

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.

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.

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.

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.

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.

SUPERVISORY BOARD

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.

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.

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.

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.

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.

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.

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.

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	10.6.2009	9.6.2019	M
Marko Cegnar	Member of the Management Board	Forwarding and logistics, sales and marketing	19.3.2016	18.3.2020	M
Marko Rems	Member of the Management Board	Finance, accounting and controlling, real estate management and central procurement, and IT support	5.7.2017	4.7.2021	M
Tatjana Vošinek Pucer, MSc*	Deputy President of the Management Board	Finance, accounting and controlling, real estate management and central procurement, and IT support	25.5.2010	30.4.2017	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.

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.

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

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.

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.

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.

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.

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.

AUDITING

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.

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.

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.

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

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.

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.

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%.

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.

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

