



UNAUDITED INTERIM REPORT INTEREUROPA GROUP

JANUARY–JUNE 2016

The INTEREUROPA d.d. is publishing this Unaudited Report of Intereuropa Group for January-June 2016, in accordance with the Market in Financial Instruments Act (ZTFI).

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

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

The Unaudited Report of Intereuropa Group for January-June 2016 shall also be published on the web site of INTEREUROPA d.d. www.intereuropa.si on August 25, 2016.

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PERFORMANCE HIGHLIGHTS

Favourable economic climate continued in the second quarterly term, which fuelled the demand for logistic services. The on-going upward trend reflected on the financial results of the Group. The sales results of last year's term were surpassed by nearly all the group members, except in the companies in Macedonia and Albania. Noteworthy were growing sales revenues in our subsidiaries Ukraine and Croatia which yielded positive operation of respective subsidiaries, thanks to a number of actions and activities in the preceding term. Improved economic climate and favourable business development in our subsidiary in Ukraine brought high income growth in railway transport. A further highlight was enhanced business in the segments of warehousing and sea transport - in container and Ro-Ro segments, primarily in Slovenia. Slovenian market has also perceived growth in the physical volume of orders processed; however, the favourable trend was not followed by financial results due to strong competitive struggle and pressures on prices. We focus on acquiring new business and supplier management concurrently, aiming to improve the transport terms. In support of logistics processes, we proceed with development of integration of information solutions for both, business and finance and accounting processes.

Table 1: Performance highlights of Intereuropa Group and parent company Intereuropa d.d.

in EUR 1000	INTEREUROPA GROUP			INTEREUROPA D.D.		
	Jan - Jun 2016	Jan - Jun 2015	Index 16/15	Jan - Jun 2016	Jan - Jun 2015	Index 16/15
Sales Revenue	69,274	66,330	104	46,588	46,119	101
EBITDA	6,837	5,268	130	4,362	3,259	134
Operating profit or loss (EBIT)	3,573	2,027	176	2,413	1,304	185
Net profit or loss	1,956	191	-	1,984	842	236
EBITDA margin in %	9.9	7.9	124	9.4	7.1	132
EBIT margin in %	5.2	3.1	169	5.2	2.8	183
Sales Revenue per employee/month	8.464	8.062	105	12.969	12.678	102
Value Added per employee /month	2.458	2.155	114	3.583	3.065	117
	30.6. 2016	31.12. 2015	Index 16/15	30.6. 2016	31.12. 2015	Index 16/15
Assets	292,452	292,420	100	226,094	226,292	100
Equity	150,666	148,174	102	99,957	97,976	102
Net debt	80,020	80,392	100	80,089	80,160	100
No. of employees	1,425	1,417	101	619	624	99
	Jan - Jun 2016	Jan - Dec 2015	Index 16/15	Jan - Jun 2016	Jan - Dec 2015	Index 16/15
No. of shares at the end of term	27,488,803	27,488,803	100	27,488,803	27,488,803	100
Net earning per share (in EUR)	0.07	0.04	175	0.07	0.04	175
Closing price at the end of term (in EUR)	0.87	0.53	164	0.87	0.53	164
Book value of share at the end of term (in EUR)	3.64	3.57	102	3.64	3.57	102
Closing price / Book value of share	0.24	0.15	161	0.24	0.15	161
P/E	6.2	13.3	47	6.2	13.3	47

EBITDA: Earnings Before Interest, Taxes, Depreciation, Amortisation and Revaluation operating expenses for intangible assets, plant, property and equipment.

Net debt: financial liabilities – loans and deposits given – cash.

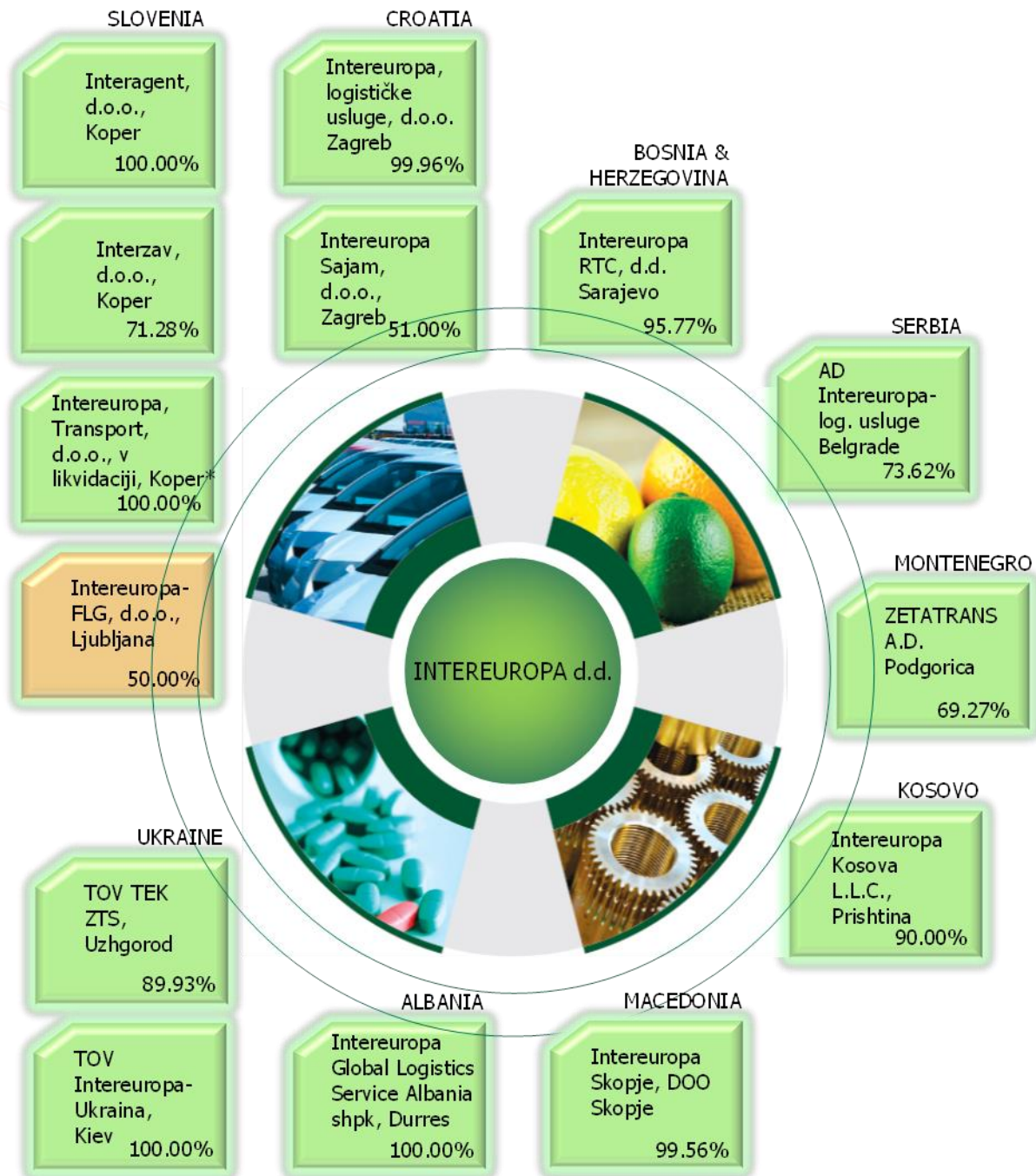
P/E: Closing price at the end of term/ Net earning per share on year level.

In the reporting half-year (January–June 2016), the Intereuropa Group achieved a sales revenue of EUR 69.3 million and surpassed the plan by one percent. Thereby, we improved the sales turnover of the comparable term last year by 4 percent. Our operating profit was EUR 3.6 million. The Group closed the reporting term with a net profit of EUR 2 million. The parent company Intereuropa d.d. was successful too, with EUR 2 million of net profit.

GROUP PROFILE

Parent company	
Intereuropa, Global Logistics Service, Ltd. Co.	
Abbreviated name	Intereuropa d.d.
Country of the parent company	Slovenia
Head office of the parent company	Vojkovo nabrežje 32, 6000 Koper
Comp. ID no.	5001684
Tax no.	56405006
Entry in Companies Register	Registered with the District Court in Koper, file no. 1/00212/00
Share capital	EUR 27,488,803
Number of of issued and paid-up shares	27,488,803 no-par value shares, of which 16,830,838 ordinary (IEKG) and 10,657,965 preferential (IEKN)
Share listing	Shares designated IEKG are included in Prime Market on the Ljubljana Stock Exchange, CEESEG.
Managing Board	Ernest Gortan, Msc., President of the Managing Board Tatjana Vošinek Pucer, Msc., Deputy President of the Managing Board Marko Cegnar, Member of the Managing Board (from 19. 2. 2016)
Chair of the Supervisory Board	Klemen Boštjančič

Intereuropa Group	
No. of employees	1,425 employees
Vehicle fleet	113 group-owned trucks, tractors, and trailers and other commercial vehicles
Total warehousing area	232,400 m ² in-house warehouse
Total land area	1,711,000 m ² of land area
Membership in international organisations	FIATA, IATA, FETA, FONASBA, BIMCO, IRU
Quality certificates	certificate ISO 9001:2008: <ul style="list-style-type: none"> ○ Intereuropa d.d., Koper ○ Intereuropa, log. usluge d.o.o. Zagreb ○ Intereuropa RTC d.d. Sarajevo
Branch network	Slovenia, Croatia, Montenegro, Bosnia & Herzegovina, Serbia, Kosovo, Macedonia, Albania, Ukraine



* Intereuropa Transport d.o.o., Koper has been in liquidation proceedings since January 17, 2012.

- Parent company
- Subsidiary
- Joint venture
- % of ownership by the Parent company

Figure 1: Intereuropa Group as of 30. 6. 2016

STRATEGIC OBJECTIVES

Vision

Being a top-ranked provider of integral logistics solutions.

Mission

The mission of the Group is to meet the needs for logistics services and provide an optimal functioning of supply chains to the complete satisfaction of our customers, while creating added value for shareholders, employees and other stake-holders in a socially responsible manner.

Values

Integrity. We respect the highest ethical principles, good business practices and customs. We operate in full compliance with the applicable legislation, guidelines, recommendations, and internal regulations of our Company.

Excellence. Our services aim to offer the best solutions to the needs of our customers and are based on our advanced logistics know-how.

Adaptability and flexibility. Our services are prompt and tailored to our customers' needs. We achieve the required flexibility by applying innovative approaches and lean organisation.

Responsibility. We are distinguished by a high level of responsibility towards the obligations we undertake, the deals we make, as well as the social and natural environments in which we live.

Teamwork and appreciation of employees. The quality of our services is the result of the work of individuals and expert teams. We value diverse types of knowledge, experiences and different views.

The implementation of our corporate vision relies on a strategy of four key dimensions: logistics-centred product development, customer management, geographical coverage and effective Group management.

The four dimensions of developmental strategy are underlying for the strategic baselines of the Group:

- consolidating and strengthening the position of the leading market provider of comprehensive logistics solutions in the countries of the former Yugoslavia,
- business process streamlining involving innovative IT solutions,
- building up the culture of an innovative organization, susceptible to change, around motivated workers and efficient team work,
- ensuring financial stability through divestment, de-leverage and effective management of working capital.

Strategic goals by 2019

1.	Sales revenue	EUR 166.0 million
2.	EBITDA	EUR 15.8 million
3.	Operating Profit (EBIT)	EUR 7.8 million
4.	Investments	Depreciation at 66% on average In five years, total 24.5 m EUR
5.	Number of employees at end of period	1,405 employees
6.	Debt management	Net debt/EBITDA: 3.4

BUSINESS PLAN 2016

While preparing the business plan for 2016, we integrated the strategic guidelines for the coming year from the Strategic Plan of the Intereuropa Group for the term 2015-2019, based on the starting position of the Intereuropa Group at the end of 2015, trends in the branch of logistics and forecasts of economic trends for our key markets.

Our core activities for the year 2016 will be to develop our current business and acquire new customers, which will generate growth in all our markets, business areas and products of our core business. Much effort will be dedicated to the optimization of business processes, to cost management and to on-going informatisation of business processes in the Group.

Key goal:

→ Growth of revenues in all markets, business areas and core products, while maintaining or improving the profitability.

Other goals:

- active cost management in the segments of services by seeking the optimal execution thereof, by obtaining better terms of purchase, and by cost efficiency of support functions;
- efficient management of working capital;
- to retain and motivate our most promising staff, upgrade the incentive-based remuneration system, maintain flexible employment forms, aiming to develop the corporate organizational culture towards a dynamic organization, susceptible to change arising from the business environment;
- introducing our integrated IT solution supporting the logistics processes of core business and the SAP information solution in the target subsidiaries;
- investing in projects with a short-term return and supporting the needs of our customers that are indispensable for retaining the asset value, or imposed by law;
- disposal of real estate that does not yield the expected economic effects of EUR 3 million or more.

Core financial goals:

- Sales revenue: EUR 137.1 million;
- EBITDA: EUR 13.1 million;
- Operating Profit (EBIT): EUR 6.3 million;
- Investments: EUR 4.5 million;
- Number of employees at the year-end: 1,441.

MAJOR EVENTS

THE PERIOD OF JANUARY – JUNE 2016

January

→ In January, Intereuropa joined the Slovenian business delegation to Iran and took part in the Slovenian-Iranian business forum. They met with Iranian logistics providers and other businessmen that open an opportunity for cooperation in automotive industry, pharmacy, steel industry, agricultural mechanization, etc. where Intereuropa can offer the services in shipping and land transport.

February

- On 19 February 2016, the Supervisory Board of Intereuropa d.d. appointed Marko Cegnar as a new member of the Managing Board, in charge of the sales for a four-year term of office.
- Our staff from conventional sea-freight segment attended the Fruit Logistics fair in Berlin, where they held meetings with customers and partners in business.
- In February, Intereuropa launched a regular groupage line for imports and exports between Serbia and Turkey, in which the Belgrade Hub is central for shipments from/to Turkey for the entire area in which the Group operates.

March

- In the session held on 3 March 2016, the Supervisory Board was informed on the performance of the Intereuropa Group in the financial year 2015. The Intereuropa Group made a sales revenue of EUR 134.6 million from the sale of logistics services. It achieved an operating profit of EUR 4.7 million, and a net profit of EUR 0.8 million.
- Between 8 and 12 March, Intereuropa took part in a partner conference organised by the HCL Conference (Ecu Air) in Lisbon, Portugal. Representatives of Intereuropa attended several meetings within the partner network and made new cooperation arrangements. Intereuropa received the award for being the 'most responsive agent in the HCL network'.
- Intereuropa also attended the meeting organised by the Port of Koper (Luka Koper d.d.) in Cairo, where our executives met with our current partners in business and made contacts with logistics operators from various partner networks.
- In March, Intereuropa established cooperation with a new partner for groupage services in Great Britain, jointly operating two regular weekly lines in import and export.
- On 31 March, Intereuropa attended the 7th Regional Business Plus Conference, in which regional companies discussed the role of branding.

April

- On 6 and 7 April, the Intereuropa' representatives took part in the congress on Supply Chain in Science and Practice, organised by the Slovenian Association for Logistics at Bernardin (Portorož). The convention offered an opportunity to meet with other players in the area of supply chain management, and Intereuropa made new acquaintances with prospects for cooperation.
- On 21 April, the Supervisory Board adopted the Audited Annual Report 2015, the Auditor's Report by the appointed external certified auditor, and the Report prepared by the Supervisory Board for the year 2015, following a due discussion of all reports.

May

- On 5 May, Intereuropa attended the Internautica (yacht exhibition) in the scope of organizing an event for our key customers, aiming to strengthen the ties of future business cooperation.
- On 10 May, Intereuropa took part in the employment fair "Employment - New Perspective", organized by the Koper Regional Unit of the Employment Service of the Republic of Slovenia. and presented its current or most frequently sought employee profiles.
- On 11 May, our representatives presented the logistic services of Intereuropa to potential customers and partners in business at the Port Day in Katowice (Poland).
- In the scope of our project 'Promoting Occupational Health in the Workplace', Intereuropa d.d. purchased four automatic external defibrillators (AED), that are located at the head-office of Intereuropa in Koper and in our facilities in Ljubljana, Celje and Maribor, available to any person in need.
- In the session of 18 May, the Supervisory Board took note of the unaudited annual report of the Intereuropa Group in the term January-March 2016, in which it generated EUR 33.7 million of revenues. It achieved an operating profit of EUR 1.7 million, and a net profit of EUR 0.7 million.
- On 25 May, Intereuropa attended the promotional event organized by Luka Koper (Port of Koper corporation) in Belgrade to strengthen our current business ties and presented our services to potential Serbian customers.

June

- From 31 May to 3 June, Intereuropa took part in the fair of sustainable intra-logistics, Intralogistics and Supply Chain Management (CeMAT) in Hannover.

EVENTS AFTER PERIOD CLOSING

- On 8 July was held the 29th Annual General Meeting of Intereuropa d.d., in which the shareholders were informed on the 2015 Annual Report of the Intereuropa Group, incl. the Auditor's Opinion. They granted the note of discharge to the Supervisory Board and Managing Board for their work in 2015, got informed on the appropriation of accumulated profit of the year 2015 that shall remain undistributed, and nominated the audit firm for the year 2016: KPMG, Slovenija, podjetje za revidiranje, d.o.o., Ljubljana.

BUSINESS REPORT

1. PERFORMANCE OF INTEREUROPA GROUP

1.1 Sales result

ECONOMIC TRENDS

The latest estimates by the International Monetary Fund (IMF) forecast a 3.1-percent growth for the world economy in the year 2016. In advanced countries, the average growth is estimated at 1.8 percent, in other economies at 4.1 percent.

Short-term indicators of economic activity and sentiment for the Euro Zone point to on-going economic growth in the second quarterly term, however, at a lower pace than to date. Activity in processing industries rose slightly in April, while retail trade and construction sector have been stagnating for some months in sequence. The situation in the labour market has improved and encouraged retail consumption. The prices of oil and raw materials have been rising, but are still considerably lower than in the past. The United Kingdom referendum decision for exit from the EU has brought much uncertainty regarding economic and political situation in Europe.

Most short-term economic activity indices in Slovenia has risen since the beginning of the second quarterly term. Favourable trends of cost-efficiency and competitiveness, in addition to foreign demand, fuelled the exports of goods and the production output volume in process industries. After several months of downward trend, the construction sector saw a slight improvement which remained fairly low. For the coming months, the economic climate indicator implies a gradual recovery of activity in most branches of industry, too.

Croatia, which came out of a long-lasting recession last year, has recorded the sixth consecutive quarterly term of growth that is primarily fuelled by increased retail consumption and by investments. Serbian economy has seen improved economic growth based on domestic consumption and increased exports in the first quarterly term, which slowed down in the second quarterly term as an outcome of decreased industrial output and retail consumption. In Montenegro, the growth rate decreased due to shrunken exports and public spending in the first quarterly term, while the rate of retail consumption doubled over the preceding quarterly term. Favourable economic growth rates are forecast for Bosnia and Herzegovina, Macedonia, Kosovo and Albania. After the downturn period has persisted for more than two years, Ukraine recorded a slight economic growth in the first quarterly term 2016; the recovery has continued at an uneven pace.

Table 2: Forecast of economic trends in geographic markets of the Intereuropa Group

Countries	GDP growth, in %		Inflation, in %		Exports of goods growth, in %		Imports of goods growth, in %	
	2016	2017	2016	2017	2016	2017	2016	2017
EU	1.8	1.9	1.0	1.5	2.9*	3.7*	3.8*	4.1*
Slovenia	1.7	2.4	0.6	1.2	3.5	4.9	2.9	5.3
Croatia	1.9	2.1	0.8	1.5	9.4	8.5	8.8	8.9
BiH	3.0	3.2	-0.3	1.5	6.0	5.2	6.8	3.6
Serbia	1.7	2.2	2.6	3.3	7.7	7.6	6.0	5.7
Kosovo	3.4	4.3	1.2	1.7	4.1	9.7	2.7	10.1
Montenegro	4.7	2.5	1.4	1.4	0.9	1.6	12.4	3.3
Macedonia	3.6	3.6	1.4	1.6	8.7	10.0	7.7	8.8
Albania	3.4	3.8	2.2	2.7	-8.4	4.9	6.2	1.6
Ukraine	1.5	2.5	13.0	8.5	-3.2	4.5	-1.4	3.7

* Eurozone data.

VIRI:
World Economic Outlook, IMF, April 2016,
World Economic Outlook, IMF, Update July 2016,
Pomladanska napoved gospodarskih gibanj 2016, UMAR, March 2016,
Ekonomsko ogledalo št. 5, UMAR, July 2016.

SALES REVENUES

Gradual improvement of economic climate in European markets had a favourable influence on the performance of our Group. Although the pace of revival of goods flows varied from country to country, the trend was positive for all. We can highlight the growth of revenues from railway transport in our Ukrainian subsidiary. In the transport and logistics market, the competitive struggle produces pressures on sales prices and thereby reduces the earning per unit. That can be perceived in the growth of operating volume and physical indices, however, it the growth has not reflected on financial results. Our Land Transport recorded growth in the physical volume of orders processed, but a decrease of revenues below the comparable term last year.

Informatisation of operations is a key element in logistics. Therefore, we continued introducing information support to logistic services in our subsidiaries. Preparatory activities to launch the IT support to groupage services and domestic transport are conducted in Croatia, and to road transport and customs services in Kosovo. In Slovenia and Croatia, we carried on with IT support to warehousing operations according to individual customers. Our subsidiaries in Serbia, Bosnia and Herzegovina, and Montenegro started using the SAP information solution for finance and accounting, which facilitates the transparency of operations.

Mid year, the Intereuropa Group recorded a 4-percent growth over the comparable term last year and achieved **EUR 69.3 million sales revenues**. The highest growth was recorded in the area Logistics Solutions, mainly resulting from increased turnover of goods and of inventories in our major warehouses in Slovenia. A gradually improved business sentiment was perceived in our key markets.

Better sales results than a year ago were achieved in our Land Transport, too. After several years of shrinking revenues, the Ukrainian subsidiary recorded growth and doubled the sales revenues in rail-freight. Croatia saw better sales in both companies located there. In Land Transport, our subsidiaries in Bosnia and Herzegovina, Serbia, Montenegro and Macedonia exceeded their sales results, too, whilst the company in Slovenia and subsidiaries in Kosovo and Albania recorded downward trends, below the comparable term in 2015.

In the services of our Intercontinental Transport, we recorded a 2-percent drop of revenues below the comparable achievements of last year. The reasons for setback include a bad season for imports of fresh fruit and vegetables, a reduced volume of cars for a particular customer, and discontinued transports of Korean cars for the Spanish market. Also, sea-freight rates and air-freight transportation terms were quite unstable in the first half-year, which had a bearing on our prices. Despite the partial loss of income from car logistics, we handled well over then one-third more vehicles than in the same term a year ago. Better than expected were our results in airfreight segment recorded in Slovenia, Serbia and Montenegro.

Table 3: Sales revenue of the Intereuropa Group by business area, in EUR 1000

Business area	Jan - Jun 2016	Structure	Index 2016/plan	Index 2016/2015
1 Land Transport	38,416	55 %	102	104
2 Logistics Solutions	9,409	14 %	103	116
3 Intercontinental Transport	18,182	26 %	98	100
4 Other services	3,266	5 %	105	101
TOTAL SALES REVENUE	69,274	100 %	101	104

With the achieved sales revenues we met the levels planned in all our areas of business, except in Intercontinental Transport. The highest overachievement of our targets was recorded in railway transport, shipping agency and warehousing.

Our companies in Slovenia yielded two thirds of sales revenue and improved the sales result of the preceding term by one percent. With the exception of our subsidiaries in Macedonia and Albania, all other subsidiaries recorded growth. The slight recovery of economy in Ukraine, though uneven, has contributed to the improved sales results in that subsidiary as well.

Table 4: Sales revenue of Intereuropa Group by countries (by companies' head office) in EUR 1000

	Geographical area (by companies' head office)	Jan-Jun 2016	Structure	Index 2016/plan	Index 2016/2015
1	Slovenia	45,521	66 %	99	101
2	Croatia	10,484	15 %	99	103
3	Ukraine	3,482	5 %	156	200
4	Bosnia and Hercegovina	3,123	5 %	103	109
5	Montenegro	2,548	4 %	103	111
6	Srberbia	2,027	3 %	99	105
7	Kosovo	1,222	2 %	102	105
8	Macedonia	678	1 %	102	99
9	Albania	189	0 %	62	63
	TOTAL SALES REVENUE	69,274	100 %	101	104
1	EU Countries	56,005	81 %	99	101
2	Non-EU Countries	13,268	19 %	111	121

The structure of our customers by size, branch of industry and geographical presence is dispersed. We service our customers worldwide. The highest share, more than three in four, come from the EU Member States. Of other countries, 12 percent of sales revenues were obtained from customers located in the territory of former Yugoslavia (excl. Slovenia and Croatia).

Table 5: Sales revenue of the Intereuropa Group by countries (by customers' head office'), in EUR 1000

	Geographical area (by customers' head office)	Jan - Jun 2016	Structure	Index 2016/2015
1	Slovenia	26,762	39 %	98
2	Croatia	8,685	13 %	99
3	Austria	4,030	6 %	120
4	Bosnia and Hercegovina	3,062	4 %	109
5	Germany	3,035	4 %	104
6	Ukraine	2,562	4 %	438
7	Other countries	21,138	31 %	103
7a	Other EU countries	11,472	17 %	100
7b	Other countries	9,666	14 %	107
	TOTAL SALES REVENUE	69,274	100 %	104

Land Transport

We achieved a sales turnover of EUR 38.4 million from the services of Land Transport in the reporting term, or 55 percent in the sales structure of the Intereuropa Group. The highest share was contributed by the Parent Company that earned 57 percent of total sales revenues from the services of Land Transport.

Compared with the first half-year 2015, the sales revenue was 4 percent higher. After several years of losses, the Ukrainian subsidiary achieved growth and doubled the sales revenues in the rail-freight product. Also our subsidiary Intereuropa, logističke usluge, d.o.o., Zagreb (Croatia) recorded better results in all products except rail-freight segment. The overachievement of last year's results was seen in Bosnia and Herzegovina, Serbia, Montenegro, and Macedonia, whilst our subsidiaries in Kosovo and Albania, as well as in Slovenia, suffered a decline in revenue.

The overview of sales revenues by product reveals that we surpassed the last year's results in groupage, domestic and railway transport meanwhile we did not achieved last year's results for products road transport and customs services.

The sales targets were exceeded by 2 percent, the greatest part of excess was achieved in the Ukrainian subsidiary. The targets were also exceeded by our subsidiaries Intereuropa logističke usluge d.o.o., Zagreb (by most in the products Groupage services and Domestic Transport), A.D. Intereuropa logističke usluge, Belgrade (in all products except Road Transport), Intereuropa RTC d.d. Sarajevo (in all products except Customs Services), Zetatrans a.d. (in the product Road Transport) and Intereuropa Skopje d.o.o. (in the product Customs Services). Other subsidiaries were below the targets.

The first half-year 2016 was earmarked by growing physical volume of orders processed, which brought higher sales revenue in all products of our Land Transport Area except road transport. We recorded a fall of revenues despite the increased number of orders processed. In the latter product, major business is acquired exclusively by tender, and there is typically fierce price competition among the carriers bidding, which reduces our earnings per unit in practically all tenders won.

Road Transport:

- With 25 percent, road transport has the biggest share in the sales revenue structure among the services offered by the Group, and as high as a 45-percent share among the services in the scope of Land Transport.
- Compared with the same term 2015, we recorded a 5 percent fall of sales revenue and were 7 percent below the sales target.
- The worst fall in sales revenues in absolute terms was recorded in Slovenia, where the revenues fell by 7 percent mainly as an outcome of the loss of some major businesses in the Branch Offices Koper and Celje.
- The biggest relative setback struck our subsidiary in Albania, which nearly halved its earnings due to loss of a key customer. Decrease in sales revenues was also recorded by our subsidiaries in Kosovo, Serbia, Macedonia and Ukraine.
- Our subsidiary in Zagreb, which increased its fleet by the purchase of five new Volvo Trucks last year, increased the sales revenue by 5 percent but remained slightly behind the targets.
- Better results were also achieved in Bosnia and Herzegovina (acquisition of a major business) and in Montenegro (new businesses).

- Pressures on prices continued and the resulting reduced sales margins has persisted for quite a long time. We are addressing that issue by active management of direct costs.
- Activities to launch the IT solution WexVS were conducted in Kosovo for the Road transport product.
- Activities were conducted to ensure IT support to mutual processes with suppliers - carriers in Intereuropa d.d. The solution will be launched in the last quarterly term 2016.

Groupage Services:

- The sales revenues rose by 6 percent and exceeded the target by 7 percent in the reporting half-year.
- Nearly three quarters of all revenues from groupage services in the Group were generated in Slovenia. The number of orders processed rose by 4 percent, and our sales revenues were 2 percent higher than the first half-year last year.
- In March, we established cooperation with a new partner in Great Britain.
- The subsidiary in Serbia surpassed both the last year's results (25 percent) and the target (20 percent). After establishing the line between Turkey and Serbia, the role of Belgrade-based subsidiary was strengthened as it became an important hub in the Group.
- Growing sales revenues and exceeding the targets were further recorded in the subsidiaries in Croatia, Bosnia and Herzegovina, and Kosovo, as a result of increased quantities of carried goods.
- On the other hand, the subsidiaries in Montenegro and Albania recorded a downturn in the sales and a setback behind the plan.
- In June, Intereuropa d.d. established electronic exchange of routing orders and statuses thereof with a foreign customer, which will serve as the groundwork for introducing this solution with other customers and partners in business.

Customs services:

- Sales revenue was one percent lower than in the comparable term a year ago. Bosnia and Herzegovina and Montenegro recorded a loss in operating revenue from customs services.
- Slovenia, which earns as many as 38 percent of the entire sales turnover from customs services, saw a considerable increase in sales revenue by 16 percent, and exceeded the sales target by 12 percent.
- In Croatia, the sales revenue from customs services rose by 14 percent.
- The subsidiaries in Serbia, Macedonia and Kosovo recorded higher operating revenues than last year and surpassed the sales targets.
- Activities to launch the IT solution WexVS were conducted in Kosovo for the Customs Services product.

Domestic Transport:

- The sales revenue was 7 percent higher than in the first half-year 2015, and 7 percent above our plan. Growth was recorded in all subsidiaries offering this service, the highest of all in Bosnia and Herzegovina.
- The highest share of sales turnover was earned by the subsidiary in Croatia (57 percent), followed by Slovenia (24 percent), the subsidiaries in Bosnia and Herzegovina (13 percent), in Serbia (4 percent), and in Montenegro (1 percent).
- In Croatia, sales turnover grew by 5 percent and outstripped the target by 8 percent.
- In Slovenia, despite a 2-percent growth in the sales turnover, we did not achieve the target.

- This product provides an important support to other our products; as a stand-alone product, on the other hand, it faces an extremely tough competition in local markets and demands our continual attention and activities to streamline the operations.
- All companies in the Group conduct on-going activities on process optimisation, cost management and optimum implementing solutions that will retain the quality of service on the highest level and reduce the cost on the other hand.
- In Slovenia, we tested the application and devices supporting the migration from conventional OBC's to smart phones for code reading.
- In Croatia, preparatory activities to introduce the WexVS solution are conducted to utilize the advantages thereof, as well as a further process optimization, cost management and search for optimum implementation solutions that will retain the quality of service on the highest level.

Railway Transport:

- In the reporting half-year, the Railway Transport product recorded a great increase (40 percent) over the sales target and was 65 percent higher than in the comparable term 2015.
- The performance of this product was greatly attributable to the improved situation in Ukraine, where our subsidiary TEK ZTS of Uzhgorod is based: the sales revenues from rail-freight have more than doubled. Our Ukrainian subsidiary generated 72 percent of total sales revenues in our railfreight transport product.
- The Parent Company (in Slovenia) was slightly behind the results of comparable half-year 2015 and behind the sales targets.

Increased demand for transport and logistic services has been felt in the market, reflecting in positive results in the physical volume, however, with scarcely any bearing on the financial results. Customers are pressing on the costs when acquiring business by tender and by checking the market prices from day to day. Logistics providers struggle for each shipment, some of them offer dumping prices, which slashes the sales margin. Moreover, ill payment practices require great caution in acquisition of new business, as well as in doing business with our present customers. The operating result is dependent on economic and political situation in the countries and markets in which we operate, primarily in Europe.

In all products of our Land Transport Area, we rely on informatisation of operations to optimise the processes and provide for traceability that our customers expect from us. In Croatia, we put our IT solution WexVS in use for two Land Transport products: Road transport and customs services. By the end of this year, the new IT solution will be launched in the Groupage and Domestic Transport segments. In July, we introduced the net IT solution in Kosovo for two products: Road transport and customs services. Preliminary activities to expand the information solution to other subsidiaries of the Group are conducted, to allow for better supervision over the provision of services; combined with enhanced traceability of consignments, it further improves the quality of our service.

We are committed to maintaining a high quality level of our service at all times, which is a prerequisite for success in the market. In the second half-year, our activities will be addressing cost efficiency and the streamlining of operations, and first and foremost, support intensified commercial activities in all Group members.

Logistics Solutions

In the reporting half-year, the Logistics Solutions Area generated EUR 9.4 million of sales revenues, or 14 percent of total sales turnover of the Group. So we recorded a 16-percent

growth over the comparable term last year, and exceeded the target by 3 percent. An improved business sentiment was perceived in our key markets.

In Slovenia, which as the key market represents two thirds in the sales output of logistics solutions, we were performing 20 percent better than last year and 6 percent above the targets, primarily on account of increased turnover of goods and of inventories in our warehouses (Logatec, Jesenice and Maribor).

Our results from the year 2015 were exceeded by all other subsidiaries with storage facilities (except in Kosovo); the targets were not achieved only in Croatia and in Kosovo.

Our companies in Slovenia and in Croatia conducted numerous activities to fill-up storage capacities and acquire new business with a higher added value, as well as continued improving business processes towards streamlining and launching the new integrated IT solution that supports warehouse processes.

Storage services:

- Our turnover from the sale of storage services came to EUR 8.9 million in the reporting half-year, representing 13 percent in the sales structure of the Group, or 98 percent on the level of the Logistics Solutions Area. We recorded a rise in the sales turnover by 19 percent and exceeded the targets by 10 percent.
- In Slovenia, we were 13 percent above the plan despite the 24-percent growth in the sales turnover. Serbia, achieved a 20-percent growth in the sales turnover and surpassed the plan by 16 percent. Montenegro saw a 27-percent growth in the sales turnover and was 6 percent above the plan. The Bosnian subsidiary recorded a 12-percent growth in the sales turnover and achieved the plan. In Croatia, 4-percent growth in the sales turnover was achieved and the plan was exceeded by 2 percent. Subsidiaries in other countries did not achieve the plan.
- In Maribor, the construction of new cool store facility was completed, with capacities for ca. 2,500 pallet spaces.

Distribution Services:

- The sales turnover from Distribution services in the reporting half-year was EUR 0.5 million, representing ca. one percent in the sales structure of the Intereuropa Group.

Key activities for the Logistics Solutions Area in this year:

- development of partnership relations and enhanced cooperation with current customers;
- winning new logistics projects, primarily aiming to fill the unoccupied storage capacities in Slovenia and Croatia;
- continuation of installation of IT support to logistics solutions in Slovenia and in Croatia;
- improvement of energy efficiency (introducing LED-based illumination, replacing gas-driven forklift trucks with electric ones);
- continued specialisation and optimisation of logistic processes by commodity category.

Intercontinental Transport

The sales revenues in our Intercontinental Transport products amounted to EUR 18.2 million and were slightly above the results of the comparable term last year. The products of sea-freight container segment, »ro-ro« services, shipping agency and air-freight were performing better than planned; unlike the former segments, the conventional sea-freight and car

logistics were behind the targets and that setback brought to the underachievement of goals of the entire Area by 2 percentage points.

The highest overachievement of sales targets and growth in the volume over last year's achievement was recorded in our RO-RO products (56 percent above the plan). The target sales results of container transport were exceeded by 7 percent, of the shipping agency by 16 percent and of the air-freight by 9 percent.

The first half-year was considerably unstable due to volatility of sea-freight rates and air-freight terms of transport. Shipowners and operators have extremely raised the sea-freight rates at the end of this half-year, which is also attributable to better occupancy of ship's space. We optimized our purchase terms by agreements with our current partner networks. A similar trend can be expected in the third quarter of this year, too. The persisting aggravated situation in shipping industry is shown by very low prices of ship chartering.

Sea-Freight:

- The products of our sea-freight segment (incl. shipping agency) yielded EUR 14.3 million of sales revenues for the first half-year's term. That was still 1 percent below the sales targets.
- Among sea-freight products, our container transport segment was the best performing segment. It yielded EUR 7.4 million and outstripped the sales target by 7 percent. Slovenia recorded significant growth in the exports of steel, refractory bricks and dangerous goods, and imports of containers with phyto-pharmaceutical products and fertilizers bound for the Central European markets. A growth in the number of containers was also recorded in intermodal deliveries from the Port of Koper. The good results from container transport reflected in high occupancy of warehouse facilities in Koper and in their extremely good performance.
- Our conventional sea-freight segment achieved a sales turnover of EUR 5.6 million, which was slightly underperforming. The biggest variances from targets were recorded in imports of fresh fruit and vegetables in the first quarterly term, which were generally observed in the Port of Koper. The segment performed much better in the second quarterly term, thanks to a much better season of fruit imports from Egypt. There were slightly fewer dispatches of (dry) bulk cargoes, but a higher number of liquid cargo or petroleum products shipments, respectively. According to the expectations of our key customers, we envision to achieve the sales targets in the second half-year.
- Our RO-RO product outstripped the sales targets for the first half-year by 56 percent. These good results rely on the higher volume of project goods via Koper port, both in import and export. Similar results can be expected for the second half-year, too, as we have acquired for several new project shipments.
- Our shipping agency was performing better than expected in Slovenia and in Croatia, having surpassed the plan baselines by 16 percent. and 33 percent better than in the first half-year term last year. Underlying for such good achievements is our agency representation of a Chinese container ship operator. We also recorded more calls by the fleet of a Japanese shipowner who loads Daimler-Benz vehicles in Koper.
- We had several meetings with our partner network to ensure the competitiveness of purchase terms in sea-freight, we took part in several commercial/ promotional events abroad to strengthen our presence in our key markets. Based on the activities taken, we expect a stable business for the second half-year and we expect to achieve the target sales turnover. Some uncertainty remains for our shipping agency due to termination of representation of a container ship owner with September 2016. Negotiations are held with new potential shipowners.
- Activities to launch the IT solution WexVS were conducted in Slovenia and Kosovo for the sea-freight product.

Car logistics:

- In this segment, we recorded EUR 2.2 million of sales revenue in the first half-year 2016. The target sales turnover was realized up to 89 percent. We were doing better in the second half-year. attributable to the lower volume of GM vehicles, discontinued transports of Korean cars for the Spanish market, and to the business for a Short-Sea shipowner.
- Despite lower sales revenue, we processed a bigger number of vehicles. There were 39 percent more vehicles handled than in the same term last year. Growth is attributable to the development of new business for Daimler-Mercedes and for some traditional customers who boost the number of vehicles in the markets of Slovenia and of SE Europe.
- Our car terminals in Slovenia and Serbia recorded a higher number of vehicles on store, that - due to favourable turnover - significantly contributed to the sales revenue in the reporting six months. In Serbia, we closed a deal for storage of Renault vehicles with a new customer.
- For the second half-year, our operations are estimated to be stable and in line with the sales targets. The achievement or over achievement thereof will depend on new deals for additional business via Koper port.

Airfreight:

- The sales turnover in our air-freight segment were 9 percent above the sales target for the reporting half-year. The sales revenues at EUR 1.9 million were 11 percent better than in the first half-year last year,
- the greatest part thereof in Slovenia, Serbia, and Montenegro, thanks to good performance. In Slovenia, our sales targets were surpassed by 19 percent.
- In Serbia, we made some major air-freight deliveries by charter flights, and some deliveries are scheduled for the coming half-year. We closed a deal for GSA (General Sales Agent) representation for the Turkish air carrier Pegasus Airlines and expect to develop cooperation gradually and higher income. The target sales turnover for Serbia was surpassed by 17 percent, the same as in Montenegro. In Kosovo, we continue to provide logistics for the German Army.
- In addition to higher export activity in the Balkans, we also record enhanced activity of our partner network. We attended the international meeting of the HCL network in Lisbon in order to enhance partner cooperation.
- For the second half-year, we expect similar favourable trend in air-freight segment to continue on the Group level. In the air-freight business, the second half-year is traditionally the better part of the year; accordingly, we expect to achieve and even outperform the sales results at the year-end, too.
- Activities to launch the IT solution WexVS were conducted in Kosovo for the air-freight product.

1.2 Financial result

Table 6: Financial results of the Intereuropa Group for the period January – June 2016, in EUR 1000

Item/Index	Jan - Jun 2016	Jan - Jun Plan 2016	Jan - Jun 2015	Index 2016/plan	Index 2016/2015
Sales revenue	69,274	68,401	66,330	101	104
EBITDA*	6,837	6,255	5,268	109	130
Operating profit or loss	3,573	2,881	2,027	124	176
Financing profit or loss	-1,507	-1,482	-1,792	-	-
Profit or loss	1,956	1,186	191	165	1,024
EBIT margin in %	5.2 %	4.2 %	3.1 %	122	169
Sales revenue per employee/month	8.464	8.138	8.062	104	105
Value added per employee/month	2.458	2.306	2.155	107	114

* EBITDA: Earnings Before Interest, Taxes, Depreciation, Amortisation and Revaluation operating expenses for intangible assets, plant, property and equipment.

Item/Index	30.6. 2016	31.12. 2015	Index 2016/2015
Balance sheet total	292,452	292,420	100
Equity	150,666	148,174	102
Net debt*	80,020	80,392	100
Current assets/ Current liabilities	1.63	1.59	103

* Financial liabilities – loans and deposits given – cash.

Operating Profit or Loss, and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation)

→ In the first half-year, the Group succeeded in increasing not only the sales revenues, but also the EBIT margin¹, which has significantly contributed to better performance than planned (for both, operating profit and EBITDA of the Group).

Financing Profit or Loss

→ The negative Financing Profit/ Loss was attributable to net interest expenses and to foreign exchange losses at EUR 0.2 million that were not envisioned (mostly arising from the Ukrainian currency value decrease). The latter were also the ground for underachievement of the target financing result.

Net profit / loss

→ The profit/loss from ordinary activities was reduced by the accrued and deferred corporate income tax. The resulting Net Profit was EUR 2.0 million.

Structure of Statement of Financial Position

→ The current ratio came to 1.63 and remained essentially unchanged; the same applies to the share of capital in the balance sheet total.

¹ Share of operating profit in the sales revenue structure.

1.3 Investments in Fixed Assets

In the first half-year 2016, the investments in fixed assets realized by the Intereuropa Group totalled EUR 1,392 thousand, thereof 409 thousand in real estate and 983 thousand in equipment and intangible assets. The annual plan of investments was completed to the level of 31 percent.

Table 7: Overview of investment in the period January – June 2016 (in EUR 1000)

Company	Real property		Plant & Equipment, Intangible assets		TOTAL		% of annual realisation
	Jan - Jun 2016	Plan 2016	Jan - Jun 2016	Plan 2016	Jan - Jun 2016	Plan 2016	
Intereuropa d.d.	313	563	664	1,737	977	2,300	43
Subsidiaries	96	546	319	1,639	415	2,185	19
TOTAL	409	1,109	983	3,376	1,392	4,485	31

The investments of the Parent Company Intereuropa d.d. were made in real estate, equipment and intangible assets (EUR 977 thousand); other members of the Group invested EUR 415 thousand in fixed assets. Our highest investments comprised the completion of stage V of the cold store in our warehouse facility in Maribor (EUR 712 thousand) and the purchase of 6 delivery vans for our subsidiary in Sarajevo (EUR 123 thousand).

The invested funds were earmarked to:

- buildings and fittings/ equipment (EUR 1,050 thousand),
- purchase of vehicles (EUR 248 thousand),
- computer hardware and software (EUR 94 thousand).

1.4 Risk Management

Timely identification of key risks allows us to minimize, or even eliminate, their negative impact on operations. Therefore, risk identification and response thereto is an integral part of corporate planning process, decision-making and day-to-day operations.

There are 47 types of risks identified in the company Intereuropa d.d., thereof 4 key risks were acknowledged. Our highest exposure was to the sales risk of downward pricing pressures, and to credit risk. Due to our financial commitments under the financial restructuring programme, we are also exposed to the risk associated with ensuring financial stability of the Company.

We dedicate great attention to sales risk management and remain cautious despite the forecast global economic growth and optimistic forecasts for the Euro Zone. The growth in the sales from the preceding months is not proportional to the growth of physical indices. The main reason for that disproportion is attributable to strong competition of logistics and transportation providers in the markets covered by our Group, which gives opportunity to customers press the prices for services downwards, and concurrently, the optimization of their own business forces them to reduce the costs for logistics. We focus our sales activities on acquiring new customers, improving the productivity of staff and on higher utilization of logistics capacities, along with internal streamlining of processes and costs. To facilitate and optimize the management of our services, we are upgrading the IT support to processes.

Logistics is considerably exposed to credit risk as it demands from service providers to make high outlays of funds to pay for freight, customs duty and other levies. Ill payment practices

and financial difficulties of numerous enterprises are still quite common in the markets in which we are operating, so it demands caution both in doing business with our current customers and in addressing new prospects. We address the risk by imposing adequate measures, such as active monitoring and collection of outstanding receivables, preventive checks of credit rating, setting appropriate credit limits, and arranging instruments to secure risky receivables. By keeping a close eye on the business and liquidity planning, orderly relations with all the stakeholders and prudent cash management, we estimate to successfully cope with our exposure to credit and liquidity risks.

Due to our financial commitments under the financial restructuring programme, we reduce our exposure to the risk associated with maintaining financial stability in the Company by regular repayment of our debt and by active management of working capital. along with activities leading to additional de-leverage by disposal of the assets that are not sufficiently utilised in economic terms.

Our activities strongly address the marketing and sales, increasing the productivity and added-value, careful supplier management, cost streamlining, modernisation of business processes and assurance of financial stability of the Company.

To date, we have not perceived any significant change that would materially affect our business in the second half-year. We have monitored all the identified risks and managed them with due care.

1.5 Human Resources Management

EMPLOYMENT TRENDS

The number of staff rose by 8 employees and the term ended with 1,425 employees in the Group as at 30 June 2016. There were 57 newly recruited staff primarily to replace those who left and the temporarily absent employees (40); labour relationship terminated for 49 employees on the Group level. Staff turnover of key and promising staff was slightly below 2 percent.

The highest dynamics of newly employed (24) and leaving staff (23) was recorded in Intereuropa Zagreb, primarily warehousemen; the highest increase in the number of employees was recorded in Intereuropa Kosovo (by 9), thereof 10 warehousemen owing to new business acquired.

Table 8: No. of employees in the Intereuropa Group according to countries, as of 30.6.2016

	30.6.2016	31.12.2015	Difference 16-15	Index 2016/2015
Slovenia	639	643	-4	99
Croatia	310	309	1	100
Bosnia & Herzegovina	129	130	-1	99
Serbia	106	103	3	103
Macedonia	33	33	0	100
Kosovo	38	29	9	131
Montenegro	125	127	-2	98
Albania	2	2	0	100
Ukraine	43	41	2	105
TOTAL	1,425	1,417	8	101

Additional 9.8 percent of the work force, or 140 persons were hired through HR agencies and students' job centres as at 30 June 2016.

DEVELOPMENT, EDUCATION AND TRAINING

There were 4,456 hours allocated to acquire new functional knowledge/ skills for our HR, for which 41 percent of the budget for the reporting half-year was spent (EUR 27 thousand instead of EUR 66 thousand). On average, 3 hours of training was used per employee.

- As usual, the highest share of training forms in the Group was dedicated to occupational health and safety (53 percent), upgrading logistics skills (16 percent), other technical specific knowledge on finance, tax, real estate management, etc. (14 percent), foreign languages (8 percent) and sales (9 percent).
- In the Slovenian part of the Group, the prevailing topics were changes to customs legislation and origin of goods, stress management, healthy nutrition, and computer skills.
- 150 employees were included in a testing stage of e-learning forms for foreign languages, which proved as an effective method to supplement the conventional learning methods.
- In our subsidiaries, the training participants were acquiring knowledge in the field of occupational health and safety (767 hours in our Croatian subsidiary), of sales skills in Bosnia and Herzegovina (384 hours; 48 participants), language skills in Serbia (128 hours), BiH (64 hours) and Montenegro (58 hours), and logistics know-how in Serbia (176 hours) and BiH (66 hours).
- Internal lecturers were involved in about 34 percent of training forms (1,523 hours) in the reporting year: training forms on occupational health and safety (1,341 hours) and use of computer software /applications Excel, WexVS (182 hours).
- Employee's annual interview with his superior on the yearly work and on setting the goals for 2016 was conducted with 75 percent of employees in the Parent Company.

HEALTH PROTECTION

Promoting Occupational Health in the Workplace

In accordance with the measures from our 'Occupational Health Care Promotion Plan', the highlight of the companies in Slovenia (apart from sports activities: fitness training, recreational practice, hiking) included the measures improving physical health (against stress, depression) and prevention of respiratory diseases and cancer incidence:

- we organized two workshops on stress management and healthy nutrition in Koper (50 hours; 25 participants),
- 20 employees took part in e-learning of stress management,
- we arranged with an authorized physician for emotional support helplines to publish the phone number on our intranet pages,
- 466 employees had their annual interview with their superior on the work performed, their achievement of goals, and career planning,
- we presented the »Week for Vitality and Energy in the Workplace« with a promotional offer of fruit,
- we published the instructions for correct washing the hands,
- the purchase of 4 defibrillators and training for using thereof.

Among other benefits, the goal of all these measures is to reduce the sickness absenteeism from the current 5.46 percent to 4 percent in larger companies of the Group.

Health and Fire Safety

In the field of health protection and fire safety and precautions, the following activities were implemented:

- We referred 180 employees to preventive preliminary, periodical, and target medical check-ups (thereof 130 employees in the Parent Company).
- Particular attention was dedicated to providing sufficient control over fire safety and precautions. evacuation exercises were carried out in our business units Dravograd, Celje and Ljubljana.
- Regular inspections of facilities, work environment, active and passive fire-fighting equipment (fire extinguishers and hydrant network, fire detectors, domed smoke and heat vents/exhausts, automatic fire-proof doors, etc.) were conducted in the scope of fire safety and prevention.
- We took part in acquiring the fire-safety documentation for the renovation of cold store facility in Maribor.
- In individual organizational units in Slovenia, 651 sets of different working assets/equipment were examined and tested, or 692 sets in the whole Group, respectively.
- In the Group, there were 13 injured employees in the workplace, thereof 9 in Slovenia; compared with the preceding year with 10 injuries, thereof 6 in Slovenia.

1.6 Total Quality Management

Three companies of the Intereuropa Group (out of twelve operating) hold a certification under the ISO 9001:2008 Standard. Of the entire staff of the Group, 73.7 percent are employed in these certified companies (Intereuropa d.d., Koper; Intereuropa, logističke usluge d.o.o., Zagreb, and Intereuropa RTC d.d. Sarajevo).

An external audit of the Quality Management System of the Company Intereuropa d.d. was held in the reporting term.

Maintaining the ISO 9001:2008 Quality Management System

- Two yearly QMS reports were prepared for the year 2015 and the measures to improve the QM system were triggered.
- The Parent Company issued a new, the fifth edition of the Quality Management System Manual for the company Intereuropa d.d.

Internal auditing of service quality

- No internal audit of processes was conducted in Intereuropa d.d. in the reporting term.

Quality control by QM indicators

- The number of complaints fell by 21 percent, the value thereof was 5 percent lower. The pay-out under complaints rose due to faster claim resolving procedure. 40 percent from the paid out complaints were covered from cargo insurance.

Table 9: Complaints, claims and approved value in Intereuropa d.d. for the period January – June 2016

No. of complaints	Index 15/14	No. of claims	Value in EUR 1000	Index 15/14	Approved Value in EUR 1000	Index 15/14
208	79	119	162	95	52	177

External quality of service audit by the certification authority

→ **Intereuropa** d.d. - the ordinary external audit was the nineteenth in sequence. The audit was conducted in the following organizational units: Managing Board, Management of Forwarding and Logistics, Department for Computerisation of Operations, Human Resources and General Department, BU Maribor, offices in Novo mesto and in Obrežje.

In their report, the auditors confirmed that operations were conducted in compliance with the requirements of the ISO 9001 standard. They did not find any non-compliance, however, they issued 18 recommendations for improvement. We prepared the implementation plan for the recommendations accepted on our part, and substantiated the recommendations that were not accepted. The Report on the Measures Taken as a follow-up to recommendations received was sent to the certification authority SIQ in due time.

→ **Intereuropa d.o.o. Zagreb** – the second ordinary audit will be the sixth in sequence since the company started to certify its quality management system on its own. Audit is expected in September.

→ **Intereuropa RTC d.d. Sarajevo** – it will be a Renewal audit, and the company Intereuropa RTC d.d. Sarajevo will be the first subsidiary in our Group to migrate to the new quality standard ISO 9001:2015. The audit is scheduled for October of November.

External quality of service audit by the Customers

→ In addition to quality service audits on the part of certification authority, we also held an audit under the 'other party principle' in the road transport segment (Kranj local office). We received six recommendations, and responded in due time to the recommendations received.

2. PERFORMANCE OF THE COMPANY INTEREUROPA d.d.

2.1 Financial result

Table 10: Operations of Intereuropa d.d. in the period January – June 2016, in EUR 1000

Item/Index	Jan - Jun 2016	Jan - Jun Plan 2016	Jan - Jun 2015	Index 2016/plan	Index 2016/2015
Sales revenue	46,588	46,911	46,119	99	101
Land transport	21,901	22,613	22,584	97	97
Logistic solutions	6,370	6,018	5,290	106	120
Intercontinental transport	16,097	16,076	15,956	100	101
Other services	2,220	2,205	2,290	101	97
EBITDA*	4,362	3,731	3,259	117	134
Operating profit or loss	2,413	1,722	1,304	140	185
Financing profit or loss	-429	-549	-462	-	-
Profit or loss	1,984	1,077	842	184	236
EBIT margin in %	5.2 %	3.7 %	2.8 %	141	183
Sales revenue per employee/month	12.969	12.698	12.678	102	102
Value added per employee/month	3.583	3.265	3.065	110	117

* EBITDA: Earnings Before Interest, Taxes, Depreciation, Amortisation and Revaluation operating expenses for intangible assets, plant, property and equipment.

Item/Index	30.6. 2016	31.12. 2015	Index 2016/2015
Balance sheet total	226,094	226,292	100
Equity	99,957	97,976	102
Net debt*	80,089	80,160	100
Current assets/ Current liabilities	1.65	1.59	103

* Financial liabilities – loans and deposits given - cash.

Operating Profit or Loss, and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation)

→ The sales turnover planned for the reporting half-year was only slightly below the target, but the Company succeeded in improving the EBIT margin, which was partly attributable to the changed product-based sales structure, and led to a better operating profit or loss and of EBITDA than planned.

Financing Profit or Loss

→ The Financing profit or loss was negative, but better than expected. The major impacts were net interest expenses and the revenues from shares in group members.

Net profit / loss

→ The Profit or loss from ordinary activities equalled the net profit of loss and amounted to EUR 2.0 million.

Structure of Statement of Financial Position

→ The current ratio came to 1.65 and did not change materially compared with the preceding term a year ago, whilst the share of capital in the balance sheet total rose slightly (by 0.3 index points).

2.2 IEKG Share and Ownership structure

KEY DATA ON SHARE

Table 11: Key Data on Intereuropa Share (IEKG) for the period January – June 2016

	Jan - Jun 2016	Jan - Dec 2015
No. of shares*	27,488,803	27,488,803
No. of preference shares IEKN*	10,657,965	10,657,965
No. of ordinary shares IEKG*	16,830,838	16,830,838
of which no. of treasury shares*	18,135	18,135
Share book value in EUR*	3.64	3.57
Earnings per share in EUR	0.07	0.04
Market capitalisation in EUR 1000*	14,643	8,920
Trading volume in EUR thousand	109	538
Closing price in EUR	0.87	0.53
Weighted average price in EUR	0.68	1.17
Highest price in EUR	0.95	1.27
Lowest price in EUR	0.50	0.50
P/E	6.2	13.3
Capital gain	64.2 %	-55.2 %

* As of the last day of the period.

Book value = capital/ (number of all shares – number of treasury shares).

Market capitalisation = closing price at the end of period * number of shares listed in SE.

Earnings per share = Net profit/(number of all shares – number of treasury shares).

P/E = closing price at the end of period / Net earnings per share on a year level.

Capital gain = price increase in period.

The Company's share capital consists of 16,830,838 ordinary (IEKG) and 10,657,965 preference (IEKN) shares. Only the ordinary IEKG shares are traded on a regulated market.

SHARE TRADING

Trading in shares on the Ljubljana Stock Exchange was quite moderate to date, by almost 25 percent lower than in the first half-year 2015. Despite improved price and liquidity in the second quarterly term, the Intereuropa share recorded a moderate trading volume. The market rate of the IEKG share fluctuated between EUR 0.50 and EUR 0.95 per share. Over the six months, the share price increased by 64.2 percent and closed the reporting term at 0.87 EUR. The Slovenian Stock Exchange Index (SBITOP Index) lost 1.8 percent in the same term. The market capitalization of the IEKG share closed the reporting term at EUR 14.6 million, which stands for 0.3 percentage points of the market capitalization of all shares on the Ljubljana Stock Exchange (SE).

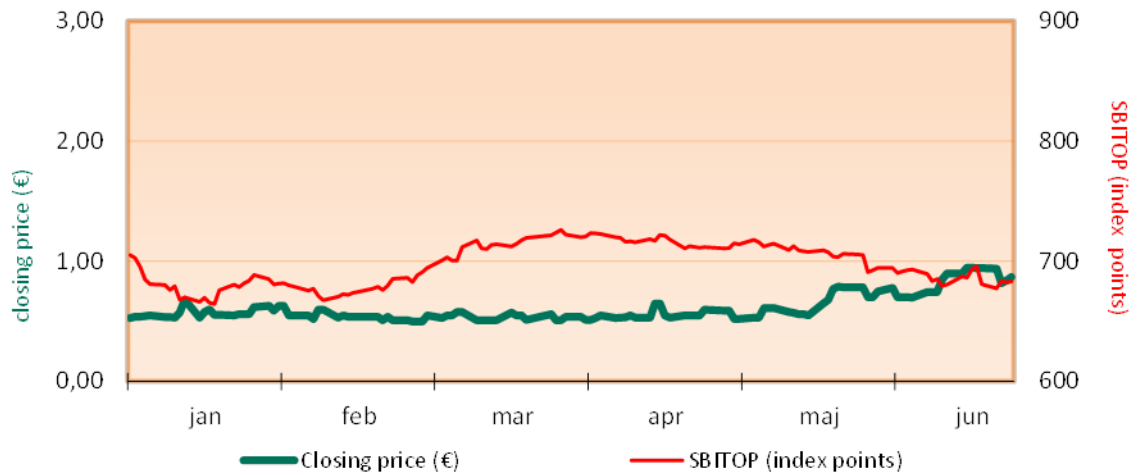


Figure 2: Closing prices of IEKG share and SBITOP index in the period January – June 2016

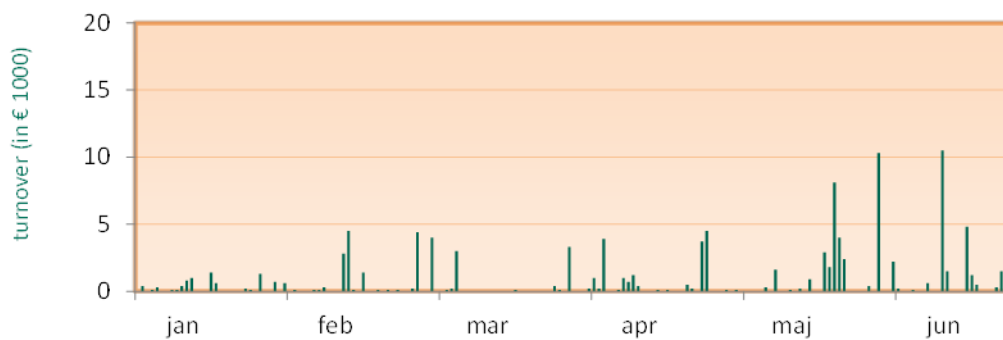


Figure 3: Trading volume of IEKG share in the period January – June 2016

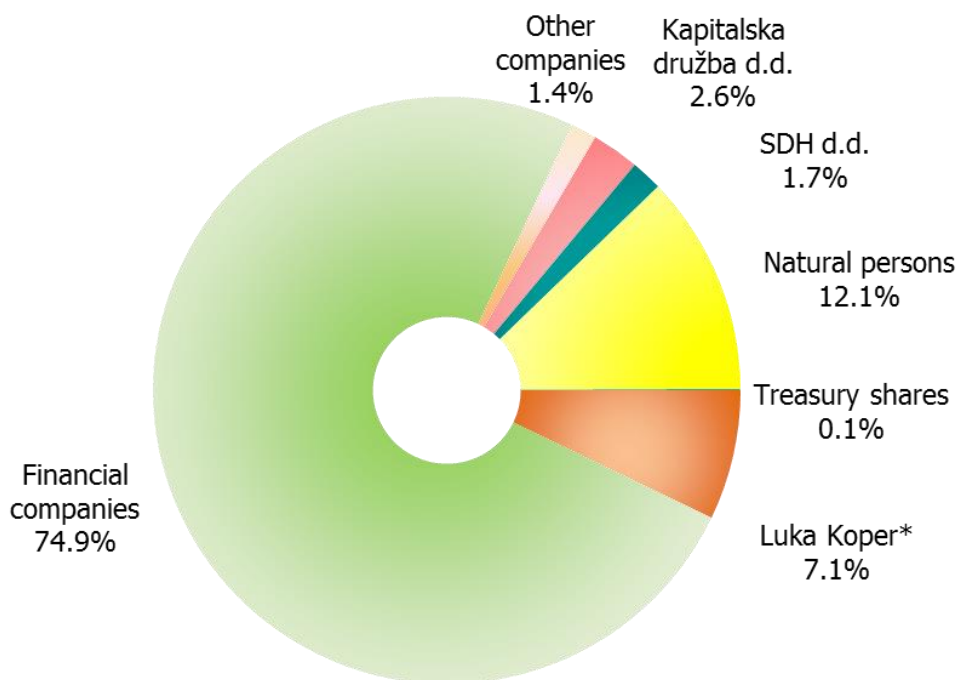
OWNERSHIP STRUCTURE

There were no major changes in the ownership structure in this reporting term. The top ten shareholders remained unchanged and were still holding an 81.9-percent share.

Table 12: Top ten shareholders of Intereuropa d.d. as of 30.6.2016 compared to 31.12.2015

Shareholder	30.6.2016		31.12.2015		Index 16 /15
	No. of shares	share %	No. of shares	share %	
1. SID banka d.d.	4,942,072	18.0	4,942,072	18.0	100
2. NLB d.d.	4,770,601	17.4	4,770,601	17.4	100
3. Gorenjska banka d.d., Kranj	3,068,990	11.2	3,068,990	11.2	100
4. Raiffeisen banka d.d.	2,850,752	10.4	2,850,752	10.4	100
5. SKB d.d.	2,254,980	8.2	2,254,980	8.2	100
6. Luka Koper d.d.	1,344,783	4.9	1,344,783	4.9	100
7. Nova KBM d.d.	1,185,292	4.3	1,185,292	4.3	100
8. Banka Koper d.d.	753,703	2.7	753,703	2.7	100
9. Kapitalska družba d.d.	719,797	2.6	719,797	2.6	100
10. Luka Koper INPO d.o.o.	615,730	2.2	615,730	2.2	100

At the end of June, there were 4,951 shareholders in the Shareholders' Register of Intereuropa d.d., or 2 percent less than at the year-end 2015. The shareholdings of foreign investors fell by 0.1 percentage point below the year-end 2015, and amounted to 0.5 percent at the end of June.



* Including shareholding of the company Luka Koper d.d. and its 100%-owned subsidiary Luka Koper INPO d.o.o.

Figure 4: Ownership structure of Intereuropa d.d. as of 30.6.2016

SHAREHOLDINGS BY MEMBERS OF THE MANAGING BOARD AND SUPERVISORY BOARD

As at 30 June 2016, members of the Managing Board did not hold any shares of Intereuropa. The shareholdings by Supervisory Board members is shown in the table below.

Table 13: Shares held by Supervisory Board members, as of 30.6.2016

Supervisory Board	No. of shares	Share in %
Nevija Pečar, Deputy President of Subsidiary Board	4,185	0.053
Maša Čertalič, Msc., member of Supervisory Board	99	0.001

TREASURY SHARES

As of 30 June 2016, Intereuropa d.d. was holding 18,135 treasury shares (IEKG), which represents 0.0660 percent of all shares. The percentage of treasury shares has not changed since 31.12.2015. The Company has no voting rights arising from its treasury shares, in accordance with Article 249 of Companies Act /ZGD-1/.

DIVIDEND POLICY

The Company did not pay out any dividend since 2009.

INFORMING THE SHAREHOLDERS

The communication strategy of the company is based on the principle of transparent communication providing equal and timely information of all stakeholders. Shareholders have the decisive influence on strategic business decisions and directions, therefore we see a regular and open communication with existing and potential shareholders as the right way to strengthen the successful operation of Intereuropa.

In our communication with the shareholders are used:

- Regular General Meetings of Shareholders,
- Presentations of the Company in conference for investors,
- Informing the media on business results and other price sensitive information,
- Regular communication via by the Stock Exchange (SEO-net) electronic system,
- Regular communication with financial media,
- Website,
- E-news.

Our shareholders can e-mail their remarks and proposals to us at: info@intereuropa.si.
letu 2016 družba Intereuropa d.d. ne načrtuje izplačila dividend.

ACCOUNTING REPORT

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

The same accounting guidelines were applied in the consolidated financial statements as in those of the Parent Company, as indicated in the Accounting Report for the financial year 2015. In the Statement of Financial Position and in the Statement of Cash Flows, we presented separately the item 'Other current assets' which was in the comparable statement included in short-term receivables, and we adjusted the comparable data. In the comparable data, we undertook a re-classification in the value of EUR 225 thousand within the item Labour Cost: the payroll costs were increased and the cost of social security insurances were decreased.

The management examined the estimations, assessments and presumptions and concluded that they have not changed from those applied at the time of compiling the financial statements as at 31st December 2015, except the changed depreciation rates from 20% to 15 percent for some equipment items. The effect of that change was negligible.

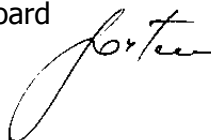
In the reporting term, the subsidiary Intereuropa Transport d.o.o. was in liquidation proceedings.

STATEMENT OF THE MEMBERS OF THE MANAGEMENT

the Managing Board hereby confirms that according to its best knowledge and conscience, the financial report of the company Intereuropa, Global Logistics Service Ltd. Co., and of the Intereuropa Group has been compiled in accordance with the applicable financial reporting framework and is a true and fair view of the assets and liabilities, the financial position and the profit or loss statement of the company Intereuropa, Global Logistics Service Ltd., and of other companies included in the consolidation. The business report includes a fair view of the information on the material transactions with related parties and has been drawn up in accordance with the relevant accounting standard.

INTEREUROPA d.d.
The Managing Board

Ernest Gortan, Msc.
President of Managing Board



Tatjana Vošinek Pucer, Msc.
Deputy President of Managing Board



Marko Cegnar, Msc. Manag.,
Member of Managing Board



3. FINANCIAL REPORT FOR INTEREUROPA GROUP

3.1 Underlying financial statements of the Intereuropa Group

CONSOLIDATED INCOME STATEMENT FOR INTEREUROPA GROUP

from 1.1.2016 to 30.6.2016

in € thousand	January - June 2016	January - June 2015
Sales revenue	69,274	66,330
Other operating income	529	808
Costs of goods, material and services	-48,174	-47,377
Labour costs	-13,278	-12,466
Amortisation, depreciation and write offs	-3,640	-4,013
Other operating expenses	-1,138	-1,255
Operating profit	3,573	2,027
Financial income	151	215
Financial expenses	-1,658	-2,007
Loss from financial operations	-1,507	-1,792
Share of profit of joint venture	28	20
Profit before income tax	2,094	255
Income tax (with deferred tax)	-138	-64
Profit for the period	1,956	191
Attributable to non controlling interests	175	124
Attributable to equity holders of the parent	1,781	67

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR INTEREUROPA GROUP

from 1.1.2016 to 30.6.2016

in € thousand	January - June 2016	January - June 2015
Profit	1,956	191
Other comprehensive Income	691	346
Items to be reclassified to profit/loss	687	358
Change in fair value of available for sale financial assets	-3	25
Deferred tax effect	1	-4
Translation exchange differences	689	337
Items not to be reclassified to profit/loss	4	-12
Other changes	4	-12
Comprehensive income total	2,647	537
Attributable to non controlling interests	156	120
Attributable to equity holders of the parent	2,491	417

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR INTEREUROPA GROUP

as at 30.6.2016

in € thousand	30.6.2016	31.12.2015
ASSETS		
Property, plant and equipment	207,024	207,338
Investment property	11,145	11,278
Intangible assets	5,630	6,553
Other non-current assets	44	62
Operating receivables	45	44
Deferred tax assets	16,652	16,666
Loans and deposits	54	45
Investment in a jointly controlled company	129	135
Other financial investments	516	518
TOTAL NON-CURRENT ASSETS	241,239	242,639
Available-for-sale assets	0	0
Inventories	126	137
Loans, deposits and certificates of deposits	6,772	6,604
Operating receivables	34,294	31,602
Income tax receivables	45	57
Cash and cash equivalents	8,894	11,107
Other current assets	1,082	274
TOTAL CURRENT ASSETS	51,213	49,781
TOTAL ASSETS	292,452	292,420
EQUITY		
Equity of holders of the parent	141,445	138,954
Share capital	27,489	27,489
Equity reserves	18,455	18,455
Revenue reserves	5,263	5,029
Revaluation reserves	64,086	64,086
Fair value reserves	1	3
Translation exchange differences	-7,194	-7,902
Retained earnings	31,564	31,962
Profit/loss	1,781	-168
Equity of non-controlling interest	9,221	9,220
TOTAL EQUITY	150,666	148,174
LIABILITIES		
Provisions and deferred revenue	6,216	6,282
Financial liabilities	90,032	92,499
Operating liabilities	692	691
Deferred tax liabilities	13,438	13,406
TOTAL NON-CURRENT LIABILITIES	110,378	112,878
Financial liabilities	5,193	5,232
Other financial liabilities	515	416
Operating liabilities	25,590	25,606
Income tax liabilities	110	113
TOTAL CURRENT LIABILITIES	31,408	31,368
TOTAL LIABILITIES	141,786	144,246
TOTAL CAPITAL AND LIABILITIES	292,452	292,420

CONSOLIDATED STATEMENT OF CASH FLOWS FOR INTEREUROPA GROUP

from 1.1.2016 to 30.6.2016

in € thousand	January - June 2016	January - June 2015
Cash flows from operating activities		
Net profit/loss for the period	1,956	191
Adjustments for:		
- Depreciation	3,263	3,239
- Impairment and writedowns of tangible fixed assets and intangible assets	0	0
Gain on sale of property, plant, equipment and investment property	-51	-32
- Revaluation operating expenses from disposal of tangible fixed assets and investment property	0	2
- Impairment and write-offs of receivables and inventories	376	772
- Non-monetary expenses	6	496
- Non-monetary revenues	-42	-30
- Financial revenues	-151	-215
Share of profit of joint venture	-28	-20
- Financial expenses	1,658	2,007
- Income tax (incl. deferred tax)	138	64
Operating profit before changes in net working capital and taxes	7,126	6,475
Changes in net working capital and provisions		
Changes in receivables	-3,095	-2,642
Changes in inventories	9	8
Changes in other short-term assets	-807	-455
Changes in operating liabilities	462	2,700
Changes in provisions and long-term deferred revenue	-38	7
Income tax	-119	-18
Cash from operating activities	3,538	6,075
Cash flows from investing activities		
Disposal of subsidiary after deduction of cash received		
Interest income	201	272
Dividens and shares in profit received	4	4
Inflows from disposal of property, plant and equipment	55	54
Inflows from decrease of short-term borrowings	39	19
Inflows from decrease of short-term deposits and certificates of deposits given	0	129
Outflows for acquisition of property, plant and equipment	-1,693	-1,615
Outflows for acquisitions of intangible assets	-61	-53
Outflows for non current deposits given	-10	-30
Outflows from increase of current deposits and certificates of deposits given	-195	0
Cash from investing activities	-1,660	-1,220

Cash flows from financing activities		
Inflows from non current financial liabilities	0	36
Inflows from increase in current borrowings	0	284
Interest paid	-1,495	-1,658
Outflows from repayment of non current financial liabilities	-2,514	-2,618
Dividend payout	-56	-88
Cash from financing activities	-4,065	-4,044
Cash and cash equivalents at beginning of period	11,107	6,757
Exchange rate differences from cash	-26	3
Net increase/decrease in cash	-2,213	813
Cash and cash equivalents at end of period	8,894	7,570

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR INTEREUROPA GROUP

from 1.1.2016 to 30.6.2016

in € thousand	REVENUE RESERVES										RETAINED EARNINGS		Equity of holders of parent	Equity - non-controlling interest	Total equity
	Share capital	Share premium	Legal reserves	Reserves for treasury shares	Treasury shares (deductible)	Statutory reserves	Other reserves	Revaluation reserves	Fari value reserves	Translation exchange differences	Retained earnings	Profit/loss for the period			
Opening balance as at 1.1.2016	27,489	18,455	4,691	180	-180	338	0	64,086	3	-7,902	31,962	-168	138,954	9,220	148,174
Total comprehensive income	0	0	0	0	0	0	0	0	-2	708	4	1,781	2,491	156	2,647
Profit	0	0	0	0	0	0	0	0	0	0	0	1,781	1,781	175	1,956
Other comprehensive income	0	0	0	0	0	0	0	0	-2	708	4	0	710	-19	691
Transactions with owners															
Transfer of profit/loss for the previous year to transferred retained earnings	0	0	0	0	0	0	0	0	0	0	-168	168	0	0	0
Payment of dividends or profit participations	0	0	0	0	0	0	0	0	0	0	0	0	0	-155	-155
Transfer of retained earnings to reserves	0	0	0	0	0	0	234	0	0	0	-234	0	0	0	0
Other changes	0	0	0	0	0	-323	323	0	0	0	0	0	0	0	0
Closing balance as at 30.6.2016	27,489	18,455	4,691	180	-180	15	557	64,086	1	-7,194	31,564	1,781	141,445	9,221	150,666

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR INTEREUROPA GROUP

from 1.1.2015 to 30.6.2015

in € thousand	REVENUE RESERVES							RETAINED EARNINGS		Equity - controlling interest	Equity - non-controlling interest	Total equity		
	Share capital	Equity reserves	Legal reserves	Reserves for treasury shares	Treasury shares (deductible)	Statutory reserves	Revaluation surplus	Fari value reserves	Translation exchange differences				Transferred retained earnings	Retained earnings for the period
Opening balance as at 1.1.2015	27,489	18,455	3,976	180	-180	326	64,086	186	-7,917	32,088	-267	138,422	9,216	147,638
Total comprehensive income	0	0	0	0	0	0	0	21	338	-9	67	417	120	537
Net profit/loss	0	0	0	0	0	0	0	0	0	0	67	67	124	191
Other comprehensive income	0	0	0	0	0	0	0	21	338	-9	0	350	-4	346
Transactions with owners														
Transfer of profit for the previous year to transferred retained earnings	0	0	0	0	0	0	0	0	0	-267	267	0	0	0
Payment of dividends or profit participations	0	0	0	0	0	0	0	0	0	0	0	0	-247	-247
Transfer of retained earnings to reserves	0	0	20	0	0	12	0	0	0	-32	0	0	0	0
Other changes	0	0	1	0	0	0	0	0	0	0	0	1	0	1
Closing balance as at 30.6.2015	27,489	18,455	3,997	180	-180	338	64,086	207	-7,579	31,780	67	138,840	9,089	147,929

3.2 Notes to Financial Statements of the Intereuropa Group

a) Notes to the CONSOLIDATED INCOME STATEMENT

The **Sales Revenues** amounted to EUR 69,274 thousand. The Group realised EUR 529 thousand of **other operating revenues** that mainly represent the revenues from elimination of allowances for and write-offs of receivables (EUR 387 thousand), the remaining part relates to revaluation operating revenues from disposal of items of plant, property and equipment (EUR 51 thousand), the revenues from state grants awarded for co-financing of projects and funds obtained from employing disabled persons above the quota (EUR 36 thousand), and other revenues (EUR 55 thousand).

Costs of goods, material and services

Table 1: Costs of goods, material and services of the Intereuropa Group in the period January – June 2016

in € thousand	January - June 2016	January - June 2015
Cost of goods and materials sold and costs of materials used	1,990	2,104
Cost of services	46,184	45,272
Direct costs	41,197	39,849
The cost of telecommunications services	230	214
Maintenance costs	1,134	1,205
Insurance premiums	370	403
Traning and education costs	27	38
Other costs of services	3,226	3,564
Total	48,174	47,377

Direct costs comprise the costs of subcontractors that are directly related to our supply of services.

Labour costs

Tabela 2: Labour costs of the Intereuropa Group in the period January – June 2016

in € thousand	January - June 2016	January - June 2015
Wages and salaries	9,441	8,970
Other social security costs	1,934	1,822
Other labour costs:	1,903	1,673
Holiday allowance	758	557
Transport and meals	1,066	1,057
Other labour costs	79	59
Total	13,278	12,466

Amortisation, depreciation and write-offs

Table 3: Amortisation, depreciation and write-offs of the Intereuropa Group in the period January - June 2016

in € thousand	January - June 2016	January - June 2015
Amortisation of intangible assets	248	268
Depreciation of property, plant and equipment and investment properties	3,015	2,971
Revaluatory operating expenses of intangible and tangible fixed assets	0	2
Expenses from revaluation adjustments (impairments) and written-off receivables	374	772
Expenses from revaluation adjustments (impairments) and written-off inventories	2	0
Total	3,640	4,013

Other operating expenses amounted to EUR 1,138 thousand, mainly relating to land-use fees and similar expenses (EUR 592 thousand).

The effect of Financial revenues and Expenses on the Profit or Loss

Table 4: The effect of financial revenues and expenses on the profit or loss of the Intereuropa Group in the period January – June 2016

in € thousand	January - June 2016	January - June 2015
Interest income	133	209
Dividend income and participation in profit of others	4	3
Income from elimination of impairment of loans and bills of exchange	14	3
Total financial income	151	215
Interest expenses	-1,482	-1,658
Financial expenses from impairments and written-off financial investments	-2	-14
Net exchange rate differences	-174	-335
Total financial expenses	-1,658	-2,007
Profit/loss from financing activities	-1,507	-1,792

The Group achieved the **Profit or Loss from Ordinary Activities** at EUR 2,094 thousand, which is further reduced by the effect of assessed and deferred tax expense of EUR -138 thousand.

The **Net Profit** achieved on the Group level in the reporting term amounted to EUR 1,956 thousand, thereof the amount of EUR 1,781 thousand for the **controlling part**, and EUR 175 thousand for the **controlled part**.

b) Notes to the CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

Table 5: Property, plant and equipment of the Intereuropa Group as at 30.6.2016

in € thousand	30.6.2016	31.12.2015
Land and buildings	200,708	201,648
a) Land	102,955	102,827
b) Buildings	97,753	98,821
Other property, plant and equipment	5,180	5,369
Property, plant and equipment under construction	1,136	320
Total	207,024	207,338

Intangible assets

Table 6: Intangible assets of the Intereuropa Group as at 30.6.2016

in € thousand	30.6.2016	31.12.2015
Long-term title rights	898	1,605
Goodwill	1,275	1,275
Advances given	8	0
Other intangible assets	3,449	3,673
Total	5,630	6,553

In accordance with the amended Companies Act (ZGD), we reclassified the amount of EUR 726 thousand (concerning the rights to real estate) from long-term industrial right to the item Property, Plant and Equipment (buildings).

Loans given, deposits and certificates of deposits

Table 7: Loans given, deposits and certificates of deposits of the Intereuropa Group as at 30.6.2016

in € thousand	30.6.2016	31.12.2015
Long-term loans given and deposits	54	45
- Loans given	6	7
- Deposits	48	38
Short-term loans given, deposits and certificates of deposits	6,772	6,604
- Loans and bills of exchange given	52	79
- Deposits and certificates of deposits	6,720	6,525
Total	6,826	6,649

Other financial investments in the amount of EUR 516 thousand stand for the item "Financial assets available for sale".

Trade and other receivables

Table 8: Trade and other receivables of the Intereuropa Group as at 30.6.2016

in € thousand	30.6.2016	31.12.2015
Operating receivables from buyers	31,621	28,696
Operating receivables from others	2,673	2,906
Total	34,294	31,602

Other short-term assets amounting to EUR 1,082 thousand relate to the short-term deferred costs.

Capital

On the Group level, the Equity amounts to EUR 150,666 thousand and represents 52 percent of the liabilities to sources of funding.

Provisions and deferred revenue

Table 9: Provisions and deferred revenue of the Intereuropa Group as at 30.6.2016

in € thousand	30.6.2016	31.12.2015
Provisions for employee benefits	1,020	1,072
Provisions on litigations	911	919
Other provisions	4,172	4,172
Deferred income	113	119
Total	6,216	6,282

The **long-term loans received and financial leases** amounted to EUR 90,032 thousand.

The **short-term loans received and financial leases** amounted to EUR 5,193 thousand. All the liabilities due by the Group under loan agreements as at the reporting date were settled.

Other short-term financial liabilities amounted to EUR 515 thousand and related to liabilities for dividends and other participations.

Operating liabilities

Table 10: Operating liabilities of the Intereuropa Group as at 30.6.2016

in € thousand	30.6.2016	31.12.2015
Operating liabilities to suppliers	20,662	21,653
Liabilities for obtained advances	695	680
Other operating liabilities	4,232	3,273
Total	25,590	25,606

Contingent liabilities

Table 11: Contingent liabilities of the Intereuropa Group as at 30.6.2016

in € thousand	30.6.2016	31.12.2015
Arising from bank guarantees and guarantees given	13,853	11,771
Arising from legal proceedings	839	1,140
From D.S.U., družba za svetovanje in upravljanje	250	250
Other contingent liabilities	105	105
Total	15,047	13,266

Fair value of financial instruments

With regard to calculation of their fair value, they are classified in three levels:

- **Level 1** considers the unadjusted price listed in an active market on the date of measurement;
- **Level 2** considers the inputs other than the listed price of Level 1, and such inputs can be directly or indirectly monitored for assets or liabilities;
- **Level 3** considers unmonitored inputs for an asset or liability.

Table 12: Levels of fair values in the Intereuropa Group as at 30.6.2016 and 31.12.2015

in 1000 €	30.6.2016			
Fair value levels	Level 1	Level 2	Level 3	Total
Financial assets, available for sale	412	0	104	516
in 1000 €	31.12.2015			
Fair value levels	Level 1	Level 2	Level 3	Total
Financial assets, available for sale	407	0	111	518

We estimate that the carrying amounts (book values) of other financial instruments reflect their fair values.

INFORMATION ACCORDING TO BUSINESS SEGMENTS FOR THE PERIOD JANUARY – JUNE 2016

Table 14: Business segments of the Intereuropa Group in the period January – June 2016

in EUR 1000	Slovenia		Croatia		Bosnia & Herzegovina		Serbia		Montenegro	
	Jan - Jun 2016	Jan - Jun 2015	Jan - Jun 2016	Jan - Jun 2015	Jan - Jun 2016	Jan - Jun 2015	Jan - Jun 2016	Jan - Jun 2015	Jan - Jun 2016	Jan - Jun 2015
Revenues from external customers	45,508	45,124	10,484	10,221	3,123	2,867	2,027	1,926	2,548	2,293
Revenues from business with other segments	1,586	1,404	258	190	182	215	299	316	52	31
Total revenues	47,094	46,528	10,743	10,411	3,305	3,082	2,327	2,242	2,600	2,324
Depreciation	1,951	1,957	766	738	174	164	92	98	220	220
Operating profit or loss	2,539	1,376	138	-123	134	111	283	247	310	223
Revenues from interest rates	129	186	8	21	0	0	2	4	21	27
Expenses from interest rates	1,384	1,542	23	24	6	4	39	51	0	0
Profit or loss before tax	2,108	955	120	-106	128	107	229	194	331	250
Corporate income tax	22	23	24	-22	14	12	29	20	36	20
Assets	228,165	231,598	59,327	59,664	17,241	17,220	9,785	9,753	22,464	22,494
Property, plant and equipment under construction	868	618	168	161	0	470	30	20	64	45
Non current assets	190,027	193,609	53,217	53,441	15,742	15,798	8,421	8,517	17,931	18,130
Operating liabilities	19,966	20,827	3,374	3,584	1,114	1,051	886	731	808	771
Financial liabilities	91,986	98,030	1,718	2,076	502	571	1,362	1,748	707	1,010
Investment in jointly controlled entities	75	75	0	0	0	0	0	0	0	0
Revenues from investment in jointly controlled entities	34	41	0	0	0	0	0	0	0	0

in EUR 1000	Ukraine		Others		Total		Adjustmentsi*		Group	
	Jan - Jun 2016	Jan - Jun 2015	Jan - Jun 2016	Jan - Jun 2015	Jan - Jun 2016	Jan - Jun 2015	Jan - Jun 2016	Jan - Jun 2015	Jan - Jun 2016	Jan - Jun 2015
Revenues from external customers	3,482	1,745	2,089	2,152	69,260	66,328	13	2	69,274	66,330
Revenues from business with other segments	1	0	314	364	2,692	2,521	-2,692	-2,521	0	0
Total revenues	3,483	1,745	2,403	2,516	71,952	68,849	-2,679	-2,519	69,274	66,330
Depreciation	26	31	34	32	3,263	3,239	0	0	3,263	3,239
Operating profit or loss	85	96	109	98	3,598	2,028	-25	0	3,573	2,028
Revenues from interest rates	2	5	0	1	163	244	-29	-36	133	209
Expenses from interest rates	59	71	0	1	1,512	1,694	-29	-36	1,482	1,658
Profit or loss before tax	-56	-327	106	99	2,967	1,172	-873	-916	2,094	255
Corporate income tax	0	0	12	12	138	64	0	0	138	64
Assets	1,994	2,338	3,035	3,109	342,010	346,176	-49,559	-50,000	292,452	296,176
Property, plant and equipment under construction	5	7	0	0	1,136	1,320	0	0	1,136	1,320
Non current assets	1,235	1,554	1,092	1,112	287,664	292,162	-46,425	-46,980	241,239	245,182
Operating liabilities	837	820	618	830	27,603	28,614	-1,323	-1,255	26,280	27,360
Financial liabilities	1,211	1,403	100	48	97,587	104,887	-1,846	-3,494	95,740	101,392
Investment in jointly controlled entities	0	0	0	0	75	75	54	45	129	120
Revenues from investment in jointly controlled entities	0	0	0	0	34	41	-6	-21	28	20

* All adjustments are subject to consolidation procedures.

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

4.1 Underlying Financial Statements of the Parent company Intereuropa d.d.

INCOME STATEMENT OF INTEREUROPA d.d.

from 1.1.2016 to 30.6.2016

in € thousand	January - June 2016	January - June 2015
Sales revenue	46,588	46,119
Other operating income	164	288
Costs of goods, material and services	-33,208	-33,992
Employee benefits expense	-8,509	-7,889
Amortisation and depreciation	-2,041	-2,161
Other operating expenses	-581	-1,061
Operating profit	2,413	1,304
Financial income	2,279	1,097
Financial expenses	-2,708	-1,559
Loss from financial operations	-429	-462
Profit before income tax	1,984	842
Income tax expense	0	0
Profit	1,984	842
Basic and diluted earnings per ordinary share (in €)	0.07	0.03

STATEMENT OF COMPREHENSIVE INCOME FOR INTEREUROPA d.d.

from 1.1.2016 to 30.6.2016

in € thousand	January - June 2016	January - June 2015
Profit	1,984	842
Other Comprehensive Income	-3	21
Items to be reclassified to profit/loss	-3	21
Change in fair value of available for sale financial assets	-3	25
Deferred tax effect	0	-4
Items not to be reclassified to profit/loss	0	0
Comprehensive income total	1,981	863

STATEMENT OF FINANCIAL POSITION FOR INTEREUROPA d.d.

as at 30.6.2016

in € thousand	30.6.2016	31.12.2015
ASSETS		
Property, plant and equipment	112,101	112,019
Investment property	10,191	10,308
Intangible assets	4,107	5,048
Other non-current assets	45	62
Deferred tax assets	16,413	16,413
Financial investments excl. loans and deposits	47,038	47,036
Loans and deposits	103	253
TOTAL NON-CURRENT ASSETS	189,998	191,139
Inventories	9	9
Financial investment excl. loans, deposits and certificates of deposits	250	250
Loans, deposits and certificates of deposits	5,410	5,279
Trade and other receivables	23,436	21,406
Income tax receivables	4	0
Cash and cash equivalents	6,383	8,169
Other current assets	604	40
TOTAL CURRENT ASSETS	36,096	35,153
TOTAL ASSETS	226,094	226,292
EQUITY		
Share capital	27,489	27,489
Equity reserves	18,455	18,455
Revenue reserves	2,749	2,749
Revaluation reserves	48,611	48,611
Fair value reserves	45	48
Retained earnings	624	89
Profit	1,984	535
TOTAL EQUITY	99,957	97,976
LIABILITIES		
Provisions and deferred revenue	5,499	5,539
Financial liabilities	88,116	90,109
Operating liabilities	656	656
Deferred tax liabilities	9,966	9,966
TOTAL NON-CURRENT LIABILITIES	104,237	106,270
Financial liabilities	3,869	3,752
Operating liabilities	18,031	18,294
Short-term liabilities for income tax	0	0
TOTAL CURRENT LIABILITIES	21,900	22,046
TOTAL LIABILITIES	126,137	128,316
TOTAL CAPITAL AND LIABILITIES	226,094	226,292

STATEMENT OF CASH FLOWS FOR INTEREUROPA d.d.

from 1.1.2016 to 30.6.2016

in € thousand	January - June 2016	January - June 2015
Cash flows from operating activities		
Net profit/loss for the period	1,984	842
Adjustments for:		
- Depreciation of property, plant, equipment, investment property	1,949	1,954
- Gain on sale on disposal of property, plant and equipment, investment property	-8	-26
- Revaluatory operating expenses from disposal of property, plant and equipment	0	2
- Impairment and write-offs of receivables	92	206
- Non-monetary expenses	6	496
- Non-monetary revenues	-30	-29
- Financial revenues	-2,279	-1,097
- Financial expenses	2,708	1,559
Operating profit before changes in net working capital and taxes	4,422	3,906
Changes in net working capital and provisions		
Changes in receivables	-1,527	-166
Changes in inventories	1	8
Changes in other current assets	-565	-389
Changes in operating liabilities	3	1,555
Changes in provisions and deferred income	-16	11
Cash from operating activities	2,318	4,925
Cash flows from investing activities		
Interest income	115	162
Dividend income and participations in profit	225	107
Inflows from disposal of property, plant and equipment	12	40
Inflows from non current loans given	0	160
Inflows from decrease of current loans given	23	62
Inflows from decrease of current deposits and certificates of deposits	18	32
Outflows for acquisition of property, plant and equipment	-1,185	-1,164
Outflows for acquisitions of intangible assets	-27	-43
Outflows for non current deposits given	-10	-30
Outflows for capital increase in subsidiaries	-5	-15
Cash from investing activities	-834	-689
Cash flows from financing activities		
Paid interest	-1,394	-1,538
Outflows from repayment of non current financial liabilities	-1,876	-1,765
Cash from financing activities	-3,270	-3,303
Cash and cash equivalents at beginning of period	8,169	4,594
Net increase/decrease in cash from regular operations	-1,786	933
Cash and cash equivalents at end of period	6,383	5,527

STATEMENT OF CHANGES IN EQUITY FOR INTEREUROPA d.d.

from 1.1.2016 to 30.6.2016

in € thousand	Share capital	Share premium	REVENUE RESERVES			Revaluation reserves	Fair value reserves	RETAINED EARNINGS		Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares (deductible)			Retained earnings	Profit for the period	
Opening balance as at 1.1.2016	27,489	18,455	2,749	180	-180	48,611	48	89	535	97,976
Total comprehensive income	0	0	0	0	0	0	-3	0	1,984	1,981
Profit	0	0	0	0	0	0	0	0	1,984	1,984
Other comprehensive income	0	0	0	0	0	0	-3	0	0	-3
Transactions with owners										
Transfer of profit for previous year to retained earnings	0	0	0	0	0	0	0	535	-535	0
Closing balance as at 30.6.2016	27,489	18,455	2,749	180	-180	48,611	45	624	1,984	99,957

STATEMENT OF CHANGES IN EQUITY FOR INTEREUROPA d.d.

from 1.1.2015 to 30.6.2015

in € thousand	Share capital	Share premium	REVENUE RESERVES			Revaluation reserves	Fair value reserves	RETAINED EARNINGS		Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares (deductible)			Retained earnings	Profit for the period	
Opening balance as at 1.1.2015	27,489	18,455	2,054	180	-180	48,611	144	0	0	96,753
Total comprehensive income	0	0	0	0	0	0	21	0	842	863
Profit	0	0	0	0	0	0	0	0	842	842
Other comprehensive income	0	0	0	0	0	0	21	0	0	21
Transactions with owners										
Closing balance as at 30.6.2015	27,489	18,455	2,054	180	-180	48,755	165	0	0	97,616

4.2 Notes to Financial statements of the Parent company Intereuropa d.d.

a) Notes to INCOME STATEMENT

Sales revenue

Table 13: Sales revenue of the Intereuropa d.d. in the period January - June 2016

in € thousand	January - June 2016	January - June 2015
Sales revenue within the Group	1,571	1,386
Sales revenue (excl. the Group)	45,017	44,733
Total	46,588	46,119

Other operating revenues (EUR 164 thousand) represent the revenues from elimination of allowances for and write-offs of receivables (EUR 103 thousand), revenues from state grants awarded for co-financing of projects and funds obtained from employing disabled persons above the quota (EUR 32 thousand) and other revenues (EUR 29 thousand).

Costs of goods, material and services

Table 14: Costs of goods, material and services of the Intereuropa d.d. in the period January - June 2016

in € thousand	January - June 2016	January - June 2015
Cost of goods and materials sold and costs of materials used	837	814
Cost of services within the Group	1,016	1,059
Cost of services (excl. the Group)	31,354	32,119
direct costs	28,530	29,365
cost of telecommunications services	82	58
maintenance costs	766	796
insurance premiums	233	256
training and education costs	16	19
other costs of services	1,728	1,624
Total	33,208	33,992

Direct costs comprise the costs of subcontractors that are directly related to our supply of services.

Labour costs

Table 15: Labour costs of the company Intereuropa d.d. in the period January - June 2016

in € thousand	January - June 2016	January - June 2015
Wages and salaries	5,849	5,504
Pension insurance costs	692	631
Other social security costs	423	398
Other labour costs:	1,546	1,356
holiday allowance	687	491
transport and meals	828	826
other labour costs	31	39
Total	8,509	7,889

Amortisation, depreciation and write-offs

Table 16: Amortisation, depreciation and write-offs of the company Intereuropa d.d. in the period January - June 2016

in € thousand	January - June 2016	January - June 2015
Amortisation of intangible assets	234	258
Depreciation of property, plant and equipment and investment properties	1,715	1,696
Revaluatory operating expenses of intangible and tangible fixed assets	0	2
Expenses from impairments and written-off receivables	92	206
Total	2,041	2,161

Other operating expenses

Table 17: Other operating expenses of the company Intereuropa d.d. in the period January – June 2016

in € thousand	January - June 2016	January - June 2015
City land tax and similar expenses	533	525
Other operating expenses	47	536
Total	581	1,061

The effect of Financial Revenues and Expenses on the Profit or Loss

Table 18: The effect of financial revenues and expenses on the profit or loss in the company Intereuropa d.d. in the period January - June 2016

in € thousand	January - June 2016	January - June 2015
Interest income from group members	29	35
Interest income from others	95	138
Income from intra-group participations	777	876
Income from stakes in joint venture	34	41
Income from stakes to others	4	4
Income from elimination of impairment of loans and bills of exchange	1,336	3
Net exchange rate differences	4	0
Total financial income	2,279	1,097
Interest expenses and other borrowing expenses	-1,384	-1,540
Expenses from impairments and written-off financial investments in stakes and shares	-1,322	0
Expenses from impairments of other financial investments	-2	-14
Net exchange rate differences	0	-5
Total financial expenses	-2,708	-1,559
Profit/loss from financing activities	-429	-462

The revenues from reversal of impairment that result from derecognition of impairment of a loan granted to the subsidiary Intereuropa Transport d.o.o., in liquidation, by which the capital increase in that subsidiary was performed in the form of an in-kind contribution. In the same amount was impaired the long-term financial investment in shares in that subsidiary, which resulted in expenses owing to impairment and in write-offs of financial investment in shares of group members.

The achieved **Profit or Loss from Ordinary Activities** of EUR 1,984 thousand resulted from the Operating Profit/Loss (EUR 2,413 thousand) and from the Financing Profit/Loss (-429 thousand EUR).

b) Notes to STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

Table 19: Property, plant and equipment of the company Intereuropa d.d. as at 30.6.2016

in € thousand	30.6.2016	31.12.2015
Land and buildings	108,432	108,941
a) Land	65,287	65,287
b) Buildings	43,145	43,654
Other property, plant and equipment	2,801	2,959
Property, plant and equipment under construction	868	119
Total	112,101	112,019

Intangible assets

Table 20: Intangible assets of the company Intereuropa d.d. as at 30.6.2016

in € thousand	30.6.2016	31.12.2015
Long-term title rights	652	1,473
Advances for intangible assets	8	0
Other intangible assets	3,447	3,576
Total	4,107	5,048

In accordance with the amended Companies Act (ZGD), we reclassified the amount of EUR 726 thousand (concerning the rights to real estate) from long-term industrial right to the item Property, Plant and Equipment (buildings).

Non current financial investments except loans given and deposits

Table 21: Non current financial investments except loans given and deposits of the company Intereuropa d.d. as at 30.6.2016

in € thousand	30.6.2016	31.12.2015
Investments in shares and stakes of subsidiaries	46,458	46,453
Investments in stake of jointly controlled company	75	75
Other financial investments	506	508
Total	47,038	47,036

Loans, deposits and certificates of deposits given

Table 22: Loans, deposits and certificates of deposits given of the company Intereuropa d.d. as at 30.6.2016

in € thousand	30.6.2016	31.12.2015
Non current loans given and deposits	103	253
- to subsidiaries	63	223
- deposits	40	30
Current loans given, deposits and certificates of deposits	5,410	5,279
- to subsidiaries	1,230	1,070
- to others	0	11
- deposits and certificates of deposits	4,180	4,198
Total	5,513	5,532

Trade and other receivables

Table 23: Trade and other receivables of the company Intereuropa d.d. as at 30.6.2016

in € thousand	30.6.2016	31.12.2015
Operating receivables within the Group	559	571
Interest receivables from Group companies	187	172
Short-term receivables for dividends and other shares in profits of group companies	589	0
Operating receivables from buyers (excl. The Group)	21,481	20,011
Other operating receivables	620	652
Total	23,436	21,406

Other short-term assets amounting to EUR 604 thousand relate to the short-term deferred costs.

Capital

Equity expresses equity financing of the Company and is regarded as its liability to shareholders. The share thereof in the liabilities structure is 44 percent.

Provisions and Deferred Revenue

Table 24: Provisions and deferred revenue of the company Intereuropa d.d. as at 30.6.2016

in € thousand	30.6.2016	31.12.2015
Provisions for employee benefits	738	780
Provisions on litigations	487	481
Other provisions	4,160	4,160
Deferred income	113	118
Total	5,499	5,539

In the frame of **long-term bank loans received and financial leases**, the entire amount (EUR 88,116 thousand) relates to long-term loans received.

The short-term borrowings and financial leases come to EUR 3,869 thousand and represent the short-term portion of long-term loans.

Operating liabilities

Table 25: Operating liabilities of the company Intereuropa d.d. as at 30.3.2016

in € thousand	30.6.2016	31.12.2015
Operating liabilities to companies within the Group	311	347
Operating liabilities to suppliers	15,058	16,077
Operating liabilities from advances	83	81
Other operating liabilities	2,579	1,789
Total	18,031	18,294

Contingent liabilities

Table 26: Contingent liabilities of the company Intereuropa d.d. as at 30.6.2016

in € thousand	30.6.2016	31.12.2015
From bank guarantees and guarantees given to Group members	2,311	2,922
From bank guarantees and guarantees given to others	4,925	4,695
Arising from legal proceedings	288	603
From company D.S.U., družba za svetovanje in upravljanje	250	250
Total	7,774	8,470

Fair value of financial instruments

With regard to calculation of their fair value, they are classified in three levels:

- **Level 1** considers the unadjusted price listed in an active market on the date of measurement;
- **Level 2** considers the inputs other than the listed price of Level 1, and such inputs can be directly or indirectly monitored for assets or liabilities;
- **Level 3** considers unmonitored inputs for an asset or liability.

Table 27: Levels of fair values in the company Intereuropa d.d. as at 30.6.2016 and 31.12.2015

in 1000 €	30. 6. 2016			
Fair value levels	Level 1	Level 2	Level 3	Total
Financial assets, available for sale	402	0	104	506
in 1000 €	31. 12. 2015			
Fair value levels	Level 1	Level 2	Level 3	Total
Financial assets, available for sale	404	0	104	508

We estimate that the carrying amounts (book values) of other financial instruments reflect their fair values.

IN BRIEF ...



The first half-year 2016 was a promising term for the Intereuropa Group. The improved economic climate fuelled the demand for logistic services, which reflected on financial results of the Group as well. The favourable sales result was greatly attributable to our joint and long-term efforts to achieve the growth of operations of our companies. Noteworthy were growing sales revenues in our subsidiaries Ukraine and Croatia which yielded positive operation of respective subsidiaries, thanks to a number of actions and activities in the preceding term. On the level of the Group, the focus was laid on improving our sales activities and customizing the service implementation and our current warehousing capacities to the needs of our customers. Informatisation ranks among our major activities in the optimization of logistic processes, and accordingly, we continue with modernization and upgrading of information support to our services.

The Intereuropa Group recorded a 4-percent growth over the comparable term last year and achieved **EUR 69.3 million sales revenues**. The highest growth was recorded in the area Logistics Solutions, mainly resulting from increased turnover of goods and of inventories in our major warehouses in Slovenia. Also the Land Transport saw a growth of revenues, primarily in railway transport in Ukraine, domestic transport and groupage services. Our Intercontinental Transport slightly exceeded the sales results from the comparable term a year ago. The best performing services within the Seafreight segment were contributed by our shipping agency, Ro-Ro-services and container transport: we surpassed the targets in all of them.

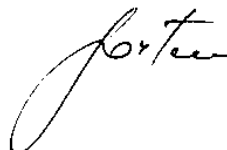
Growing sales and active cost management were the crucial factors for the improved **Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)**, which came to **EUR 6.8 million**. The **operating profit** in the reporting term was **EUR 3.6 million**. and the profitability of sales revenues (EBIT margin) was greatly improved: from 3.1 last year it rose to 5.2 percent.

The **Financing Profit/ Loss** at **-1.5 million EUR** has resulted from net interest expenses and foreign exchange losses (EUR 0.2 million), which were primarily attributable to depreciation of the Ukrainian currency. The Group closed the reporting term with a **net profit of EUR 2.0 million**. The reporting term closed with a **Net financial debt** je at **EUR 80.0 million**.

The results of the reporting half-year confirm the correct strategy taken and the quality of work of all employees in the Group. We take them as encouragement for implementing the necessary activities with full commitment and to achieve the goals set for this year. We will focus primarily on development of our current business and acquiring new ones to achieve growth in all our markets, areas/segments and products of our core business. Our top-ranked goals remain maintaining or enhancing the profitability of operations.

INTEREUROPA d.d.

Ernest Gortan, Msc.
President of Managing Board



Tatjana Vošinek Pucer, Msc.
Deputy President of Managing Board



Marko Cegnar
Member of Managing Board



Koper, 12. 8. 2016