,615 |
| - written-off receivables | -551 | -436 |
| - recovered receivables | -117 | -109 |
| + additional increase in adjustments to value | 216 | 196 |
| + transfer upon the completion of the liquidation of a subsidiary | 278 | 0 |
| Adjustments to value of trade receivables as at | 2,092 | 2,267 |
| Adjustments to the value of other current receivables as at 1 January | 1,256 | 1,263 |
| - recovered receivables | -84 | -7 |
| + transfer upon the completion of the liquidation of a subsidiary | 92 | 0 |
| Adjustments to the value of other current receivables as at | 1,264 | 1,256 |

TABLE 43: STRUCTURE OF CURRENT TRADE RECEIVABLES BY MATURITY (EXCLUDING GROUP COMPANIES)

IN EUR THOUSAND

| | Gross value as at 31 December 2017 | Value adjustment as at 31 December 2017 | Gross value as at 31 December 2016 | Value adjustment as at 31 December 2016 |
|--------------------------------------------------|---------------------------------------------|-----------------------------------------------------|---------------------------------------------|-----------------------------------------------------|
| Current trade receivables | | | | |
| Non-past-due | 17,761 | 3 | 15,046 | 2 |
| 0 to 30 days past due | 2,962 | 0 | 2,426 | 1 |
| 31 to 90 days past due | 1,113 | 3 | 617 | 6 |
| 91 to 180 days past due | 306 | 48 | 407 | 9 |
| More than 180 days past due | 2,252 | 2,038 | 2,322 | 2,249 |
| Total current trade receivables | 24,394 | 2,092 | 20,818 | 2,267 |
| Other current operating receivables | | | | |
| Non-past-due | 742 | 0 | 945 | 0 |
| More than 180 days past due | 1,264 | 1,264 | 1,256 | 1,256 |
| Total other current operating receivables | 2,007 | 1,264 | 2,201 | 1,256 |

Court proceedings (enforcement, lawsuits, bankruptcy and compulsory composition) have been initiated for the majority of receivables more than 181 days in arrears. Exposure to various types of risks arising from trade receivables is managed through the use of a credit rating system for domestic customers and by verifying the credit ratings obtained from specialised companies for foreign customers. Based on information obtained, customers with lower credit ratings are required to supply collateral instruments to secure payments (e.g. bills of exchange, pledges of movable property and sureties).

The Company had trade receivables with a carrying amount of EUR 10,000 thousand pledged as collateral as at the balance-sheet date. That amount represents additional collateral for contingent liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

NOTE 16: Other current assets

Other current assets amounting to EUR 136 thousand comprise current deferred costs.

NOTE 17: Cash and cash equivalents

Cash and cash equivalents amounted to EUR 413 thousand as at 31 December 2017, and comprise cash held in bank accounts, call deposits and cash in hand. The reasons for increases and decreases in cash and cash equivalents during 2017 are presented in the statement of cash flows.

NOTE 18: Equity

Share capital

The Company's share capital amounted to EUR 27,488,803 as at 31 December 2017, and is divided into 16,830,838 ordinary registered freely transferable no-par-value shares and 10,657,965 freely transferable no-par-value preference shares. Ordinary shares provide their holders the right to participate in the management of the Company (voting right), the right to a share in profits and the right to a corresponding portion of residual assets after the liquidation or bankruptcy of the Company. The number of shares did not change relative to 31 December 2016.

Preference shares provide their holders the right to a share in profits and the right to a corresponding portion of residual assets after the liquidation or bankruptcy of the Company. Preference shares give their holders priority in the sharing of profits in the amount of EUR 0.01 (preferential amount) per share. The preferential amount is paid out in addition to the share in profits received by the holders of ordinary shares, in accordance with the relevant resolution on the use of distributable profit.

Share premium account

The share premium account may be used under the conditions and for the purposes set out by law. The share premium account is not distributable. There was no change in this item in 2017.

Profit reserves

Profit reserves comprise legal reserves, reserves for treasury shares and treasury shares as a deductible item. Profit reserves were unchanged in 2017.

Treasury shares

The Company holds 18,135 treasury shares. The historical cost of treasury shares was EUR 180 thousand. The Company holds no rights arising from treasury shares. Other group companies do not hold treasury shares. The number of treasury shares was unchanged in 2017.

Fair value reserves

Fair value reserves amounted to EUR 32,342 thousand, the full amount of which relates to the revaluation of land (including the revaluation of land prior to transfer to investment property). Changes during the financial year are disclosed in the statement of comprehensive income.

Net profit brought forward

The Company's net profit brought forward amounted to EUR 3,509 thousand as at the reporting date. Changes during the financial year are disclosed in the statement of comprehensive income and in the statement of changes in equity.

TABLE 44: BASIC EARNINGS PER SHARE

IN EUR THOUSAND

| Basic earnings per share | 2017 | 2016 |
|---------------------------------------------------------------|------------|---------------|
| Net profit or loss of ordinary shareholders (in EUR) | 159,090.32 | -2,179,822.37 |
| Average number of ordinary shares (excluding treasury shares) | 16,812,703 | 16,812,703 |
| Basic earnings per share (in EUR) | 0.01 | -0.13 |

Basic earnings per share (EUR 0.01) are calculated as net profit or loss pertaining to the parent company's ordinary shareholders divided by the weighted average number of ordinary shares (excluding treasury shares).

TABLE 45: DILUTED EARNINGS PER SHARE

IN EUR THOUSAND

| Diluted earnings per share | 2017 | 2016 |
|-------------------------------------|------------|---------------|
| Net profit or loss (in EUR) | 366,521.04 | -3,455,083.01 |
| Average number of total shares* | 27,488,803 | 27,488,803 |
| Diluted earnings per share (in EUR) | 0.01 | -0.13 |

* For the needs of calculating this indicator, we defined preference shares as potential ordinary shares that can be exchanged for ordinary shares. Because the principle of exchangeability has not been agreed with the holders of preference shares, the calculations in the table are of an informative nature and assume an exchange ratio of 1: 1.

Diluted earnings per ordinary share are equal to basic earnings per share because the parent company does not hold any dilutive potential ordinary shares.

NOTE 19: Provisions**TABLE 46: CHANGES IN PROVISIONS IN 2017**

IN EUR THOUSAND

| | Balance as at 1 January 2017 | Drawn down (used) | Reversed | Additional creation of provisions charged to expenses | Additional creation of provisions charged to equity | Balance as at 31 December 2017 |
|-----------------------------------------------------------------|------------------------------|-------------------|----------|-------------------------------------------------------|-----------------------------------------------------|--------------------------------|
| Provisions for severance pay at retirement and jubilee benefits | 993 | -79 | 0 | 89 | 20 | 1,023 |
| Provisions for lawsuits | 85 | 0 | 0 | 0 | 0 | 85 |
| Other non-current provisions | 0 | 0 | 0 | 878 | 0 | 878 |
| TOTAL | 1,078 | -79 | 0 | 967 | 20 | 1,986 |

The calculation of provisions for severance pay at retirement and jubilee benefits is based on an actuarial calculation for 2017, in which the following assumptions were taken into account:

- the number of employees, their gender, age, total length of service, length of service with the Company and employees' gross wages for December 2017;
- the method for calculating severance pay at retirement (two average gross salaries of an employee or two average gross salaries in the Republic of Slovenia);
- wage growth (of 1%) comprising general wage growth (of 0.5%) and individual wage growth (of 0.5%);
- age-based employee turnover, prerequisites for retirement in accordance with the minimum conditions for exercising the right to an old-age pension;
- the mortality rate based on the latest available mortality tables for the local population; and
- an annual discount rate of 2.075%, which is the sum of the country spread for Slovenia and the yield on 10-year German bonds.

With regard to provisions for lawsuits, there is a better than 50% probability that the court will rule in favour of the plaintiff's claim, which would result in the outflow of cash embodying economic benefits. Provisions were created on the basis of assessments by legal experts.

The Company assessed on the basis of past liabilities that an outflow of cash is probable. It therefore created other non-current provisions in the amount of EUR 878 thousand.

TABLE 47: CHANGES IN PROVISIONS IN 2016

IN EUR THOUSAND

| | Balance as at 1 January 2016 | Drawn down (used) | Reversed | Additional creation of provisions charged to expenses | Additional creation of provisions charged to equity | Balance as at 31 December 2016 |
|-----------------------------------------------------------------|------------------------------|-------------------|----------|-------------------------------------------------------|-----------------------------------------------------|--------------------------------|
| Provisions for severance pay at retirement and jubilee benefits | 780 | -99 | 0 | 146 | 166 | 993 |
| Provisions for lawsuits | 481 | -396 | 0 | 0 | 0 | 85 |
| Other non-current provisions | 4,160 | -4,160 | 0 | 0 | 0 | 0 |
| TOTAL | 5,421 | -4,655 | 0 | 146 | 166 | 1,078 |

TABLE 48: CHANGES IN PROVISIONS FOR SEVERANCE PAY AND JUBILEE BENEFITS

IN EUR THOUSAND

| | Balance 1 January 2017 | Interest expense | Payments | Increase during current year | Actuarial gains or losses | Total as at 31 December 2017 |
|-------------------|------------------------|------------------|------------|------------------------------|---------------------------|------------------------------|
| Provisions | 993 | 21 | -79 | 54 | 34 | 1.023 |
| Jubilee benefits | 253 | 6 | -50 | 14 | 14 | 237 |
| Severance pay | 740 | 15 | -29 | 40 | 20 | 786 |

TABLE 49: SENSITIVITY ANALYSIS WITH RESPECT TO THE DISCOUNT RATE AND EMPLOYEE TURNOVER RATE FOR 2017

| | Discount rate | | Turnover | |
|-------------------------------------------------|---------------|------|----------|------|
| | - 1 % | 1 % | - 1 % | 1 % |
| Change in % | | | | |
| Effect on balance of provisions in EUR thousand | 63 | -108 | 68 | -113 |

TABLE 50: SENSITIVITY ANALYSIS WITH RESPECT TO THE DISCOUNT RATE AND EMPLOYEE TURNOVER RATE FOR 2016

| | Discount rate | | Turnover | |
|--------------------------------------------------|---------------|-----|----------|-----|
| | - 1 % | 1 % | - 1 % | 1 % |
| Change in % | | | | |
| Effect on balance of liabilities in EUR thousand | 90 | -79 | 95 | -84 |

NOTE 20: Non-current operating liabilities

TABLE 51: NON-CURRENT OPERATING LIABILITIES

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|--------------------------------------------------------|------------------|------------------|
| Non-current trade payables | 282 | 306 |
| Non-current trade payables for employee profit-sharing | 90 | 0 |
| Total | 372 | 306 |

NOTE 21: Financial liabilities

The full amount of non-current financial liabilities (EUR 66,327 thousand) relates to long-term loans received.

TABLE 52: FINANCIAL LIABILITIES

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|---------------------------|------------------|------------------|
| Long-term loans received | 66,327 | 73,175 |
| Short-term loans received | 4,663 | 3,986 |
| Liabilities for dividends | 533 | 426 |
| Total | 71,523 | 77,587 |

Short-term loans received comprise the short-term portion of long-term loans.

The Company had no overdue unpaid liabilities under loan agreements as at the reporting date.

Liabilities for dividends in the amount of EUR 533 thousand comprise liabilities to the holders of preference shares.

TABLE 53: CHANGES IN LONG-TERM LOANS RECEIVED

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|----------------------------------|------------------|------------------|
| Balance as at 1 January | 73,175 | 90,109 |
| Transfer to current liabilities | -4,163 | -3,986 |
| Repayments | -2,685 | -12,948 |
| Balance as at 31 December | 66,327 | 73,175 |

The Company had EUR 5,530 thousand in approved and undrawn revolving loans as at 31 December 2017.

During the 2017 financial year, the Company fulfilled all financial commitments agreed with banks, as set out in the financial restructuring agreement concluded in 2012.

TABLE 54: MATURITY OF LONG-TERM BANK LOANS RECEIVED

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|----------------------------|------------------|------------------|
| Maturity from 1 to 2 years | 66,327 | 4,163 |
| Maturity from 2 to 3 years | 0 | 69,012 |
| Total | 66,327 | 73,175 |

TABLE 55: LONG-TERM BANK LOANS RECEIVED WITH RESPECT TO COLLATERAL

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|-------------------------------------|------------------|------------------|
| Liens on real estate and securities | 66,327 | 73,175 |
| Total | 66,327 | 73,175 |

TABLE 56: SHORT-TERM BANK LOANS RECEIVED WITH RESPECT TO COLLATERAL

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|-------------------------------------|------------------|------------------|
| Liens on real estate and securities | 4,163 | 3,986 |
| Unsecured | 500 | 0 |
| Total | 4,663 | 3,986 |

NOTE 22: Current operating liabilities

TABLE 57: STRUCTURE OF CURRENT OPERATING LIABILITIES

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|--------------------------------------------------|------------------|------------------|
| Current operating liabilities to Group companies | 357 | 358 |
| Current trade payables | 15,467 | 13,344 |
| Current operating liabilities based on advances | 46 | 59 |
| Other current operating liabilities | 2,005 | 2,087 |
| Total | 17,875 | 15,849 |

Of the total current operating liabilities as at 31 December 2017, EUR 2,147 thousand related to liabilities for costs for which suppliers' invoices were not yet received.

Only liabilities for customs duties amounting to EUR 2,756 thousand as at the balance-sheet date are secured by a bank guarantee. The Company did not issue collateral instruments to secure payments to other suppliers.

NOTE 23: Contingent liabilities

Contingent liabilities comprise potential liabilities not disclosed in the statement of financial position and for which the Company assesses that an outflow of economic benefits will not be likely in the settlement of those liabilities. The Company's estimated contingent liabilities as at 31 December 2017 are shown in the table below.

TABLE 58: CONTINGENT LIABILITIES

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|--------------------------------------------------------------|------------------|------------------|
| From bank guarantees and guarantees given to Group companies | 1,075 | 1,786 |
| From bank guarantees and guarantees given to others | 9,555 | 10,155 |
| From lawsuits | 58 | 299 |
| To D.S.U., družba za svetovanje in upravljanje, d.o.o. | 126 | 250 |
| Total | 10,814 | 12,490 |

Guarantees and warranties for Group companies primarily comprise guarantees for raised loans and the customs guarantees of subsidiaries. Other guarantees and warranties mainly comprise contingent liabilities arising from guarantees for potential customs liabilities that might arise due to transit procedures, the verification of origin, and various analyses and controls of goods.

With regard to contingent liabilities arising from lawsuits in the amount of EUR 58 thousand, there is a less than 50% probability that the court will rule in favour of the plaintiff's claim (which would result in the outflow of resources embodying economic benefits).

NOTE 24: Fair value

TABLE 59: FAIR VALUE OF FINANCIAL INSTRUMENTS

IN EUR THOUSAND

| | 31 December 2017 | | 31 December 2016 | |
|-------------------------------------|------------------|---------------|------------------|---------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Assets | | | | |
| Available-for-sale financial assets | 27 | 27 | 530 | 530 |
| - measured at fair value | 0 | 0 | 450 | 450 |
| - measured at historical cost | 27 | 27 | 80 | 80 |
| Loans and deposits | 1,441 | 1,441 | 1,353 | 1,353 |
| Trade receivables | 23,830 | 23,830 | 20,290 | 20,290 |
| Cash and cash equivalents | 413 | 413 | 1,822 | 1,822 |
| Total | 25,711 | 25,711 | 23,995 | 23,995 |
| Liabilities | | | | |
| Loans and finance leases | 70,990 | 70,990 | 77,161 | 77,161 |
| - at fixed interest rates | 500 | 500 | 0 | 0 |
| - at variable interest rates | 70,490 | 70,490 | 77,161 | 77,161 |
| Liabilities for dividends | 533 | 533 | 426 | 426 |
| Trade payables | 18,294 | 18,294 | 16,155 | 16,155 |
| Total | 89,817 | 89,817 | 93,316 | 93,316 |

The Company assesses that the carrying amount of receivables and liabilities with a maturity of less than one year is a proper reflection of their fair value.

TABLE 60: FAIR VALUE HIERARCHY

IN EUR THOUSAND

| Fair value hierarchy | 31 December 2017 | | | |
|--------------------------------------|------------------|----------|---------------|---------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Land | 0 | 0 | 46,639 | 46,639 |
| Available-for-sale financial assets | 0 | 0 | 27 | 27 |
| Loans and deposits | 0 | 0 | 1,441 | 1,441 |
| Operating receivables | 0 | 0 | 23,830 | 23,830 |
| Cash and cash equivalents | 0 | 0 | 413 | 413 |
| Total | 0 | 0 | 72,349 | 72,349 |
| Loans | 0 | 0 | 70,990 | 70,990 |
| - at fixed interest rates | 0 | 0 | 500 | 500 |
| - at variable interest rates | 0 | 0 | 70,490 | 70,490 |
| Liabilities for dividends | 0 | 0 | 533 | 533 |
| Operating liabilities | 0 | 0 | 18,294 | 18,294 |
| Total | 0 | 0 | 89,817 | 89,817 |
| Fair value hierarchy | 31 December 2016 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets measured at fair value | | | | |
| Land | 0 | 0 | 50,394 | 50,394 |
| Available-for-sale financial assets | 450 | 0 | 80 | 530 |
| Loans and deposits | 0 | 0 | 1,353 | 1,353 |
| Cash and cash equivalents | 0 | 0 | 1,822 | 1,822 |
| Total | 450 | 0 | 73,939 | 74,389 |
| Loans | 0 | 0 | 77,161 | 77,161 |
| - at fixed interest rates | 0 | 0 | 0 | 0 |
| - at variable interest rates | 0 | 0 | 77,161 | 77,161 |
| Liabilities for dividends | 0 | 0 | 426 | 426 |
| Operating liabilities | 0 | 0 | 16,652 | 16,652 |
| Total | 0 | 0 | 94,239 | 94,239 |

NOTE 25: Financial risks

Liquidity risk

Liquidity risk is managed through the active management of cash and includes:

- the monitoring and planning of cash flows;
- regular collection activities and daily contact with major customers; and
- the option of using short-term credit lines via banks.

The table illustrates estimated undiscounted cash flows, including future interest.

TABLE 61: LIQUIDITY RISK AS AT 31 DECEMBER 2017

IN EUR THOUSAND

| 31 December 2017 | Carrying amount | Total contractual cash flows | 6 months or less | 6 to 12 months | 1 to 2 years | 2 to 5 years | More than 5 years |
|-----------------------------------------------------------------|-----------------|------------------------------|------------------|----------------|---------------|--------------|-------------------|
| Loans received within the Group on the basis of loan agreements | 500 | 509 | 5 | 504 | 0 | 0 | 0 |
| Loans received from others on the basis of loan agreements | 70,490 | 73,656 | 3,016 | 3,004 | 67,636 | 0 | 0 |
| Liabilities for dividends | 533 | 533 | 0 | 533 | 0 | 0 | 0 |
| Operating liabilities to Group companies | 357 | 357 | 357 | 0 | 0 | 0 | 0 |
| Trade payables (excluding the Group) | 15,749 | 15,749 | 15,442 | 25 | 119 | 71 | 92 |
| Liabilities based on advances | 46 | 46 | 46 | 0 | 0 | 0 | 0 |
| Other operating liabilities | 2,095 | 2,095 | 2,005 | 0 | 90 | 0 | 0 |
| Total | 89,770 | 92,944 | 20,871 | 4,065 | 67,845 | 71 | 92 |

Financial liabilities from bank loans raised on the basis of the financial restructuring agreement fall due for payment during the second half of 2019. The Group is planning to pursue a strategy again in 2018 aimed at the sale of non-strategic real estate and further reduce the balance of bank loans, and thus mitigate liquidity risk. The Company intends to refinance the remaining portion of principal that matures during the second half of 2019.

The Company estimates a time span of between 6 months and 5 years for contingent liabilities from bank guarantees and guarantees issued in the amount of EUR 10,630 thousand.

TABLE 62: LIQUIDITY RISK AS AT 31 DECEMBER 2016

IN EUR THOUSAND

| 31 December 2016 | Carrying amount | Total contractual cash flows | 6 months or less | 6 to 12 months | 1 to 2 years | 2 to 5 years | More than 5 years |
|------------------------------------------------------------|-----------------|------------------------------|------------------|----------------|--------------|---------------|-------------------|
| Loans received from others on the basis of loan agreements | 77,161 | 82,519 | 3,022 | 3,012 | 6,100 | 70,385 | 0 |
| Liabilities for dividends | 358 | 358 | 358 | 0 | 0 | 0 | 0 |
| Operating liabilities to Group companies | 13,650 | 13,650 | 13,319 | 25 | 119 | 72 | 116 |
| Trade payables (excluding the Group) | 59 | 59 | 59 | 0 | 0 | 0 | 0 |
| Liabilities based on advances | 2,086 | 2,086 | 2,086 | 0 | 0 | 0 | 0 |
| Other operating liabilities | 93,314 | 98,672 | 18,844 | 3,036 | 6,219 | 70,457 | 116 |
| Total | | | | | | | |

TABLE 63: CURRENCY RISK AS AT 31 DECEMBER 2017

IN EUR THOUSAND

| 31 December 2017 | EUR | USD | Other | Total |
|-------------------------------------------------------------------------------|----------------|------------|------------|----------------|
| Operating receivables from Group companies | 769 | 0 | 0 | 769 |
| Other operating receivables | 22,879 | 175 | 6 | 23,061 |
| - of which trade receivables | 22,147 | 169 | 3 | 22,318 |
| Short-term loans to Group companies | 1,181 | 0 | 0 | 1,181 |
| Long-term loans to Group companies | 189 | 0 | 0 | 189 |
| Long-term deposits placed | 40 | 0 | 0 | 40 |
| Short-term loans granted and deposits placed with others | 30 | 0 | 0 | 30 |
| Short-term loans received from Group companies | -500 | 0 | 0 | -500 |
| Long-term loans from others | -66,327 | 0 | 0 | -66,327 |
| Short-term loans received from others and other current financial liabilities | -4,696 | 0 | 0 | -4,696 |
| Operating liabilities within the Group | -342 | -15 | 0 | -357 |
| Current operating liabilities to others | -17,665 | -209 | -16 | -17,890 |
| - of which trade payables | -15,532 | -203 | -15 | -15,749 |
| Exposure disclosed in the statement of financial position | -64,440 | -48 | -10 | -64,499 |

TABLE 64: CURRENCY RISK AS AT 31 DECEMBER 2016

IN EUR THOUSAND

| 31 December 2016 | EUR | USD | Other | Total |
|-------------------------------------------------------------------------------|----------------|------------|------------|----------------|
| Operating receivables from Group companies | 790 | 4 | 0 | 794 |
| Operating and other receivables | 19,424 | 72 | 0 | 19,496 |
| - of which trade receivables | 18,479 | 72 | 0 | 18,551 |
| Short-term loans to Group companies | 1,293 | 0 | 0 | 1,293 |
| Long-term deposits placed | 10 | 0 | 0 | 10 |
| Short-term loans granted and deposits placed with others | 50 | 0 | 0 | 50 |
| Long-term loans from others | -73,175 | 0 | 0 | -73,175 |
| Short-term loans received from others and other current financial liabilities | -4,412 | 0 | 0 | -4,412 |
| Operating liabilities within the Group | -358 | 0 | 0 | -358 |
| Current operating liabilities to others | -15,684 | -90 | -23 | -15,797 |
| - of which trade payables | -13,235 | -89 | -20 | -13,344 |
| Exposure disclosed in the statement of financial position | -72,062 | -14 | -23 | -72,099 |

TABLE 65: CREDIT RISK

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|------------------------------------------------------|------------------|------------------|
| Loans to Group companies | 1,371 | 1,293 |
| Loans granted and deposits placed with others | 70 | 60 |
| Operating receivables | 23,830 | 20,290 |
| - of which trade receivables within the Group | 581 | 577 |
| - of which receivables within the Group for interest | 188 | 216 |
| - of which trade receivables from others | 22,302 | 18,551 |
| Cash and cash equivalents | 413 | 1,822 |
| Sureties and guarantees issued | 1,075 | 1,786 |
| Total | 26,758 | 25,251 |

The table presents an interest-rate sensitivity analysis and the impact on profit or loss from ordinary operations.

TABLE 66: INTEREST-RATE RISK IN 2017

IN EUR THOUSAND

| Type of variable interest rate | Loan amount 31 December 2017 | Increase in IR by 10 basis points | Increase in IR by 25 basis points | Increase in IR by 50 basis points |
|--------------------------------|---------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| 3-month EURIBOR | 70,490 | -70 | -176 | -352 |

TABLE 67: INTEREST-RATE RISK IN 2016

IN EUR THOUSAND

| Type of variable interest rate | Loan amount 31.12.2016 | Increase in IR by 10 basis points | Increase in IR by 25 basis points | Increase in IR by 50 basis points |
|--------------------------------|---------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| 3-month EURIBOR | 77,161 | -77 | -193 | -386 |

TABLE 68: CAPITAL MANAGEMENT

IN EUR THOUSAND

| | 2017 | 2016 |
|-----------------------------------|-------------|-------------|
| Non-current financial liabilities | 66,327 | 73,175 |
| Current financial liabilities | 5,196 | 4,412 |
| Total financial liabilities | 71,523 | 77,587 |
| Equity | 84,884 | 87,118 |
| Debt / equity | 0.84 | 0.89 |
| Current financial assets | 1,211 | 1,593 |
| Cash and cash equivalents | 413 | 1,822 |
| Net financial liabilities | 69,899 | 74,172 |
| Net debt / equity | 0.82 | 0.85 |
| Total assets | 184,366 | 190,731 |
| Equity to total assets | 0.46 | 0.46 |

The main purpose of capital management is to ensure capital adequacy, the highest possible level of financial stability and long-term solvency for the needs of financing operations, and the maximisation of value for shareholders. The Company's debt-to-equity ratio was reduced at the end of 2017. The Company continued with deleveraging activities in 2017 in accordance with its strategic policy to reduce debt.

NOTE 26: Other notes

TABLE 69: COSTS OF AUDITING SERVICES

IN EUR THOUSAND

| | 2017 | 2016 |
|-------------------------------|-----------|-----------|
| Auditing of the annual report | 47 | 56 |
| Other audit services | 1 | 0 |
| Total | 48 | 56 |

Auditing services were provided by the audit firm KPMG Slovenija, d.o.o., Ljubljana. In 2017, the aforementioned company also examined certain items from the financial statements. Audit costs for the 2017 annual report were recognised taking into account the stage of completion of those services.

Related parties of Intereuropa d.d., Koper include:

- subsidiaries,
- an associate or joint venture, and
- the parent company's key management personnel and their immediate family members, and
- members of the Supervisory Board and their family members.

Key management personnel at the parent company are the members of the Management Board.

TABLE 70: DISCLOSURE OF TRANSACTIONS WITH RELATED PARTIES

IN EUR THOUSAND

| Revenues from the sale of services | Januar - december 2017 | Januar - december 2016 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Subsidiaries | 3,391 | 3,215 |
| Associate and joint venture* | 683 | 647 |
| Companies that are controlled or jointly controlled by an individual, or a member of their immediate family, who is in a relationship with Intereuropa d.d. | 9 | 0 |
| Costs of services | Januar - december 2017 | Januar - december 2016 |
| Subsidiaries | 2,094 | 2,065 |
| Associate and joint venture* | 3,854 | 3,765 |
| Companies that are controlled or jointly controlled by an individual, or a member of their immediate family, who is in a relationship with Intereuropa d.d. | 64 | 0 |
| Interest income | Januar - december 2017 | Januar - december 2016 |
| Subsidiaries | 44 | 61 |
| Income from participating interests | Januar - december 2017 | Januar - december 2016 |
| Subsidiaries | 448 | 750 |
| Associate and joint venture* | 39 | 34 |
| Balance of operating receivables | 31 December 2017 | 31 December 2016 |
| Subsidiaries | 769 | 794 |
| Associate | 104 | 130 |
| Companies that are controlled or jointly controlled by an individual, or a member of their immediate family, who is in a relationship with Intereuropa d.d. | 7 | 10 |
| Balance of operating liabilities | 31 December 2017 | 31 December 2016 |
| Subsidiaries | 357 | 358 |
| Associate | 534 | 500 |
| Loans granted | 31 December 2017 | 31 December 2016 |
| Subsidiaries | 1,370 | 1,293 |

* A portion of an investment in a joint venture was sold in 2016, resulting in that investment becoming a participating interest in an associate.

None of the above listed liabilities to related parties are secured nor has any guarantee been issued or received in connection with them. Liabilities to the associate or joint venture are generally settled by remittances, assignment or mutual netting. Transactions with related parties were executed according to market terms.

Remuneration of members of the Management Board, Supervisory Board and employees on individual contracts in 2017

The Company did not approve any advances, loans or sureties to members of the Management Board, Supervisory Board or employees on individual contracts.

TABLE 71: REMUNERATION OF THE MANAGEMENT BOARD MEMBERS

IN EUR

| | Function | Period (from – to) | Wages – fixed portion | | Wages – variable portion | | Severance pay | | Fringe benefits and other remuneration | | Total | |
|----------------------------|---------------------------|-----------------------|-----------------------|----------------|--------------------------|---------------|---------------|---------------|----------------------------------------|---------------|----------------|----------------|
| | | | Gross | Net | Gross | Net | Gross | Net | Gross | Net | Gross | Net |
| GORTAN ERNEST, MSc | Chairman of the Board | 1 Jan–31 Dec 2017 | 129,600 | 65,763 | 23,217 | 10,022 | 0 | 0 | 21,732 | 20,835 | 174,549 | 96,621 |
| TATJANA VOŠINEK PUCER, MSc | Deputy Chair of the Board | 1 Jan–30 Apr 2017 | 52,503 | 25,837 | 20,240 | 8,719 | 63,000 | 36,808 | 4,257 | 4,552 | 140,000 | 75,916 |
| MARKO CEGNAR | Member of the Board | 1 Jan–31 Dec 2017 | 126,005 | 64,194 | 20,936 | 9,065 | 0 | 0 | 10,541 | 10,971 | 157,483 | 84,230 |
| MARKO REMS | Member of the Board | 5 Jul–31 Dec 2017 | 51,501 | 26,609 | 0 | 0 | 0 | 0 | 3,226 | 3,158 | 54,727 | 29,767 |
| Total | | | 359,609 | 182,403 | 64,393 | 27,806 | 63,000 | 36,808 | 39,757 | 39,516 | 526,759 | 286,533 |

| | Function | Period (from – to) | Net fringe benefits and other remuneration | | | | | | | |
|----------------------------|---------------------------|-----------------------|--------------------------------------------|---------------------------------|-----------------------|---------------------------|---------------|-----------------|--------------------|---------------|
| | | | D&O insurance | Supplementary pension insurance | Other fringe benefits | Reimbursement of expenses | Severance pay | Share in profit | Other remuneration | TOTAL |
| GORTAN ERNEST, MSc | Chairman of the Board | 1 Jan–31 Dec 2017 | 0 | 2,725 | 1,984 | 1,151 | 0 | 0 | 14,976 | 20,835 |
| VOŠINEK PUCER TATJANA, MSc | Deputy Chair of the Board | 1 Jan–30 Apr 2017 | 0 | 1,081 | 876 | 502 | 36,808 | 0 | 2,094 | 41,360 |
| MARKO CEGNAR | Member of the Board | 1 Jan–31 Dec 2017 | 0 | 2,725 | 2,898 | 1,316 | 0 | 0 | 4,032 | 10,971 |
| MARKO REMS | Member of the Board | 5 Jul–31 Dec 2017 | 0 | 940 | 1,668 | 551 | 0 | 0 | 0 | 3,158 |
| Total | | | 0 | 7,470 | 7,425 | 3,519 | 36,808 | 0 | 21,102 | 76,324 |

TABLE 72: REMUNERATION OF SUPERVISORY BOARD MEMBERS

IN EUR

| | Function | Period (from – to) | Remuneration for function performed | Remuneration for work on committees | Session attendance fees | Reimbursement of expenses | Share in profit | Other remuneration and fringe benefits | Total |
|--------------------|------------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|-------------------------|---------------------------|-----------------|----------------------------------------|----------------|
| KLEMEN BOŠTJANČIČ | Chairman of the Supervisory Board | 1 January 2017–21 June 2017 | 11,612 | 1,540 | 1,650 | 436 | 0 | 0 | 15,238 |
| MAŠA ČERTALIČ, MSc | Member of the Supervisory Board | 1 January 2017–9 September 2017 | 10,733 | 1,760 | 1,650 | 234 | 0 | 0 | 14,377 |
| MIRO MEDVEŠEK | Member of the Supervisory Board | 1 January 2017–9 September 2017 | 11,799 | 2,860 | 1,925 | 544 | 0 | 0 | 17,128 |
| JURE FIŠER | Member of the Supervisory Board | 1 January 2017–31 December 2017 | 15,534 | 2,860 | 2,200 | 2,850 | 0 | 0 | 23,444 |
| LJUBO KOBALE | Member of the Supervisory Board | 1 January 2017–19 November 2017 | 13,406 | 1,760 | 2,475 | 1,936 | 0 | 0 | 19,578 |
| NEVIJA PEČAR | Deputy Chair of the Supervisory Board | 1 January 2017–19 November 2017 | 14,473 | 3,300 | 2,200 | 798 | 0 | 0 | 20,771 |
| TJAŠA BENČINA | Deputy Chair of the Supervisory Board | 20 November 2017–31 December 2017 | 443 | 0 | 275 | 0 | 0 | 0 | 718 |
| ZLATKA ČRETNIK | Member of the Supervisory Board | 20 November 2017–31 December 2017 | 412 | 0 | 275 | 207 | 0 | 0 | 894 |
| MATIJA VOJSK, MSc | Member of the Supervisory Board | 30 June 2017–31 December 2017 | 5,035 | 440 | 825 | 372 | 0 | 0 | 6,672 |
| ROK RAPE, DSc | Member of the Supervisory Board | 10 September 2017–31 December 2017 | 2,756 | 220 | 550 | 224 | 0 | 0 | 3,750 |
| VOJKO ČOK | Chairman of the Supervisory Board | 10 September 2017–31 December 2017 | 3,318 | 0 | 550 | 0 | 0 | 0 | 3,868 |
| BARBARA NOSE | External member of the Supervisory Board | 1 January 2017–31 December 2017 | 7,150 | 0 | 1,980 | 334 | 0 | 0 | 9,464 |
| Total | | | 96,671 | 14,740 | 16,555 | 7,935 | 0 | 0 | 135,901 |

TABLE 73: REMUNERATION OF EMPLOYEES ON INDIVIDUAL CONTRACTS

IN EUR

| | Gross wages | Fringe benefits and other remuneration (annual leave allowance, reimbursement of work-related expenses, severance pay, jubilee benefits, etc.) | Total remuneration |
|--------------------------------------|-------------|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| Employees under individual contracts | 1,514,284 | 264,359 | 1,778,643 |

NOTE 27: Distributable profit

Distributable profit amounted to EUR 3,849 thousand as at 31 December 2017.

TABLE 74: DISTRIBUTABLE PROFIT

IN EUR THOUSAND

| | 31 December 2017 | 31 December 2016 |
|-------------------------------------------|------------------|------------------|
| Net profit or loss for the financial year | 340 | -3,455 |
| Net profit brought forward | 3,509 | 6,951 |
| Total distributable profit | 3,849 | 3,496 |

NOTE 28: Events after the balance-sheet date

There were no significant events after the balance-sheet date.



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Independent Auditor's Report

To the owners of Intereuropa d.d.

Audit report on unconsolidated financial statements

Opinion

We have audited the separate financial statements of the Intereuropa d.d., Koper ("the Company"), which comprise the separate statement of financial position as of 31 December 2017, the separate statement of profit or loss and separate statement of comprehensive income, the separate statement of cash flows, and the separate statement of changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2017, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and EU Regulation (EU) No 537/2014. Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Separate Financial Statements* section of our report. We are independent in accordance with both the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the separate financial statements in Slovenia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Independent Auditor's Report hereof is a translation of the original Independent Auditor's Report in Slovene, issued on the financial statements and the notes thereto in Slovene and is not to be signed. This translation is provided for reference purposes only.

KPMG Slovenija, podjetje za revidiranje, d.o.o., slovenska družba
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vpis v sodni register: Okrožno sodišče v Ljubljani
št. reg. vl.: 061/12062100
osnovni kapital: 54.892,00 EUR
ID za DDV: SI20437145
matična št.: 5648556



Fair value of land lots

The carrying amount of land as at 31 December 2017: EUR 46.639 thousand (31 December 2016: EUR 50.394 thousand); fair value reserve as at 31 December 2017: EUR 32.342 thousand (31 December 2016: EUR 34.929 thousand); total revaluation loss for land lots through other comprehensive income in 2017: EUR 2.950 thousand (2016: EUR 8.283 thousand); Impairment loss recognised in profit and loss statement for impairment of PPE in amount EUR 1.707 thousand (2016: EUR 80 thousand).

We refer to the financial statements: Notes II (d) Property, plant and equipment and II (h) Impairment of assets (significant accounting policies), Notes V 6. Other operating expenses; 9: Property, plant and equipment and 18: Equity (notes to the financial statements).

| Key audit matter | Our response |
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| <p>The Company's property, plant and equipment includes land lots at various locations across Slovenia used to support its business operations, primarily in providing warehousing and storage services. The land's total carrying amount, stated at EUR 46.639 thousand as at 31 December 2017, is determined based on the revaluation model. Pursuant to the model, the carrying amount of the land is determined as its fair value at the date of most recent revaluation less any subsequent impairment losses.</p> <p>The Company estimates the fair values of its land lots with the assistance of contracted external appraisers, and by reference to the lots' market values, based on the prices observed in recent transactions with similar assets. Therefore, the determination of these fair values involves application of significant judgement and estimates by the Management Board, including primarily those in respect of the selection of comparable lots and transactions and any adjustments to the those transaction prices to reflect the specific attributes of the Company's land lots, such as the size, location and restriction on use.</p> <p>In light of the above circumstances, we consider determination of the fair value of land to be a key audit matter.</p> | <p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> Assessing the competence, experience and objectivity of the external experts engaged by the Company and considering whether there were any matters that might have limited the scope of their work. Assessing the fair value measurement methodology used by the Company's external appraisers against the requirements of the relevant financial reporting standards; With the support of external valuation experts engaged by us, critically evaluating the judgements and assumptions used in the Company land valuations. This included, but was not limited to: <ul style="list-style-type: none"> Assessing the selection of comparable transactions and reasonableness of any related adjustments for size, location, type of transaction; By reference to the respective land acquisition and ownership documents, evaluating, for each individual lot, the accuracy and relevance of the input data, such as, among others, comparability of location, intended use of the land and size of land lots in the appraisers report; Inspecting the Company's recent land lot sales transactions to assess whether they resulted in significant profits or losses in order to assess the historical accuracy of fair value estimates. |

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| | <ul style="list-style-type: none"> Evaluating the appropriateness and sufficiency of the financial statements disclosures in respect of fair value measurements. |
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| Impairment of property plant and equipment and investment property | |
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| <p>The carrying amount of property, plant and equipment as at 31 December 2017, less the value of land lots: EUR 43.210 thousands (2016: EUR 46.418 thousands) and Impairment loss of property plant and equipment in the amount of EUR 937 thousands as at that date. The carrying amounts of investment property as at 31 December 2017 EUR 8.668 thousand and Impairment loss of investment properties in the amount of EUR 708 thousand as at that date (2016: EUR 0 thousand).</p> <p>We refer to the separate financial statements: Notes II (d) Property, plant and equipment, Notes II (f) Investment property and II (h) Impairment of assets (significant accounting policies), Notes V. 9: Property, plant and equipment, 10. Investment property and 18: Equity (notes to the financial statements).</p> | |
| Key audit matter | Our response |
| <p>The Company's property, plant and equipment (PPE) includes buildings and equipment at various locations across Slovenia used to support its business operations, primarily in providing warehousing and storage services. The property, plant and equipment's total carrying amount, stated at EUR 43.210 thousand as at 31 December 2017, is determined based on its cost less accumulated depreciation and any subsequent impairment losses.</p> <p>The Company's investment properties includes land and buildings at various locations across Slovenia that are leased out and hold for purpose of achieving renting income or for appreciation in value.</p> <p>The investment property's total carrying amount, stated at EUR 8.668 thousand as at 31 December 2017, is determined based on the cost model.</p> <p>Management's process of identifying impairment indicators and, where necessary, estimating the recoverable amounts of items of property plant and equipment or related cash-generating units (CGUs) is complex and requires significant judgement.</p> <p>In 2017 the Company identified presence of impairment triggers in some of the major CGUs in Slovenia and abroad and therefore decided to</p> | <p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> Testing the design and implementation of internal controls relating to impairment testing process; Evaluating the Management Board's assessment of impairment indicators for property, plant and equipment and investment property, and the appropriateness of grouping assets into CGUs; Testing of the Management Board's assumptions used in the value-in-use calculations. The procedure included: <ul style="list-style-type: none"> Comparing cash flows used to management reporting information related to the given CGU's performance in the current and past year; Comparing observable market inputs in the calculation of discount rates to market data. Assessing the method of determination of terminal value and assumptions used in estimating the terminal growth rate. |

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| <p>start the assessment of impairment of all its identifiable CGU's.</p> <p>Management's assessment resulted in PPE related impairment losses in the amount of EUR 937 thousand and investment property related impairment losses recorded of EUR 708 thousand in the separate financial statements.</p> <p>The Company estimated the recoverable amounts of its property, plant and equipment with the assistance of contracted external appraisers, and by reference to the higher of the value in use or the recoverable of fair value less costs of disposal. As CGUs include land lots that are accounted to at fair value, the recoverable amount of PPE was determined as residual of recoverable amount of complete CGU and fair value of land.</p> <p>Therefore, the determination of these recoverable values involves application of significant judgement and estimates by the management, including :</p> <ul style="list-style-type: none"> • assumptions in respect of cash flows, discount rates and terminal values used in the value in use calculations, • judgements in respect of appropriateness of grouping assets into cash generating units • Selection of comparable properties and transactions, and any adjustments to related transaction prices to reflect the specific attributes of the Company's properties, such as the size, location and restriction on use. <p>In light of the above circumstances, we consider determination of the value of property plant and equipment to be a key audit matter.</p> | <ul style="list-style-type: none"> • Assessing the historical accuracy of the Management Board's estimates, by comparing the prior year's plan to the actual outcomes in 2017; • Evaluating the competence, experience and objectivity of external appraisers engaged by the Company, with whom we also discussed the valuation reports and the work performed; • With the assistance from external valuation experts engaged by us, evaluating the appropriateness and consistency of valuation methodologies applied in determination of recoverable amounts. • For appraised values with no impairment necessary, testing on a sample basis whether that recoverable amount was defined as higher of value in use or fair value less costs of disposal. • Where impairment was based on the value in use method evaluation of the appropriateness of input and estimates entering value in use calculation, such as estimated revenues, risk adjusted discount rate and market growth rate, terminal growth rate. • Where impairment was based on the asset's fair value less costs of disposal method we have evaluated the appropriateness of the valuation method used with assistance from external valuation experts engaged by us. Where fair value less cost of disposal was based on comparable transactions, assessment if the appropriate adjustment for size, location and intended use were made. Where fair value less cost of disposal was based on market capitalisation method we evaluated the appropriateness of input data like market capitalisation rate, deduction for vacancy and deduction for bad debt and estimated useful life of related real estate improvements. • Evaluating the adequacy of the impairment-related disclosures in the separate financial statements. |
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| Revenue recognition | |
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| <p>Revenue from sales recognised in 2017: EUR 103.976 thousand (2016: EUR 91.052 thousand). Other liabilities relates to deferral accounts as at 31 December 2017 EUR 2.035 thousands (31 December 2016: EUR 2.087 thousand).</p> <p>We refer to the financial statements: Note II (m) Revenues (significant accounting policies), Note V. 1: Sales revenue (notes to the financial statements) and 22. Short term operating liabilities.</p> | |
| Key audit matter | Our response |
| <p>The Company's revenues come from a wide range of services: land transportation, sea freight, airfreight, customs services, automotive logistics and full undertaking of logistics functions. Revenue from these services is generally recognized by reference to their stage of completion at the reporting date.</p> <p>Assessment of the accuracy and timing of revenue recognition is one of the key judgemental areas for our audit, due to the multitude of revenue streams, as listed above, as well as the fact that services rendered are charged to customers in accordance with various types of service agreements.</p> <p>Also, the Company routinely sub-contracts its transportation services to external carriers. Significant judgment is required of management in assessing whether the Company acts as a principal or agent in performing those services, and consequently, whether or not the gross amounts received from customers in exchange for services rendered can be recognized as revenue. Assessing the reporting date stage of completion in respect of the sub-contracted services is also inherently complex.</p> | <p>Our procedures included, among others,</p> <ul style="list-style-type: none"> • Testing of the design, implementation and operating effectiveness of controls over the revenue cycle. This included using our own IT specialists in evaluating the controls in the IT systems that support the recording of revenue; • Assessing the Company's policy for recognizing revenue, including considering whether the policy is in accordance with relevant financial reporting standards; • For a sample of contracts entered into during the year, selected from all key revenue streams, assessing whether they were appropriately recognized within revenue and any accrued or deferred income at the year end. This included, among others: <ul style="list-style-type: none"> - Challenging management's conclusions with regards to selected aspects of accounting for revenues, such as potential agency or lease relationships, and the timing of revenue recognition. We focused on evaluation of the timing of transfer of risks and responsibilities taken by the Company as defined by incoterms used in transactions; - Critically evaluating the Company's estimates of the stage of completion of the services at the reporting date by inspecting of contracts and supporting documents, such as invoices received from the sub-contractors, customs documents, freight lists, and by reference to the Company's list of open orders as at 31 December 2017. |

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| | <ul style="list-style-type: none"> Inspecting a sample of credit notes issued after year-end in order to assess whether the revenue for the year was recognized in the appropriate period; Assessing the accuracy of accrued and deferred income balances by tracing a sample of such balances to invoices raised pre or post year end and recalculating the amount accrued or deferred based on contract terms and costs incurred in the period up to year end; Inspecting manual journal entries posted to revenue accounts as well as the underlying documentation, with particular focus on the journal entries after the balance sheet date. |
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| Impairment of investments in subsidiaries | |
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| <p><i>Investments in subsidiaries as at 31 December 2017: EUR 44.257 thousand (2016: EUR 45.169 thousand), impairment losses of investments in subsidiaries in 2017: EUR 940 thousand (2016: EUR 2.620 thousand).</i></p> <p><i>We refer to the financial statements: Notes II. (b) Financial instruments and II. (h) Impairment of assets (significant accounting policies), Notes V. 7: Finance income and costs and 14: Other non-current financial assets (notes to the financial statements).</i></p> | |
| Key audit matter | Our response |
| <p>The Company has 13 subsidiaries in a number of European countries that provide the same services as the Company and support the Company in serving its clients throughout the region. In the separate financial statements, investments in these subsidiaries are measured at cost less any accumulated impairment losses. At the end of each reporting period, management assesses whether there is any indication that investments in subsidiaries may be impaired, such as, among others, significant current losses, negative equity or below-budget performance. The Company identified 4 subsidiaries which show signs of impairment.</p> <p>For the investments which show signs of impairment, the Company estimates their recoverable amounts by identifying the higher of value in use or fair value less cost to sell, using</p> | <p>Our procedures included, among others:</p> <ul style="list-style-type: none"> Testing the design and implementation of internal controls relating to impairment testing process; Evaluating the reasonableness of the Company's judgments as to the existence of impairment indicators and consequently the requirement to perform related impairment tests, based on our understanding of the current market conditions and by independently assessing the investees' financial performance based on the analysis of their historical performance against past forecasts; For investments with identified impairment indicators, with the assistance of our own |

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| <p>internal model. In the process of estimating recoverable amounts management uses significant judgements and estimates, such as growth rates, WACC, forecasted revenues as well as comparable transactions and liquidation discounts. The above estimation uncertainty was especially high in respect of investments in shares of TOV Intereuropa Kiev and Zetatrans Podgorica, due to the fact that both of the subsidiaries operate in a country with an unstable political and economic situation.</p> <p>Due to the circumstances described we assessed the impairment of investments in subsidiaries to be a key audit matter.</p> | <p>valuation specialists assessing the Company's assumptions and estimates, applied to determine the assets' recoverable amounts. Our assessment covered, among other things:</p> <ul style="list-style-type: none"> - evaluating the appropriateness of the impairment model used for the assets in question; - challenging the reasonableness of the assumptions applied by the internal valuation experts, such as growth rates, WACC, liquidation discounts and appropriateness of comparable transactions; - evaluating the historic reliability of the Company's forecasts by comparing actual performance against previous forecasts. <ul style="list-style-type: none"> • With the assistance of our own valuation specialists we independently performed sensitivity analysis of impairment tests' results to changes in key assumptions, such as WACC and growth rate. • Considering the adequacy of the Company's disclosures related to the assumptions and significant judgements used at estimating recoverable amounts of investments in subsidiaries. |
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Other Information

Management is responsible for other information. The other information comprises the Introduction, Business Report and Sustainability Report included in the Annual report, but does not include the separate financial statements and our auditor's report thereon. Other information was obtained before the date of issuance of the auditor's report, except for the Minutes of the Supervisory Board's meeting on the adoption of the Annual report of the Intereuropa d.d. for the year ended 31 December 2017.

Our opinion on the separate financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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With respect to the Business Report, we have considered whether the Business Report includes the disclosures required by the Company's Act (hereafter referred to as "the applicable legal requirements").

Based solely on the work required to be undertaken in the course of the audit of the separate financial statements and the procedures above, in our opinion:

- the information given in the Business Report for the financial year for which the separate financial statements are prepared, is consistent in all material aspects with the separate financial statements; and
- the Business Report has been prepared in accordance with the applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment in which it operates, obtained in the course of our audit, we are required to report if we have identified material misstatements in the Business Report and other information that we obtained prior to the date of this auditors' report. We have nothing to report in this respect.

Responsibility of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation separate financial statements that give a true and fair view in accordance with the IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using of the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

We were appointed by General Meeting of Shareholders on 30 June 2017 to audit the separate financial statements of Intereuropa d.d. for the year ended 31 December 2017. Our total uninterrupted period of engagement is 2 years, covering periods ending 31 December 2016 to 31 December 2017. We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 18 April 2018;
- we have not provided any prohibited non-audit services (NASS) referred in Article 5 of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit;

For the period to which our statutory audit relates, in addition to the audit, we have provided the following service to the Company which are not disclosed in the Management Report or in the financial statements of the Company:

- Review of the report on the off-balance sheet items as at 31 December 2016 for off-balance items established in the process of ownership transformation of the Intereuropa d.d., Koper and under contract with the D.S.U., Property Management and Consultancy (LLC) Ljubljana.

On behalf of the auditing company

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Polona Repinc Kofol
Certified Auditor

Danilo Bukovec
Certified Auditor
Director

Ljubljana, 18 April 2018

KPMG Slovenija, d.o.o.

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