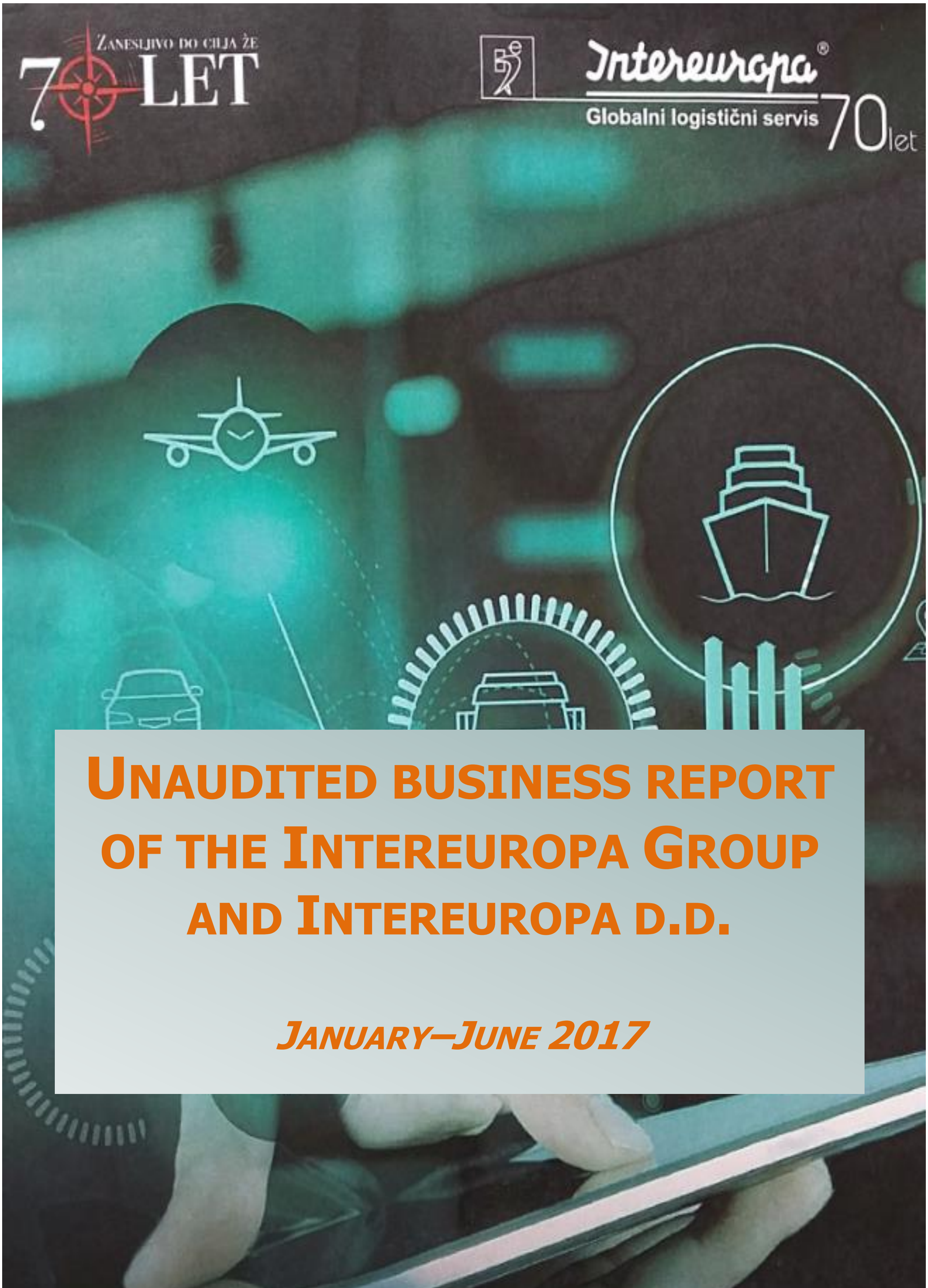


UNAUDITED BUSINESS REPORT OF THE INTEREUROPA GROUP AND INTEREUROPA D.D.

JANUARY–JUNE 2017

TABLE OF CONTENTS

INTRODUCTION

Pursuant to the Financial Instruments Market Act and the Ljubljana Stock Exchange Rules, Intereuropa d.d. hereby publishes the Unaudited business report of the Intereuropa Group and Intereuropa d.d. for the period January–June 2017.

The consolidated and separate financial statements for the first half of 2017 and the first half of 2016 have not been audited, while the financial statements for the entire 2016 financial year have been audited. The financial statements are compiled in accordance with the International Financial Reporting Standards.

The Supervisory Board of Intereuropa d.d. discussed the Unaudited business report of the Intereuropa Group and Intereuropa d.d. for the aforementioned period at its session on 31 August 2017.

The document Unaudited business report of the Intereuropa Group and Intereuropa d.d. for the period January–June 2017 is available at the registered office of Intereuropa d.d., Vojkovo nabrežje 32, 6504 Koper and will also be published on Intereuropa d.d.'s website at www.intereuropa.si on 31 August 2017.

KEY PERFORMANCE HIGHLIGHTS

The improving economic conditions in Europe and the wider region as a whole in which the Intereuropa Group operates are stimulating growth in the flow of goods and activities in the transport-logistics sector. However, the unstable political situation in Ukraine, Macedonia, Bosnia and Herzegovina and liquidity problems connected with the restructuring of the food industry giant Agrokor in Croatia are having a negative effect on the economic environment. Nevertheless, the favourable economic situation and intensive market activities had a positive effect on the half-yearly results of the Intereuropa Group.

The Intereuropa Group generated **EUR 72.9 million in sales revenue** in the period January–June 2017, an increase of 5% on the comparable period in 2016. In the context of rising sales and a slightly lower sales margin, the Group generated an **operating result of EUR 3.6 million**, an increase of 1% relative to the first half of 2016. Improved results from financing relative to the first half of 2016 had an additional effect on the Group's **profit from ordinary operations,** which at **EUR 2.3 million** was up 3% on last year's results. Taking into account higher current income tax relative to last year in the amount of EUR 0.4 million, the Group disclosed a **net profit of EUR 1.95 million**, the same as in the period January–June 2016.

The parent company Intereuropa d.d., Koper generated **EUR 50.8 million in sales revenue** in the period January–June 2017, an increase of 9% on the sales results recorded during the same period in 2016. Despite a slight decrease in its sales margin, Intereuropa d.d. increased both its **operating profit** (in the amount of **EUR 2.7 million**) and **profit from ordinary operations** (in the amount of **EUR 2.3 million**) by 14%. **Net profit** amounted to **EUR 1.96 million**, and was down 1% relative to the comparable period in 2016, current income tax having an effect in that regard. The latter amounted to zero during the comparable period in 2016 due to the use of tax allowances from the past.

Table 1: Significant operating indicators for the Intereuropa Group and the parent company Intereuropa d.d.

	INTEREUROPA GROUP			INTEREUROPA D.D.		
in EUR thousand	Jan–Jun 2017	Jan–Jun 2016	Index 17/16	Jan–Jun 2017	Jan–Jun 2016	Index 17/16
Sales revenues	72,896	69,274	105	50,829	46,588	109
EBITDA	7,023	6,837	103	4,767	4,362	109
Operating profit (EBIT)	3,623	3,573	101	2,744	2,413	114
Loss from financing activities	-1,304	-1,507	-	-483	-429	-
Profit from ordinary operations	2,327	2,094	111	2,261	1,984	114
Net profit	1,954	1,956	100	1,958	1,984	99
EBITDA margin (in %)	9.6	9.9	98	9.4	9.4	100
EBIT margin (in %)	5.0	5.2	96	5.4	5.2	104
Sales revenue per employee/month	9.151	8.464	108	14.538	12.969	112
Value added per employee/month	2.544	2.458	104	3.828	3.583	107
	30 Jun 2017	31 Dec 2016	Index 17/16	30 Jun 2017	31 Dec 2016	Index 17/16
Assets	258,281	255,730	101	191,963	190,731	101
Equity	141,250	138,185*	102	89,103	87,118	102
Net financial debt	71,914	73,489	98	73,242	74,412	98
Number of employees	1,414	1,374	103	605	621	97
				Jan–Jun 2017	Jan–Dec 2016	Index 17/16
Number of shares at the end of period				27,488,803	27,488,803	100
Earnings per share (in EUR)				0.07	-0.13	-
Closing price at the end of period (in EUR)				1.91	1.18	162
Book value per share at the end of period (in EUR)				3.24	3.17	102
Closing price/book value per share				0.59	0.37	158
P/E				13.7	-9.1	-

* Adjusted; for more information see the Introductory notes section on page 36.
EBITDA: earnings before interest, taxes, depreciation and amortisation, and revaluation operating expenses for intangible assets, and property, plant and equipment.
Net financial debt: financial liabilities – loans granted and deposits – cash.
P/E: Closing price at the end of period/annualised earnings per share.

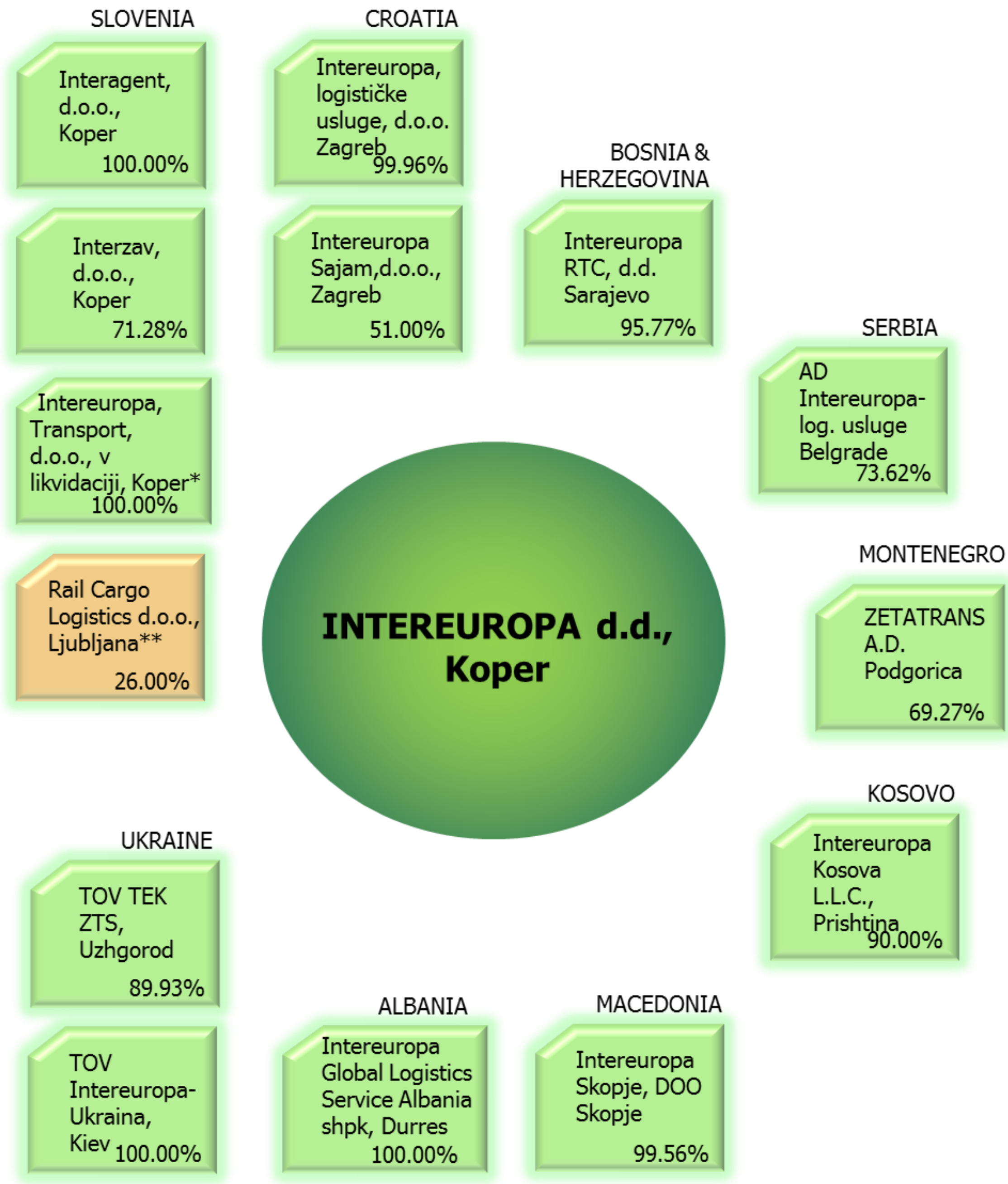
The Intereuropa Group exceeded the sales results recorded by all three business segments during the comparable period in 2016. The Group recorded the highest growth in sales in the intercontinental transport business segment, primarily on account of increased sales activity associated with general and liquid cargo services in the sea freight segment, and due to growth in the volume of chartered cargo flights on the Serbian market. The Group also improved its sales results relative to the same period last year in the logistics solutions segment. Growth in sales was stimulated by numerous activities aimed at utilising storage capacities and securing new transactions with higher value added. Sales were also higher in the land transport business segment, where pressures to cut margins persist. Leading to a further deterioration in the results of the land transport segment are the unstable political and economic conditions in Ukraine, where the subsidiary saw its sales revenue more than halved relative to the comparable period last year. Sales results improved most at the parent company in Slovenia, and at the subsidiaries in Serbia and Macedonia.

The Group continued with intensive activities aimed at the reorganisation of operations during the first half of 2017. Those activities are primarily aimed at improving the effectiveness of sales and optimising execution. The Group also gives special attention to supplier management in order to improve transportation terms. Activities continued during the first half of 2017 to introduce an integrated IT solution to support the Group's business processes.

BASIC INFORMATION ABOUT THE GROUP

Parent company	Intereuropa, Globalni logistični servis, delniška družba
Abbreviated name	Intereuropa d.d.
Country of the parent company	Slovenia
Registered office of the parent company	Vojkovo nabrežje 32, 6000 Koper
Registration no.	5001684
Tax no.	56405006
Entry in the companies register	Registered with the Koper District Court, entry no. 1/00212/00
Share capital	EUR 27,488,803
Number of shares issued and paid up	27,488,803 no-par-value shares, of which 16,830,838 are ordinary shares (IEKG) and 10,657,965 are preference shares (IEKN)
Share listing	IEKG shares are listed on the prime market of the Ljubljana Stock Exchange, CEESEG.
Management Board	- Ernest Gortan, MSc, President of the Management Board - Marko Rems, member of the Management Board (since 5 July 2017) - Marko Cegnar, member of the Management Board - Tatjana Vošinek Pucer, MSc, Deputy President of the Management Board (until 30 April 2017)
Chairman of the Supervisory Board	- Jure Fišer (since 12 July 2017) - Klemen Boštjančič (until 21 June 2017)

Intereuropa Group	
Number of employees	1,414
Vehicle fleet	107 group-owned trucks, trailers and other commercial vehicles
Total own warehousing area	232,445 m^2
Total own land area	1,660,000 m^2
Membership in international organisations	FIATA, IATA, FONASBA, BIMCO, GS1, WCA, FETA, HCL
Quality certificates	ISO 9001:2008 certificate ○ Intereuropa d.d., Koper ○ Intereuropa, logističke usluge d.o.o., Zagreb ○ Intereuropa RTC d.d., Sarajevo
Own branch network	Slovenia, Croatia, Montenegro, Bosnia and Herzegovina, Serbia, Kosovo, Macedonia, Albania and Ukraine



* Intereuropa Transport d.o.o., Koper has been in liquidation proceedeings since 17 January 2012.
** On 3 February 2017 company Intereuropa FLG, d.o.o., Ljubljana changed its name to Rail Cargo Logistics d.o.o., Ljubljana.

Parent company
Subsidiary
Associate
% Ownership share of the Parent company

Figure 1: Intereuropa Group as at 30 June 2017

STRATEGIC POLICIES

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

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

Values
Integrity. We respect the highest ethical principles and best business practices. We operate in full compliance with applicable legislation, guidelines, recommendations and the Company's internal rules.

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

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

Responsibility. We are distinguished by a high level of responsibility for the obligations we undertake, the agreements we conclude, and the social and natural environments in which we live.

Teamwork and a respectful approach to employees. The quality of our services is the result of the work of individuals and top-notch expert teams. We value the diverse knowledge, experiences and views of our employees.

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

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

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

Strategic objectives for 2019

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

BUSINESS PLAN 2017

Taken into account during the drafting of the business plan for 2017 were the starting position of the Intereuropa Group at the end of 2016 and the strategic policies for 2017 that derive from the Strategic Plan of the Intereuropa Group for the period 2015–2019. Also taken into account were trends in the logistics sector and forecasts of economic trends for the Group's key markets.

Based on the aforementioned points of departure, the following business and financial objectives were set for the Intereuropa Group in 2017:

Key objective:

→ to achieve growth in revenues on all markets, except in the Ukraine, and in all business segments of the core activity;
→ to strengthen cooperation with customers that require integrated logistics solutions through the entire supply chain in the region; and
→ to attract new, profitable customers and strategic customers for the Group.

Other objectives:

→ to retain and motivate key and promising personnel; to additionally train personnel from the area of sales and marketing and develop services at all Group companies; to begin the establishment of a system for the remuneration of sales and management teams; and to maintain flexible forms of employment;
→ to actively manage the costs of service by securing more favourable purchasing terms; to ensure the optimal provision of services and the cost-effectiveness of support functions; and to centralise certain procurement functions;
→ to effectively manage working capital;
→ to continue the development of integrated IT solutions that support the logistics processes of the core business activity at the parent company and at selected subsidiaries; and to introduce a platform for business decision-making and a CRM system;
→ to invest in projects that generate a short-term return, and that support the needs of our customers, that are indispensable for preserving the value of assets or that are dictated by law; and
→ to sell assets that are not sufficiently utilised in economic terms.

Key financial objectives:

→ sales revenue: EUR 142.4 million;
→ EBITDA: EUR 13.7 million;
→ operating profit: EUR 6.8 million;
→ investments: EUR 5.9 million; and
→ number of employees at the end of the year: 1,421

SIGNIFICANT EVENTS

IN THE PERIOD JANUARY–JUNE 2017

January

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

February

→ Intereuropa FLG d.o.o., Ljubljana was renamed Rail Cargo Logistics d.o.o., Ljubljana on 3 February. A change in ownership was registered on the same day. Intereuropa d.d. holds a 26% participating interest in Rail Cargo Logistics d.o.o., Ljubljana.

March

→ On 29 March Intereuropa attended a business event organised by Luka Koper in Cairo, where the Company met with existing and potential customers from the perishable goods logistics segment. The aforementioned business event was attended by a large number of business partners from Egypt, the Egyptian International Freight Forwarding Association (an umbrella organisation) and the Association of Fruit and Vegetable Exporters.

April

→ Intereuropa d.d. was the main sponsor of the Slovenian Logistics Congress held in Portorož on 5 and 6 April.

→ On 10 April Intereuropa d.d. began using leased storage capacities in the Šenčur industrial zone, measuring approximately 1,500 m^2, for the needs of a new logistics project.

→ On 12 April the Supervisory Board of Intereuropa d.d. appointed Marko Rems to serve as member of the Management Board. In his function on the Management Board, Mr Rems will be responsible for the area of finance. The four-year term of office of the aforementioned member of Intereuropa d.d.'s Management Board begins on 5 July 2017.

→ At its session held on 20 April, Intereuropa d.d.'s Supervisory Board adopted the audited annual report of the Intereuropa Group for the 2016 financial year, together with the independent auditor's report.

→ Based on the relevant agreement, Tatjana Vošinek Pucer, MSc's employment with the Company was terminated early on 30 April 2017.

MAY

→ Intereuropa d.d. and other representatives from the Slovenian logistics sector attended the Transport & Logistics trade fair in Munich from 9 to 12 May.

→ In the scope of its occupational health programme, Intereuropa successfully organised Health Day on 11 May 2017. Examinations of cholesterol, blood pressure, blood sugar and eyes were carried out, while participants were provided advice regarding healthy eating.

→ On 29 May, the Intereuropa Group and its business partners celebrated the 70th anniversary of the Group's operations at a formal event held in Portorož.

JUNE

- → At the beginning of June, an application for reporting suspected breaches began functioning. The aforementioned application is accessible on the Group's website under the name 'Interžvižgač' (Inter-Whistleblower).
- → Employees of Intereuropa d.d. celebrated the 70th anniversary of the company's establishment on 17 June in Ankaran.
- → On 30 June, the general meeting of shareholders was briefed on the annual report of the Intereuropa Group for 2016, conferred official approval on the Management Board and Supervisory Board, appointed KPMG Slovenija, d.o.o. as certified auditor for 2017, and adopted a decision leaving distributable profit for 2016 in the amount of EUR 3,495,540.28 undistributed in full. The general meeting of shareholders appointed Matija Vojsk to serve as new member of the Supervisory Board for a four-year term of office beginning on 30 June 2017. The general meeting of shareholders also appointed Vojko Čok and Rok Rape to serve as members of the Supervisory Board for a four-year term of office beginning on 10 September 2017.

EVENTS AFTER THE REPORTING PERIOD

JULY

- → Marko Rems began his term of office as new member of the Company's Management Board on 5 July. Mr Rems will cover the areas of finance, accounting and controlling, real estate management, central procurement and IT support.
- → Jure Fišer was unanimously appointed to serve as Chairman of Intereuropa d.d.'s Supervisory Board on 12 July.

BUSINESS REPORT

1. OPERATIONS OF THE INTEREUROPA GROUP

1.1 Sales results

ECONOMIC TRENDS

Expectations regarding global economic growth remain positive. The IMF's forecast for global economic growth in 2017 remains at 3.5%. Growth in activity in the euro area continued to strengthen during the second quarter, and continues to be stimulated by domestic demand, while in the context of a strengthening global economy and trade exports were also up. Higher employment and improving consumer confidence are contributing to growth in private consumption. Outlooks until the end of the year remain positive.

Activity has increased in the majority of sectors this year in Slovenia. Outlooks thus remain positive. Increased foreign demand and improving competitiveness are the main factors in the continuing growth in exports and manufacturing output. Private consumption, which is strengthening in the context of positive trends on the labour market and high consumer confidence, is contributing to growth in revenues in the retail and services sectors. Strengthening domestic and foreign demand are contributing to continued growth in revenues in the majority of other tradeable services. Construction activity is also strengthening in the context of improving economic conditions and the recovery of the real estate market.

Growth in the Croatian economy continued in the second quarter, although the negative effects of the restructuring of Agrokor could be seen already at the end of the aforementioned period, as well as slowing growth in retail sales and a drop in industrial output. A favourable tourist season, a reduced income tax rate and declining unemployment continue to stimulate domestic household consumption. An increase in disbursements of EU funds and a lower corporate income tax rate are helping strengthen investments in fixed assets, which will have a positive effect on the domestic economy. The second quarter saw a slight improvement in the Serbian economy relative to the previous quarter. While the value of imports was unchanged relative to the previous period, exports achieved double-digit growth, accompanied by growth in industrial output. Retail sales have revived, which heralds higher private consumption. Economic growth in Montenegro in the first half of the year was driven by the domestic economy and foreign trade. Economic growth in the aforementioned country in the coming months will be driven primarily by ongoing infrastructure projects and investments in key economic sectors. Positive momentum was also seen in the economy of Bosnia and Herzegovina during the first half of the year. Exports of final goods were up on account of increased demand from EU and CEFTA countries, while the tourism sector also strengthened significantly. Strong private consumption and investments in fixed assets will be the main drivers of forecast economic growth, which could be hindered by delays in the implementation of infrastructure projects, which led the IMF to halt its loan programme. At the end of May, six months after elections, the Macedonian parliament confirmed the country's new government, which could improve political and economic conditions, and lead to the implementation of structural reforms, an increase in foreign investment, a reduction in unemployment, etc. Following the outcome of parliamentary votes, the government in Kosovo remains weak, and must address 30% unemployment, an impoverished economy and the strengthening of relations with neighbouring Serbia, which is a pre-condition for both countries prior to accession negotiations with the European Union. Analysts assess that reasonably stable economic growth will be based on growth in bank transfers and loans, and on the stable growth of the construction sector. Following the outcome of June's elections in Albania, the ruling party remains unchanged, and is expected to put forth a decisive economic policy, and most importantly, judicial system reforms that are a condition for accession negotiations with the EU. Investments in fixed assets will rise on account of a strong flow of direct foreign investment, while growth in the tourism sector will contribute to rapid growth in foreign trade. A moderate and gradual economic recovery continued during the second quarter in Ukraine. The most recent period has seen renewed growth in industrial activity, while household consumption was up slightly due to this year's increase in the minimum wage. The implementation of a new ceasefire in the eastern part of Ukraine is expected to last until the end of August. That ceasefire is expected to be implemented primarily on account of the harvest season and could mitigate the effect of the crisis on the agricultural sector.

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

Countries	GDP growth in %		Inflation in %		Growth in merchandise imports in %		Growth in merchandise exports in %	
	2017	2018	2017	2018	2017	2018	2017	2018
EU	**2.0**	**1.8**	**1.7**	**1.8**	**4.0***	**4.0***	**3.8***	**3.8***
Slovenia	**3.6**	**3.2**	**2.1**	**1.9**	**6.8**	**5.7**	**6.1**	**5.1**
Croatia	2.9	2.6	0.8	1.2	7.2	6.2	7.6	7.5
Bosnia and Herzegovina	3.0	3.5	1.9	2.1	4.9	4.6	3.1	4.3
Serbia	3.0	3.5	2.6	3.0	6.6	6.6	10.1	8.1
Kosovo	3.5	3.6	1.0	1.8	1.0	4.2	3.6	0.7
Montenegro	3.3	3.4	1.5	1.4	7.4	9.0	5.7	2.0
Macedonia	3.2	3.4	1.5	1.9	9.6	8.0	11.7	9.8
Albania	3.7	4.1	2.6	3.0	3.8	1.7	4.8	5.6
Ukraine	2.0	3.2	10.0	7.0	3.4	4.2	3.0	6.7

* Data for the euro area.

Sources:
- IMAD, Slovenian Economic Mirror No 5/2017, July 2017;
- International Monetary Fund (IMF), World Economic Outlook Update, July 2017;
- International Monetary Fund (IMF), World Economic Outlook Update, April 2017; and
- Focus Economics, July 2017.

SALES REVENUE

The Intereuropa Group generated **EUR 72.8 million in sales revenue** in the period January–June 2017, an increase of 5% on the results generated in the same period in 2016. The results of the previous comparable period were exceeded in all business segments. Standing out most was growth in sales of road, sea and air freight services, and storage services.

In the land transport segment, which accounts for 53% of the Group's sales, sales revenue of EUR 38.7 million was generated during the first half of 2017, an increase of 1% on the results achieved in the same period in 2016. The highest proportion of sales is generated by the parent company in Slovenia, where sales were up by 7%. Sales revenue from road transport services, which account for 52% of sales in the land transport segment, was up by 16%. The largest lag was recorded in the railway freight segment, where the highest proportion of sales is generated by the Ukrainian company TOV TEK ZTS, Uzhhorod. Operations in the aforementioned country continue to be hindered by unrest.

Sales revenue in the intercontinental transport segment totalled EUR 20.4 million during the period January–June 2017, an increase of 12% relative to the comparable period in 2016. The highest growth was recorded by sea and air freight services, primarily due to the positive development of certain transactions in the conventional sea freight segment and in chartered cargo transactions in Serbia and Slovenia.

The Intereuropa Group generated EUR 10.5 million in sales revenue in the logistics solutions segment in the period January–June 2017, an improvement of 11% on the results generated in the same period in 2016. The highest proportion of sales (68%) is generated by the parent company in Slovenia, where sales revenue was up by 12%.

Table 3: Sales revenue of the Intereuropa Group by business segment, in EUR thousand

	Business segment	Jan–Jun 2017	Structure	Index 2017/plan	Index 2017/2016
1	Land transport	38,771	53%	98	101
2	Logistics solutions	10,475	14%	105	111
3	Intercontinental transport	20,354	28%	108	112
4	Other services	3,296	5%	101	101
	TOTAL SALES REVENUE	**72,896**	**100%**	**102**	**105**

The majority of Group companies improved their sales results relative to the same period in 2016, most notably the parent company Intereuropa d.d. and the subsidiaries in Serbia and Macedonia. The subsidiaries in Croatia, Bosnia and Herzegovina and Albania operated slightly below the results generated during the comparable period in 2016. The most significant lags were recorded by Interagent d.o.o., Koper and TOV TEK ZTS, Uzhhorod.

Table 4: Sales revenue of the Intereuropa Group by country (with respect to a company's head office), in EUR thousand

	Geographical area (according to company's head office)	Jan–Jun 2017	Structure	Index 2017/plan	Index 2017/2016
1	Slovenia	49,533	68%	103	109
2	Croatia	10,407	14%	95	99
3	Bosnia and Herzegovina	3,085	4%	94	99
4	Montenegro	2,837	4%	107	111
5	Serbia	2,832	4%	130	140
6	Kosovo	1,373	2%	99	112
7	Macedonia	1,183	2%	152	175
8	Ukraine	1,465	2%	75	42
9	Albania	180	0%	86	95
	TOTAL SALES REVENUE	**72,896**	**100%**	**102**	**105**
1	EU countries	59,940	82%	101	107
2	Non-EU countries	12,955	18%	104	98

During the period January–June 2017, companies in Slovenia together generated slightly more than two thirds of the Group's sales revenue, and improved their sales results by 9% relative to the same period in 2016. The highest growth in sales was recorded at the companies in Serbia and Macedonia, while the sharpest drop was recorded by the Ukrainian company.

Table 5: Sales revenue of the Intereuropa Group by country (with respect to a customer's head office), in EUR thousand

	Geographical area (according to customer's head office)	Jan–Jun 2017	Structure	Index 2017/2016
1	Slovenia	30,313	42%	113
2	Croatia	8,800	12%	101
3	Austria	4,613	6%	114
4	Germany	2,886	4%	95
5	Bosnia and Herzegovina	2,979	4%	97
6	Ukraine	411	1%	16
7	Other countries	22,893	31%	108
7a	Other EU countries	10,326	14%	107
7b	Rest of the world	12,568	17%	110
	TOTAL	**72,896**	**100%**	**105**

The largest proportion of sales revenue (42%) during the first half of the year was generated by Intereuropa via sales to Slovenian customers, followed by 26% from sales to customers from the other countries of the former Yugoslavia. The remaining 32% of the Group's sales revenue was generated by sales to customers with head offices in other countries.

LAND TRANSPORT

The Intereuropa Group generated sales revenue of EUR 38.7 million from land transport services during the first half of 2017, with that amount representing 53% of the Group's total sales revenue. The highest proportion or 61% of sales revenue from land transport was generated by the parent company in Slovenia.

Sales revenue was up 1% relative to the results recorded during the same period in 2016. The parent company in Slovenia, which generates the highest proportion of total revenues from land transport, recorded a 7% increase in sales revenue relative to the same period in 2016. The most significant lag was recorded at the Ukrainian company, where the negative trend in operations from the second half of 2016 continued. That company recorded a 58% drop in sales revenue relative to the first half of 2016. The companies in Croatia, Albania and Bosnia and Herzegovina recorded drops in sales revenue of 4%, 3% and 2% respectively. Other Group companies exceeded the results recorded during the comparable period in 2016.
A breakdown of sales revenue by product shows that sales revenue from road transport and domestic transport services exceeded the results achieved during the previous comparable period. Last year's results in the customs clearance segment were achieved. The Group failed to achieve last year's sales revenue in the groupage segment, while the sharpest decline was recorded in the railway freight segment.

The land transport segment lagged behind planned sales targets by 2%. The most significant shortfall in absolute terms was recorded in Croatia, most notably in the groupage and domestic transport segments. On 1 March, the Croatian company began using the new WexVS IT solution in both of the aforementioned segments, which resulted in a change in the capture of data by product and organisational unit.

The following companies also lagged behind sales targets: TOV TEK ZTS, Uzhhorod (railway freight services), Intereuropa RTC d.d., Sarajevo (domestic transport, customs clearance services and groupage) and Intereuropa Global Logistics Service Albania, Durres (road transport services). Other companies exceeded their sales targets: AD Intereuropa logističke usluge, Belgrade (groupage, domestic transport and customs clearance services), Zetatrans A.D., Podgorica (groupage, road transport and customs clearance services), Intereuropa Kosovo L.L.C., Prishtina (road transport services) and Intereuropa Skopje DOO, Skopje (road transport services).

During the first half of 2017, the company in Slovenia recorded growth in the physical volume of processed orders for groupage (+5%), road transport (+16%) and customs clearance services (+4%). The increase in sales revenue tracked the increase in the number of orders, but not to the same extent. The exception was customs clearance services, where the decline in sales revenue was the result of amendments to tax legislation governing merchandise imports from third countries (non-EU member states), which entered into force on 1 July 2016.

Road transport:

→ Road transport accounts for the largest proportion (27%) of total sales revenue among the services provided by the Intereuropa Group, and also accounts for 52% of all land transport services. The Intereuropa Group generates 71% of total revenues in the road transport segment in Slovenia.
→ Sales revenue was up by 16% relative to the first half of 2016, while planned sales were exceeded by 5%.
→ The most significant increase in sales revenue in absolute terms was recorded by the Intereuropa Group in Slovenia, where revenues were up 14% primarily due to a 16% increase in the number of orders. The Group exceeded planned sales by 2%.
→ During the first half of 2017, the subsidiary Intereuropa, logističke usluge d.o.o., Zagreb recorded a 5% decline in sales revenue relative to the same period in 2016.
→ The companies in Macedonia, Kosovo, Montenegro, Bosnia and Herzegovina and Ukraine exceeded both last year's results and planned targets for the first half of this year.
→ The company in Serbia failed to achieve planned operating revenues.
→ The largest relative lag behind sales targets was recorded in Albania, where revenues were down due to the loss of a key customer.
→ There is increased market demand for transport services, which sometimes makes it difficult to ensure sufficient capacities. Nevertheless, pressures on prices continued, and resulted in a protracted period of declining sales margins. We are trying to address the aforementioned issue through the active management of direct costs.

Groupage:

→ Sales revenue in the groupage segment was down by 2% and lagged behind planned sales by 10% in the period January–June 2017. The most significant lag was recorded in Croatia.
→ More than three quarters of the Group's total revenues from groupage services were generated in Slovenia. The number of orders processed at the Group level rose by 5% relative to the same period last year, while sales revenue was up by 3% on last year's results.
→ Intereuropa established cooperation with a new partner in Italy in February. France is also covered through the same partner.

→ The results achieved by the Croatian subsidiary were down 18% on the results achieved in 2016, and 35% below planned results. The company introduced the WexVS IT solution in March in the groupage and domestic transport segments, which resulted in changes to the disclosure of revenues by product. There was also a change in charges between Intereuropa Group companies (the effect of internal prices), to which a portion of the lag in Croatia can be attributed.
→ The Macedonian subsidiary exceeded both last year's results (by 25%) and its planned targets (by 17%).
→ Sales revenue was up and set targets were exceeded by the company in Albania, as a result of increased quantities of transported goods.
→ The Serbian subsidiary exceeded its sales targets by 16%. The aforementioned company lagged behind last year's results, but this was the result of a change in data capture this year: a portion of revenues disclosed last year in the groupage segment was disclosed this year in the road transport segment.
→ A decline in sales revenue and a failure to meet planned targets were recorded by the companies in Bosnia and Herzegovina and Macedonia, while the company in Kosovo exceeded last year's results but failed to achieve planned figures.

Customs clearance services:
→ In the period January–June 2017, the Group achieved almost the same revenues in this segment as it did during the same period last year, while achieving planned results.
→ Slovenia, where 33% of all sales revenue from customs clearance services was generated, recorded a decrease of 12%. Actual sales were 6% lower than planned.
→ Amendments to tax legislation governing merchandise imports from third countries (non-EU member states) entered into effect on 1 July 2016. This resulted in a certain decrease in revenues for Intereuropa d.d., which was reflected in part in lower sales revenue relative to last year.
→ Sales revenue from customs clearance services rose by 5% in Croatia relative to the first half of 2016 and was also 1% higher than planned.
→ The subsidiaries in Serbia, Montenegro and Kosovo recorded growth in operating revenues relative to the first half of 2016 and exceeded planned values.
→ A drop in operating revenues in the customer clearance segment was recorded by the companies in Bosnia and Herzegovina (due to the loss of certain customers, pressure to lower prices and the fact that an increasing number of customers are making use of simplified customs clearance procedures) and in Macedonia.

Domestic transport:
→ The Group's sales revenue in this segment was at the level recorded during the first half of 2016, which was 5% below the planned results. Growth was recorded by the companies in Slovenia and Serbia, while a drop in revenues was recorded by the companies in Croatia and Bosnia and Herzegovina.
→ The largest proportion of revenues from the sale of domestic transport services was generated by the subsidiary in Croatia (57%), followed by the company in Slovenia (24%), the subsidiary in Bosnia and Herzegovina (13%), and the subsidiaries in Serbia (4%) and Montenegro (1%).
→ The Croatian company maintained sales revenue at the level recorded during the first half of 2016, but lagged behind planned targets by 8%. Here it should be noted that the introduction of the new WexVS IT solution in Croatia resulted in the reclassification of a portion of revenues to other product segments.

- In Slovenia, the Group recorded 5% growth in sales revenue and exceeded planned targets by 7%.
- The number of shipments was up by 3% in Slovenia during the first half of the year, while the total weight of shipments was up by 31% within the domestic transport system. Growth of 14% in the number of shipments was recorded in delivery transport services.
- The first phase of the reorganisation of this segment was carried out in Slovenia in May and June. That process included the centralisation of certain functions that were previously performed by unattached units.
- Preparations are currently in progress for the second phase of reorganisation, which will include the centralisation of certain functions of several other units. The aim of the aforementioned reorganisation is to optimise the productivity of operational activities.
- The WexVS IT solution was introduced in Croatia at the beginning of March. Activities are currently in progress to ensure the optimal functionality.

Railway freight:

- The results recorded in the railway freight segment in the period January–June 2017 were 27% lower than planned and were 55% lower than the results achieved in 2016.
- The main factor in the results generated in this segment were developments at the subsidiary TOV TEK ZTS, Uzhhorod, where a sharp drop in sales revenue has been recorded since the first half of 2016. The Ukrainian subsidiary generated 53% of the total sales revenue in the railway freight segment.
- The results generated by the parent company in Slovenia were down 25% on the results achieved in 2016 and 14% below set targets. This was due to changes to transport routes (transition from railway to road transport) and changes in purchase parity at two key customers.

The unstable political and economic conditions in Ukraine once again had a negative impact on the results of the land transport segment during the first half of 2017. The revenues of the subsidiary in the aforementioned country only account for 4% of total sales revenue from land transport services, compared with several years ago when it accounted for 20% of the total revenues of the aforementioned business segment, primarily in the railway freight segment. The decline in the aforementioned segment at the Ukrainian company nearly offset in full the positive results recorded in the road transport segment.

Increasing market demand for transport and logistics services is present, which is also reflected in a higher number of orders and an increase in the physical volume of transactions. Nevertheless, the pressure on customers to reduce their logistics costs continues, which has led to a reduction in margins on the market. It is very difficult to compete in international tenders, where the 'yield' is cut after every tender. Increased demand leads to difficulties ensuring sufficient capacities, which in turn results in the need to optimise the procurement function. We must also continuously optimise operations on the one hand and intensify market presence on the other hand, as we must fight for every shipment.

The computerisation of operations is required in order for the Group to meet the needs of the logistics market. This eases the burden of administrative work and facilitates improved control over the provision of services on the one hand, while allowing us to meet shipment tracking needs and increasingly frequent demands from customers to meet various indicators of the quality of services rendered. A new IT solution in the groupage and domestic transport segments was introduced in Croatia at the beginning of March 2017. Preparatory activities are also underway for the introduction of that IT solution at other Group companies. The Group strives continuously to maintain the high quality of its services, as this is a prerequisite for market success.

LOGISTICS SOLUTIONS

The Intereuropa Group's logistics solutions segment generated EUR 10.5 million in sales revenue during the first half of 2017 or 14% of the Group's total sales. This translates to 11% growth in sales relative to the same period last year, while planned targets were exceeded by 5%. In Slovenia, which accounts for more than half of the Group's storage capacities, the logistics solutions segment generated EUR 7.1 million in sales revenue during the first half of 2017 or 68% of total sales of logistics services. Last year's results were exceeded by 12%, while planned targets were exceeded by 4%. Such results are the fruit of full storage capacities and the increased turnover of goods in nearly all warehouses in Slovenia.

In Croatia, which accounts for nearly a quarter of the Group's storage capacities, the logistics solutions segment generated EUR 1.9 million in sales revenue during the first half of 2017 or 19% of total sales of logistics services. During the aforementioned period, last year's results in Croatia were exceeded by 19%, while planned targets were exceeded by 16%. That improvement in results is primarily due to a change in the booking of sales revenue in the storage and distribution segment following the introduction of the WexVS system.

In Montenegro, which accounts for almost 8% of the Group's storage capacities, the logistics solutions segment generated EUR 0.5 million in sales revenue during the first half of 2017 or 5% of total sales of logistics services. During the aforementioned period, last year's results in Montenegro were exceeded by 1%, while planned targets were exceeded by 4%.

In Serbia, which accounts for 10% of the Group's storage capacities, the logistics solutions segment generated EUR 0.52 million in sales revenue during the first half of 2017 or 5% of total sales of logistics services. Last year's results were achieved during the aforementioned period. Despite securing certain new transactions, results were below planned targets by 5%, primarily due to the lower inventories and reduced turnover of major customers.

Revenues generated by the logistics solution segment in Macedonia and Kosovo were down on planned targets, by 7% in Macedonia and by 18% in Kosovo. Results in Macedonia were down 17% on last year's results, while results in Kosovo were up by 30% relative to last year.

Numerous activities were carried out, particularly at companies in Slovenia, Croatia and Bosnia and Herzegovina (Banja Luka), to utilise warehouse capacities and secure new transactions with higher value added.
During the most recent period, the Group continued to implement the WMS information system in Slovenia and Croatia where, in addition to basic IT support, interfaces were developed and implemented between the Intereuropa Group's information system and the information systems of certain customers.

Storage services:

→ The Group generated EUR 9.6 million in revenues from the sale of storage services during the first half of 2017, which represents 13% of the Group's sales and 91% of sales revenue from the logistics solutions segment. During that period, the Group recorded an 8% increase in sales relative to the previous period and exceeded planned targets by 1%.

- The company in Slovenia recorded 10% growth in sales relative to the previous year and exceeded planned sales by 2%, primarily on account of nearly all warehouse achieving full capacity and new transactions.
- Sales revenue was up by 6% in Croatia, but was below the sales target by 3%.
- The company in Bosnia and Herzegovina achieved 1% growth in sales and exceeded planned targets, primarily on account of new transactions in Banja Luka.
- The company in Serbia achieved last year's sales results, but lagged behind its sales target by 5%.
- The company in Montenegro recorded 1% growth in sales revenue and exceeded its sales target by 4%.
- Planned sales were not achieved in Macedonia and Kosovo where, despite that fact, results from the same period in 2016 were exceeded.

Distribution services:
The Group generated EUR 0.9 million in revenues from the sale of distribution services during the first half of 2017, which represents 1% of the Intereuropa Group's sales and 9% of sales revenue from the logistics solutions segment. During that period, the Group recorded a 67% increase in sales relative to the previous period and exceeded planned results by 86%. Such a massive jump in results was primarily the result of new transactions in Slovenia and a new method for booking sales revenue in this segment following the introduction of the WexVS system in Croatia.

Key activities in the logistics solutions segment during the second half of 2017:
→ the development of partnerships and enhanced cooperation with current customers;
→ the continued securing of new logistics projects, primarily aimed at utilising free storage capacities in Croatia, Serbia and Bosnia and Herzegovina;
→ the continued introduction of IT support for logistics solutions requirements in Slovenia and later in Croatia;
→ the improvement of energy efficiency (the introduction of LED lighting and the replacement of the propulsion source for forklifts, from natural gas to electricity); and
→ the continued specialisation and optimisation of logistic processes by product category.

INTERCONTINENTAL TRANSPORT

Sales revenue in the intercontinental transport segment totalled EUR 20.4 million during the period January–June 2017, representing 28% of the Intereuropa Group's total sales. During the first half of the year, the Intereuropa Group recorded 12% growth in sales revenue relative to the same period in 2016 and exceeded planned targets by 8%.

Planned net sales revenue was exceeded significantly in the traditional sea-freight transport segment, where we achieved 30% growth in revenues relative to the first half of last year, while planned sales targets were exceeded by 22%. Monthly sea freight rates fluctuated considerably at the beginning of the year and then subsequently stabilised somewhat. They nevertheless remain higher than the rate seen during the same period last year. The higher average shipping rate is the result of the strategies of shipping companies, who recorded losses last year, particular on container imports from the Far East, and on account of a critical shortage of space in container exports from Europe.

The air freight segment also operated above expectations and plans during the first six months of the year, primarily due to the organisation of chartered cargo flights via Serbian airports.

Sea freight

The sea freight segment (including shipping agency services) generated EUR 15.4 million in sales revenue during the first half of 2017, an increase of 9% on the same period in 2016 and 4% above planned sales targets.

→ The **conventional freight segment** generated EUR 7.3 million in sales revenue during the first half of the year, an increase of 30% relative to the same period last year and 22% above planned targets. Increased sales revenue was primarily a reflection of the following:
  - increased commercial activities in the general and liquid cargo segment, where increased demand from existing customers was recorded;
  - cooperation with certain new customers; and
  - a good fruit and vegetable season, where a positive trend has been seen due to volume growth.

→ The **container shipping segment** generated EUR 7.5 million in sales revenue, an increase of 1% relative to the comparable period in 2016, but nevertheless 6% below planned sales targets. Operations below planned levels were primarily a reflection of a drop in the number of export transactions at the beginning of the year (primarily from the steel industry). We did, however, record growth in transactions in this segment during the second quarter.

→ The **RO-RO** segment generated revenues of EUR 0.4 million, a decrease of 24% relative to the same period in 2016 and 29% below planned sales. Failure to achieve planned sales was the result of a delay in export transactions involving specialised vehicles via the Port of Koper for markets in the Mediterranean that were planned at the beginning of the year. Revenues were also down due to one-off transactions in 2016, while there were no such transactions this year.

→ The number of ships provided **shipping agency services** was down by 15% during the first half of 2017 relative to the same period in 2016, primarily due to a drop in representation of the CSCL shipping company in 2016. We are working actively to secure the representation of a container shipping company, which is hindered by numerous transformations of shipping companies.

→ In light of operations during the final months of the first half of the year, forecasts for the second half of 2017 are positive for all sea freight services, with the exception of shipping agency services.

Car logistics

→ The car logistics segment generated EUR 2.4 million in sales revenue during the first half of the year, an increase of 11% relative to the same period in 2016 and 3% above planned targets, which was the result of increased volumes via key clients. The Group achieved 14% growth in the number of vehicles handled during the first half of the year relative to the same period last year.

→ Together with the Group's partners, we are continuing commercial activities with potential new partners. Business cooperation agreements could be reached with the latter during the current year, while negotiations to increase volumes are in progress with existing partners. We thus assess that we will achieve planned sales revenue in 2017, primarily on account of growth in the number of vehicles handled relative to 2016.

Air freight

→ The air freight segment operated better than expected and exceeded targets set for the first six months of this year. The aforementioned segment generated revenues of EUR 2.6 million, an increase of 32% relative to the same period in 2016 and 50% higher than planned. Planned sales revenue was exceeded by Group companies on the majority of markets where we operate, except in Bosnia and Herzegovina, Kosovo and Slovenia where, despite a minimal lag behind planned targets, results were up slightly on the results achieved in 2016.
→ Slovenia and Serbia remain the Group's key markets. Planned sales revenue was exceeded significantly on the Serbian market on account of the organisation of chartered cargo flights through airports in Serbia.
→ The Group continued to serve as GSA (General Sales Agent) for the Turkish carrier Pegasus Airlines on the Serbian market. The objective remains to secure similar cooperation on the other markets where the Group operates.
→ A similar positive trend in air freight transactions is expected during the third quarter at all Group companies. Through enhanced sales activities, we are expecting to exceed the previous year's sales results at the end of the third quarter of this year.

1.2 Financial results of operations

Table 6: Financial results of the Intereuropa Group for the period January–June 2017, in EUR thousand

Item/Indicator	Jan–Jun 2017	Jan–Jun 2017 plan	Jan–Jun 2016	Index 2017/plan	Index 2017/2016
Sales revenues	72,896	71,580	69,274	102	105
EBITDA	7,023	6,762	6,837	104	103
Operating profit	3,623	3,334	3,573	109	101
Loss from financing activities	-1,304	-1,077	-1,507	-	-
Profit from ordinary operations	2,328	2,257	2,094	103	111
Corporate income tax	373	143	138	262	271
Net profit	1,954	2,114	1,956	92	100
EBITDA margin (in %)	9.6%	9.4%	9.9%	102	98
EBIT margin (in %)	5.0%	4.7%	5.2%	107	96
Sales revenue per Employee/month	9.151	8.559	8.464	107	108
Value added per employee/month	2.544	2.423	2.458	105	104

Item/Indicator	30 June 2017	31 December 2016	Index 2017/2016
Assets	258,281	255,730	101
Equity	141,250	138,185*	102
Net financial debt	71,914	73,489	98
Current assets/current liabilities	1.33	1.29	103

* Adjusted; for more information see the Introductory notes section on page 36.

Operating profit and EBITDA

→ Having exceeded planned sales by 2%, the Group exceeded planned operating profit by 9% in the period January–June 2017 and EBIT margin by 7%. Also exceeded were planned EBITDA (by 4%) and the EBITDA margin (by 2%), primarily on account of lower costs of services (excluding direct costs) and lower labour costs (on account of fewer employees than planned).

Loss from financing activities

→ The Company generated a loss from financing activities that was higher than planned. Contributing most to that fact was the sale of the participating interest in Intereuropa FLG d.o.o. back in December 2016 and not in January 2017 as previously planned, and higher negative exchange rate differences. On the other hand, lower net interest expense than planned had a positive effect.

Profit from ordinary operations and net profit

→ Despite exceeding planned profit from ordinary operations by 3%, the Group's net profit in the amount of EUR 1.95 million was 8% lower than planned due to higher corporate income tax than planned.

Structure of the statement of financial position

→ The current ratio amounted to 1.33 and was up minimally relative to the previous period, the main factor being an increase in trade receivables. The ratio of equity to total assets was up 0.4 percentage points and currently stands 54.7%.

1.3 Investments in fixed assets

The Intereuropa Group invested **EUR 849 thousand in fixed assets** during the first half of 2017. Of that amount, EUR 332 thousand was invested in real estate and EUR 517 thousand in equipment and intangible assets. A total of 15% of the annual investment plan was thus achieved.

Table 7: Breakdown of investments in the period January–June 2017 (in EUR thousand)

Company	Real estate		Plant and equipment, and intangible assets		TOTAL INVESTMENTS		% of annual turnover
	Jan–Jun 2017	Plan 2017	Jan–Jun 2017	Plan 2017	Jan–Jun 2017	Plan 2017	
Intereuropa d.d.	165	1,749	293	1,890	458	3,639	13
Subsidiaries	167	378	224	1,841	391	2,219	18
TOTAL INVESTMENTS	**332**	**2,127**	**517**	**3,731**	**849**	**5,858**	**15**

Intereuropa d.d. invested EUR 458 thousand in property and plant and equipment, and intangible assets, while other Group companies invested EUR 391 thousand in fixed assets. There were no extensive investments during the most recent period, the most significant being the purchase of land in Vrtojba (in the amount of EUR 103 thousand), the installation and upgrading of anti-burglary and video surveillance systems in Sarajevo, Belgrade, Kosovo and Podgorica (in the amount EUR 74 thousand), the upgrading of computer equipment at subsidiaries (in the amount of EUR 73 thousand), the partial arrangement of 1,200 m^2 of storage space in Belgrade (in the amount of EUR 60 thousand), the installation of a canopy with office containers at the car terminal in Koper (in the amount of EUR 58 thousand), the replacement of cooling and heating units (convectors) in the commercial building in Koper (in the amount of EUR 55 thousand) and the asphalting of surfaces at the customs terminal in Sarajevo (in the amount of EUR 55 thousand).

Invested funds were earmarked for:
- real estate and associated equipment and fitting (EUR 724 thousand),
- the purchase of motor vehicles (EUR 44 thousand); and
- computer hardware and software (EUR 81 thousand).

1.4 Risk management

An important element of the governance of the Group is risk management, which in turn is an integral part of business processes. An effective risk management system can contribute significantly to the successful operations of the Group.

The Intereuropa Group upgraded its risk management system in 2016. It expanded the criteria regarding risk exposure to a four-level assessment, and updated the criteria for assessing risk levels, which serve as the basis for implementing and monitoring measures, taking into account the acceptability of a particular risk. While updating the list of risks, we identified 33 risks at the Group level during the second quarter of 2017 and classified them to the following three categories:

→ financial risks,
→ business risks, and
→ operational risks.

During a half-yearly review, the Intereuropa Group identified a new business risk associated with the implementation of changes to operational processes during the introduction of new IT solutions. The aforementioned risk was identified at the subsidiary in Croatia, while measures were adopted and partially implemented to mitigate and manage that risk.

During a review of financial risks, the Group recorded an increase in trade payables relative to the end of the previous quarter as the result of an increase in invoiced turnover. Nevertheless, all financial risk indicators in the risk register were unchanged relative to the end of the previous quarter.

The Group is most exposed to business risks in the area of land transport. Significant risks in this area remain the risk of an increase in direct costs associated with suppliers, the risk of a decrease in selling prices and the risk of the loss of customs terminal status at certain subsidiaries. The risk associated with rising supplier costs remains at the same level at which it was identified (the aforementioned risk is driven by an expected rise in costs due to increased demand for transport capacities). To mitigate that risk, the Group is increasing the number of 'internal' suppliers and planning to centralise the procurement department. The risk associated with the loss of customs terminal status at two subsidiaries remains at the highest level. To mitigate that risk, the Group continued investments during the second quarter of 2017 that are required to ensure contractual commitments at those terminals.

Operational risks include strategic risks, risks associated with information and communication technology, HR-related risks, risks associated with legislation and legal proceedings, risks associated with the management and protection of assets, risks associated with environmental protection and risks associated with providing high-quality services. All of the aforementioned risks remain at their originally identified levels.

The highest exposure to risks associated with business continuity and information and communication technology is seen in the operational risk category. To mitigate those risks, the Group issued a public tender for the selection of a supplier to analyse the current state of the information system. The aforementioned tender is in the approval process. A proposal to implement additional communication links to specific locations is being analysed internally.

The Intereuropa Group also dedicates special attention to strategic risks, in particular the achievement of established strategic objectives. Generally speaking, conditions on the market are favourable, and we believe that there is no threat to the achievement of strategic objectives. The Group still assesses, however, that political instability in the majority of countries in which subsidiaries operate could lead to a reduction in business on certain markets. Potential liquidity problems associated with difficulties in the operations of Agrokor and its subsidiaries can be expected in Croatia and Bosnia and Herzegovina. The negative impact on the operations of Group companies is assessed as minimal.

The Intereuropa Group assesses that it prudently manages identified risks through adopted measures and the implementation of activities, and it expects to successfully mitigate exposure to certain risks in the future.

1.5 Human resource management

CHANGE IN NUMBER OF EMPLOYEES

The total number of employees at the Group level was up by 40 in the period January–June 2017 relative to the end of 2016, to stand at 1,414 as at 30 June 2017.

- → During the aforementioned period, the Group hired 101 new employees for the following reasons: increased scope of work (33), the replacement of workers (36), the securing of new transactions (30) and other reasons (2).
- → The largest increase in the number of employees (on account of new transactions) was recorded at the subsidiary in Serbia, where 21 clerks were hired, while the number of employees at the subsidiary in Croatia (Intereuropa, logističke usluge, d.o.o., Zagreb) was up by 20 due to an increase in the scope of work. The number of employees was up by three in Bosnia and Herzegovina, by two in Kosovo and by one at the subsidiary Intereuropa Sajam, d.o.o., Zagreb.
- → A total of 61 employees left the Group during the first half of the year.
- → The number of employees was down at the subsidiary in Montenegro (by four), the parent company and a subsidiary in Slovenia (by two), and at the subsidiary in Ukraine (by one).
- → An additional 15% of the workforce or 206 employees (FTEs) were hired through HR agencies and student work services as at 30 June 2017.

Table 8: Number of employees in the Intereuropa Group by country as at 30 June 2017

	30 June 2017	31 December 2016	Difference 2017/2016	Index 2017/2016
Slovenia	619	621	-2	100
Croatia	315	294	21	107
Bosnia and Herzegovina	125	122	3	102
Serbia	123	102	21	121
Macedonia	33	33	0	100
Kosovo	45	43	2	105
Montenegro	116	120	-4	97
Albania	2	2	0	100
Ukraine	36	37	-1	97
TOTAL	**1,414**	**1,374**	**40**	**101**

DEVELOPMENT, EDUCATION AND TRAINING

The number of functional training hours was up significantly at the Intereuropa Group during the first half of this year relative to the same period last year. A total of 7,388 hours were earmarked for the acquisition of new knowledge (compared with 4,456 hours in the period January–June 2016), equivalent to EUR 38 thousand of the EUR 57 thousand planned for the aforementioned period.

→ In terms of content, the largest proportion of training at the Group level was accounted for by the area of logistics (37%) and knowledge from the area of occupational safety and health (33%). The proportions accounted for by other training topics were as follows: sales (9%), specific technical knowledge from the areas of finances, taxes, real estate, etc. (17%), management (3%) and foreign languages (1%).
→ At Slovenian Group companies, the acquisition of specific technical knowledge accounted for the majority of training in terms of content, including IT-supported customer management, accounting, auditing and corporate integrity (685 hours), logistics (614 hours), the majority of which was accounted for by the training of employees on railway tracks (448 hours), occupational health and safety (424 hours), sales (304 hours), where sales staff acquired knowledge during a one-day joint 'coaching' seminar, and management and communication skills (260 hours).
→ Nearly half of all training hours (3,459) were accounted for by the subsidiary Intereuropa, logističke usluge d.o.o., Zagreb, where comprehensive internal training was carried out in the area of IT support for business processes associated with WexVS (1,930 hours), and internal training in the area of occupational health and safety (1,155 hours).
→ At other subsidiaries, employee training included occupational health and safety (566 hours), as well as sales (328 hours), logistics (136 hours), foreign languages (99 hours) and other associated activities (458 hours).
→ At the Group level, employees received an average of five hours of training. Employees at Slovenian Group companies received an average of four hours of training, those at the subsidiary in Croatia received an average of 11 hours and those at other foreign companies received and average of three hours. Each employee received an average of six hours in training programmes at subsidiaries abroad.
→ Internal lecturers conducted 46% of training at the Group level during the reporting period, including training in the areas of IT support for business processes (WexVS in Croatia), and occupational health and safety training at the Slovenian and Croatian Group companies.
→ A total of 77% of employees (including hired workers) at the parent company had annual interviews with their respective managers regarding work, and the achievement and planning of objectives.
→ A total of 21 employees at the parent company changed jobs or work areas.

In the scope of the competence centre project in the area of logistics (LOGINS), 14 training courses were approved during the current period. The costs of those courses will be reimbursed.

OCCUPATIONAL HEALTH AND SAFETY

In accordance with measures defined in the Occupational Health Care Promotion Plan at Slovenian Group companies, four workshops were organised on the subject of healthy food. A hike to Nanos was organised, as was the supply of fruit once a month and recreation for employees at leased fitness facilities. 'Health Day' was organised in cooperation with Vzajemna zdravstvena zavarovalnica, where free healthcare services were provided, including eye vision examinations, the measurement of cholesterol, blood sugar and blood pressure, as well as advice from a nutritionist on the proper diet.

The following activities were carried out in the areas of occupational health and safety, and fire safety:

→ At the Group level, 193 employees were referred for preventive, preliminary, specific-purpose and periodic medical examinations, while 100 employees were referred at Slovenian Group companies.
→ A total of 332 persons at the Group level and 224 persons at Slovenian Group companies received training on occupational health and safety, and fire safety.
→ A total of 10 employees were injured in the workplace at the Group level, while that number was seven at Slovenian Group companies.
→ A total of 765 pieces of various work equipment at the Group level and 693 pieces at Slovenian Group companies were examined and tested.
→ Special attention was given to ensuring the management of fire risks and to fire-preventive measures.
→ We carried out periodic inspections of facilities, and active and passive fire-fighting equipment (fire extinguishers and hydrants, fire detectors, domed smoke and heat vents, automatic fire-proof doors, etc.).
→ A new computer program was set up for managing records regarding machinery, work equipment and active fire-fighting equipment.

1.6 Overall quality of operations

Three out of a total of 12 companies within the Intereuropa Group are certified in accordance with the ISO 9001:2008 standard. A total of 73.3% of all employees work at these certified companies (Intereuropa d.d., Koper, Intereuropa, logističke usluge d.o.o., Zagreb and Intereuropa RTC d.d., Sarajevo).
The first half of the year was characterised by an external assessment of Intereuropa d.d.'s quality management system.

Maintenance of the ISO 9001:2008 Quality Management System

→ An annual report on the quality management system was drawn up for 2016 and triggered measures to improve that system.
→ The parent company issued a new sixth edition of the Quality Management System Manual of Intereuropa d.d.

Internal verification of the quality of services

→ No internal assessments of processes were carried out at Intereuropa d.d. during the current period.

Quality control through quality indicators

The number of complaints rose by 4%, while the value of those complaints was up by nearly 70%. The primary reason for the increase in complaints lies in two major complaints in the areas of customs clearance and damage to warehoused goods.

Table 9: Complaints, claims for compensation and the recognised value of complaints at Intereuropa d.d. for the period January–June 2017

Number of complaints	Index Jan–Jun 17/16	Number of claims for compensation	Value in EUR thousand	Index Jan–Jun 17/16	Recognised value in EUR thousand	Index Jan–Jun 17/16
217	104	151	273.5	169	122.6	235

External audit of the quality of services by the certification authority

The results of the external assessment at Intereuropa in 2017 were as follows:

→ **Intereuropa d.d.** – the assessment was the twentieth of its kind, and was carried out in the following organisational units:
- Intereuropa d.d. – President of the Management Board, management of Forwarding and Logistics, the Full Container Load (FCL) Unit, Finance Sector, Logistics Solutions Development Department, the Vrtojba PO and the Dravograd BU.
In their report, three assessors found that operations were in line with the requirements of the ISO 9001 standard. They did not identify any incidents of non-compliance. However, a total of eight recommendations for improvements were issued.

→ **Intereuropa, logističke usluge d.o.o., Zagreb**: The assessment, which the company expects to be carried out in September, will be the second reassessment and seventh assessment of its kind since the company began independently certifying its quality management system.

→ **Intereuropa RTC d.d., Sarajevo** – The assessment, which the company expects to be carried out in the final quarter of 2017, will be the first regular assessment and 11 assessment of its kind.

2. OPERATIONS OF INTEREUROPA d.d.

2.1 Financial results of operations

Table 10: Operations of Intereuropa d.d. in the period January–June 2017 (in EUR thousand)

Item/Indicator	Jan–Jun 2017	Jan–Jun 2017 plan	Jan–Jun 2016	Index 2017/plan	Index 2017/2016
Sales revenues	50,829	49,615	46,588	102	109
Land transport	23,467	23,542	21,894	100	107
Logistics solutions	7,132	6,871	6,370	104	112
Intercontinental transport	18,046	16,982	16,097	106	112
Other services	2,184	2,220	2,227	98	98
EBITDA	4,767	4,217	4,362	113	109
Operating profit	2,744	2,200	2,413	125	114
Loss from financing activities	-483	-42	-429	-	-
Profit from ordinary operations	2,261	2,158	1,984	105	114
Corporate income tax	303	0	0	-	-
Net profit	1,958	2,158	1,984	91	99
EBITDA margin (in %)	9.4%	8.5%	9.4%	110	100
EBIT margin (in %)	5.4%	4.4%	5.2%	122	104
Sales revenue per employee/month	14.538	13.494	12.969	108	112
Value added per employee/month	3.828	3.508	3.583	109	107

Item/Indicator	30 June 2017	31 December 2016	Index 2017/2016
Assets	191,963	190,731	101
Equity	89,103	87,118	102
Net financial debt	73,242	74,412	98
Current assets/current liabilities	1.22	1.16	105

Operating profit and EBITDA

→ The Company exceeded planned sales targets and operating profit, and thus the EBITDA margin, which exceeded the planned figure by 22%. Contributing significantly to the exceeding of planned indicators were higher sales (in the context of an otherwise lower sales margin), lower costs of services (excluding direct costs) and improved recovery activities.

Loss from financing activities

→ The Company generated a loss from financing activities that was higher than planned. Contributing most to that fact were lower revenues from participating interests in Group companies, while the sale of the participating interest in Intereuropa FLG d.o.o. was completed back in December 2016 and not in January 2017 as previously planned. On the other hand, lower net interest expense than planned had a significant positive effect.

Profit from ordinary operations and net profit

→ Profit from ordinary operations, which exceeded the planned result by 5%, was reduced by current income tax (including deferred taxes), which fully exceeded the planned figure, primarily on account of the lower value of tax allowances taken into account. As a result, the Company's net profit was 9% lower than planned.

Structure of the statement of financial position

→ The current ratio amounted to 1.22 and was up slightly relative to the previous period, the main factor being an increase in trade receivables. The ratio of equity to total assets was up 0.4 percentage points and currently stands 46.4%.

2.2 IEKG shares and ownership structure

KEY DATA REGARDING IEKG SHARES

Table 11: Key data regarding IEKG shares for the period January–June 2017

	Jan–Jun 2017	Jan–Dec 2016
Number of shares*	27,488,803	27,488,803
Number of preference IEKN shares*	10,657,965	10,657,965
Number of ordinary IEKG shares*	16,830,838	16,830,838
of which treasury shares*	18,135	18,135
Book value per share in EUR*	3.24	3.17
Earnings per share (EPS) in EUR	0.07	-0.13
Market capitalisation in EUR thousand*	32,164	19,860
Volume in EUR thousand	1,605	783
Closing price at the end of period in EUR	1.91	1.18
Weighted average price in EUR	1.73	1.08
Highest price in EUR	2.00	1.36
Lowest price in EUR	1.17	0.50
P/E	13.7	-9.1
Capital yield	62.0%	122.6%

* As at the last day of the period.
Book value = equity / (number of all shares – number of treasury shares).
Market capitalisation = closing price at the end of period * number of shares listed on the stock exchange.
Earnings per share = net profit / (number of all shares – number of treasury shares).
P/E = closing price at the end of period / earnings per share on an annual basis.
Capital yield = growth in share price during the period.

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

TRADING IN SHARES

Share trading on the Ljubljana Stock Exchange was characterised during the previous six months by growth in both turnover and the market capitalisation of shares. The volume of trading in IEKG shares was 15 times higher than in the same period in 2016. The market value of IEKG shares fluctuated between EUR 1.17 and EUR 2.00 per share, while moderate growth at the end of the first half of the year saw the share price rise to EUR 1.91. IEKG shares were up 62.0% over the first six months of the year, while the Ljubljana Stock Exchange's SBITOP index recorded an 11.0% increase. The market capitalisation of IEKG shares amounted to EUR 32.2 million at the end of June, accounting for 0.6% of the market capitalisation of all shares on the Ljubljana Stock Exchange.

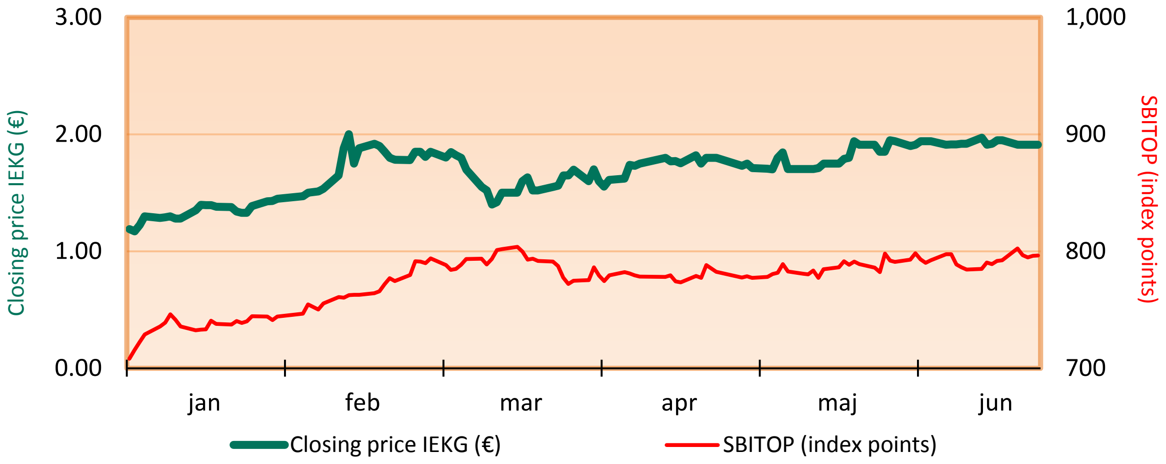


Figure 2: Changes to the closing price of Intereuropa d.d.'s shares and the SBITOP index in the period January–June 2017

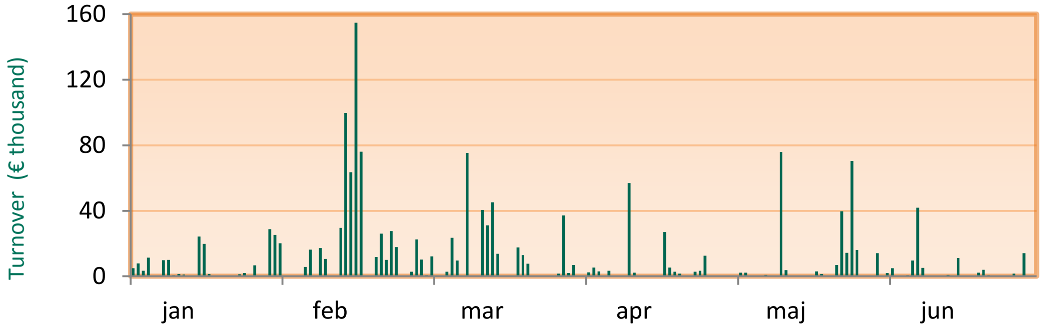


Figure 3: Turnover in IEKG shares in the period January–June 2017

OWNERSHIP STRUCTURE

There were no significant changes in the Company's ownership structure during the first half of 2017. The only change in the top ten shareholders was the result of the merger of KBS d.d. with Nova KBM d.d., resulting in the transfer of all of the former's obligations and rights to Nova KBM d.d. on 3 January 2017. In addition to 1,185,292 preference shares (IEKN), Nova KBM d.d. thus became the owner of an additional 2,850,752 ordinary shares (IEKG), bringing its total participating interest in the capital of Intereuropa d.d. to 14.7%.
Due to the aforementioned merger, the participating interests held by the top ten shareholders rose by 1.7 percentage points relative to the end of 2016 to stand at 83.6% at the end of the reporting period.
Banka Koper was renamed Banka Intesa Sanpaolo d.d. on 16 January 2017. There were no major changes amongst other shareholders.

Table 12: Top ten shareholders of Intereuropa d.d. as at 30 June 2017 relative to 31 December 2016

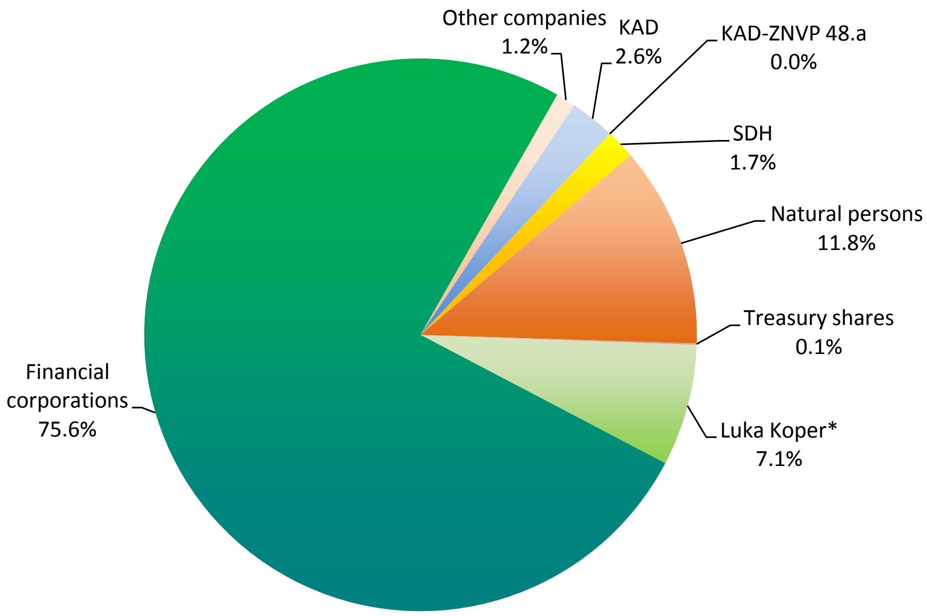
	Shareholder	30 June 2017 Number of shares	Participating interest %	31 December 2016 Number of shares	Participating interest (in %)	Index 17/16
1.	SID banka d.d.	4,942,072	18.0	4,942,072	18.0	100
2.	NLB d.d.	4,770,601	17.4	4,770,601	17.4	100
3.	Nova KBM d.d.*	4,036,044	14.7	1,185,292	4.3	341
4.	Gorenjska banka d.d., Kranj	3,068,990	11.2	3,068,990	11.2	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.	Banka Intesa Sanpaolo d.d.	753,703	2.7	753,703	2.7	100
8.	Kapitalska družba d.d.	719,797	2.6	719,797	2.6	100
9.	Luka Koper INPO d.o.o.	615,730	2.2	615,730	2.2	100
10	SDH d.d.	474,926	1.7	474,926	1.7	100

* On 3 January 2017, KBS banka d.d. was merged with Nova KBM d.d., as the result of which the latter became the holder of an additional 2,850,752 shares.

There were 4,143 shareholders entered in the register of shareholders as at 30 June 2017, a decrease of 6% on the end of 2016.

During the first half of the year, 115 shares were collected on a special account of Kapitalska družba d.d., which in accordance with Article 48a of the Book-Entry Securities Act (Official Gazette of the Republic of Slovenia, No. 5/17) is intended for securities waived by their holders and/or securities held by the Republic of Slovenia. Kapitalska družba may not exercise the voting rights attached to those securities, which are thus disclosed in the special category 'KAD-ZNVP 48a' (Figure 4).

The proportion of shares held by foreign investors was up by 0.2 percentage points relative to the situation at the end of 2016, to stand at 0.7% at the end of June 2017.



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

Figure 4: Ownership structure of Intereuropa d.d. as at 30 June 2017

SHAREHOLDINGS OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Members of the Management Board did not hold any shares of Intereuropa d.d. as at 30 June 2017. The shareholdings of Supervisory Board members are presented in the table below.

Table 13: Number of shares held by Supervisory Board members as at 30 June 2017

Supervisory board	Number of shares	Participating interest (in %)
Nevija Pečar, Deputy Chairwoman	4,185	0.053
Maša Čertalič, MSc, member	99	0.001

TREASURY SHARES

Intereuropa d.d. held 18,135 treasury shares (IEKG) as at 30 June 2017, representing 0.0660% of all shares. The proportion of treasury shares has not changed since 31 December 2016. The Company has no voting rights arising from its treasury shares in accordance with Article 249 of the Companies Act (ZGD-1).

DIVIDEND POLICY

The Company did not pay dividends between 2009 and 2016.

On 30 June 2017, the general meeting of shareholders adopted a decision leaving distributable profit for 2016 in the amount of EUR 3,495,540.28 undistributed in full. The Small Shareholders Association of Slovenia announced the filing of a lawsuit challenging that decision.

NOTIFICATION OF SHAREHOLDERS

The Company's communication strategy follows the principle of transparent communication that provides equal and timely information to all stakeholders. Shareholders have significant influence over strategic decisions and business policies. We therefore see regular and open communication with existing and potential shareholders as the proper way to strengthen the commercial success of Intereuropa.
The following channels are used to communicate with shareholders:
→ ordinary general meetings of shareholders;
→ presentations by the Company at conferences for investors in financial centres;
→ the regular publication of business results and other price-sensitive information;
→ regular communication via the SEOnet electronic system;
→ regular communication with the media; and
→ the regular publication of information regarding operations on the Company's website.

Shareholders can e-mail their remarks and suggestions to us at: info@intereuropa.si.

FINANCIAL REPORT
OF THE INTEREUROPA GROUP
and
the PARENT COMPANY INTEREUROPA d.d.

for the period January-June 2017

INTRODUCTORY NOTES

The Unaudited business report of the Intereuropa Group and Intereuropa d.d. has been compiled on the basis of the financial statements of the Intereuropa Group and its parent company Intereuropa d.d. for the period January–June 2017 and as at the reporting date of 30 June 2017.

The explanatory notes are included in the report in order to explain the business events and transactions that are material for understanding the changes in the financial position and profit or loss of the Intereuropa Group and of the parent company in the period since the last annual report.

The senior management has verified estimates, judgements and assumptions, and concluded that they were the same as those that applied at the time the financial statements as at 31 December 2016 were compiled.

The subsidiary Intereuropa Transport d.o.o. still was in liquidation proceedings during the reporting period. The structure of the Group has remained unchanged.

The same accounting policies were applied in the consolidated financial statements as in those of the parent company, as indicated in the financial report for the 2016 financial year.

Correction of material error in the financial statements of the Intereuropa Group

The comparable data from the statement of financial position of the Intereuropa Group as at 31 December 2016 was recalculated due to an identified error. The error relates to an increase in the deferred tax liabilities of the subsidiary Zetatrans A.D., Podgorica arising from fair value reserves for land as a result of a change in tax legislation in August 2016 (in the amount of EUR 377 thousand).

In accordance with these findings, we recalculated financial data as at 31 December 2016, as indicated in the tables below.

Table 14: Effect of the error on items reported in the statement of financial position as at 31 December 2016

in EUR thousand

Effect on the Group's statement of financial position	Reported for the year ending 31 December 2016 following the correction of error	Correction of error	Reported for the year ending 31 December 2016
Equity	138,185	-377	138,562
Deferred tax liabilities	11,836	377	11,459

Reclassification of items in the financial statements of the Intereuropa Group

Within the comparable data included in the income statement, the item "write-downs" (EUR 3,640 thousand) was reclassified to the following two items: "amortisation and depreciation" (in the amount of EUR 3,264 thousand) and "other operating expenses" (amount of revaluation operating expenses for intangible assets and property, plant and equipment, and expenses from impairments and write-offs of receivables and inventories in the amount of EUR 376 thousand) for a more appropriate presentation in the statement.

Reclassification of items in financial statements of Intereuropa d.d.

Within the comparable data included in the income statement, the item "write-downs" (EUR 2,041 thousand) was reclassified to the following two items: "amortisation and depreciation" (in the amount of EUR 1,949 thousand) and "other operating expenses" (amount of revaluation operating expenses for intangible assets and property, plant and equipment, and expenses from impairments and write-offs of receivables in the amount of EUR 92 thousand) for a more appropriate presentation in the statement.

3. FINANCIAL STATEMENTS OF THE INTEREUROPA GROUP

3.1 Basic financial statements of the Intereuropa Group

CONSOLIDATED INCOME STATEMENT OF THE INTEREUROPA GROUP

for the period 1 January 2017 to 30 June 2017

in EUR thousand	January–June 2017	January–June 2016
Sales revenue	**72,896**	**69,274**
Other operating revenues	507	529
Costs of goods, materials and services	-51,655	-48,174
Labour costs	-13,246	-13,278
Amortisation/depreciation	-3,395	-3,264
Other operating expenses	-1,484	-1,514
Operating profit	**3,623**	**3,573**
Finance income	111	151
Finance costs	-1,415	-1,658
Loss from financing activities	**-1,304**	**-1,507**
Investment result recognised according to the equity method	8	28
Profit from ordinary operations	**2,327**	**2,094**
Corporate income tax (including deferred taxes)	-373	-138
Net profit for the accounting period	**1,954**	**1,956**
Net profit pertaining to controlling interests	1,731	1,781
Net profit pertaining to non-controlling interests	223	175

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE INTEREUROPA GROUP

for the period 1 January 2017 to 30 June 2017

in EUR thousand	January–June 2017	January–June 2016
Net profit for the accounting period	**1,954**	**1,956**
Other comprehensive income	**1,168**	**691**
Items that will be reclassified to profit or loss	**1,168**	**687**
Change in the fair value of available-for-sale financial assets	33	-3
Change in deferred taxes in the revaluation surplus for available-for-sale financial assets	-6	1
Foreign currency translation differences	1,141	689
Items that will not be reclassified to profit or loss	**0**	**4**
Other changes in retained earnings	0	4
Total comprehensive income	**3,122**	**2,647**
Total comprehensive income pertaining to controlling interests	2,872	2,491
Total comprehensive income pertaining to non-controlling interests	250	156

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE INTEREUROPA GROUP

as at 30 JUNE 2017

in EUR thousand	30 June 2017	31 December 2016 (adjusted)*
ASSETS		
Property, plant and equipment	189,997	191,173
Investment property	9,719	9,840
Intangible assets	5,232	5,486
Other non-current assets	38	49
Non-current operating receivables	0	0
Deferred tax assets	11,214	11,392
Long-term loans granted and deposits	49	30
Investment in joint venture	71	102
Other non-current financial assets	556	542
TOTAL NON-CURRENT ASSETS	**216,876**	**218,614**
Available-for-sale assets	0	323
Inventories	139	134
Short-term loans granted and deposits	1,800	2,124
Current operating receivables	34,280	28,804
Current receivables from corporate income tax	218	60
Other current assets	1,080	377
Cash and cash equivalents	3,888	5,294
TOTAL CURRENT ASSETS	**41,405**	**37,116**
TOTAL ASSETS	**258,281**	**255,730**
EQUITY		
Equity pertaining to controlling interests	**132,107**	**129,235**
Share capital	27,489	27,489
Share premium account	18,455	18,455
Profit reserves	5,575	5,277
Fair value reserves	50,600	50,573
Foreign currency translation differences	-6,372	-7,486
Net profit brought forward	34,629	33,686
Net profit	1,731	1,241
Equity pertaining to non-controlling interests	**9,143**	**8,950**
TOTAL EQUITY*	**141,250**	**138,185**
LIABILITIES		
Provisions	1,795	1,847
Non-current deferred income	104	104
Non-current financial liabilities	71,847	74,736
Non-current operating liabilities	330	329
Deferred tax liabilities	11,857	11,836
TOTAL NON-CURRENT LIABILITIES	**85,933**	**88,852**
Current financial liabilities	5,804	6,201
Current operating liabilities	25,124	21,885
Current corporate income tax liabilities	135	602
Current deferred income	35	5
TOTAL CURRENT LIABILITIES	**31,098**	**28,693**
TOTAL LIABILITIES	**117,031**	**117,545**
TOTAL EQUITY AND LIABILITIES	**258,281**	**255,730**

* Adjustments are disclosed in the point: Introductory notes.

CONSOLIDATED STATEMENT OF CASH FLOWS OF THE INTEREUROPA GROUP

for the PERIOD 1 JANUARY 2017 to 30 JUNE 2017

in EUR thousand	January–June 2017	January–June 2016
Cash flows from operating activities		
Net profit for the accounting period	**1,954**	**1,956**
Adjustments for:		
- amortisation and depreciation	3,395	3,263
- gains on the sale of property, plant and equipment and investment property	-37	-51
- impairments and write-offs of receivables and inventories	362	376
- finance income	-111	-151
- recognised result for joint venture according to the equity method	-8	-28
- finance costs	1,415	1,658
- corporate income tax (including deferred taxes)	373	138
Operating profit before changes in net working capital and taxes	**7,347**	**7,162**
Changes in net working capital and provisions		
Changes in receivables	-5,815	-3,095
Changes in inventories	-7	9
Changes in other current assets	-704	-807
Changes in operating liabilities	3,663	462
Changes in provisions	-34	-68
Changes in non-current deferred income	0	-6
Income tax paid	-774	-119
Net cash flow from operating activities	**3,676**	**3,538**
Cash flows from investing activities		
Interest received	126	201
Dividends received and shares in profit	4	4
Inflows from the sale of property, plant and equipment	360	55
Inflows from long-term deposits placed	30	0
Net cash flow from short-term loans granted	-8	39
Net cash flow from short-term deposits placed	328	-195
Inflows from the sale of other financial assets	4	0
Outflows for the acquisition of property, plant and equipment	-1,225	-1,693
Outflows for the acquisition of intangible assets	-41	-61
Outflows for long-term deposits placed	-50	-10
Net cash flow from investing activities	**-472**	**-1,660**
Cash flows from financing activities		
Net cash flow from short-term loans and finance leases	38	0
Interest paid	-1,205	-1,495
Outflows for the repayment of long-term loans and finance leases	-3,346	-2,514
Dividends paid	-49	-56
Net cash flow from financing activities	**-4,562**	**-4,065**
Opening balance of cash and cash equivalents	**5,294**	**11,107**
Exchange rate differences relating to cash	-48	-26
Net cash flow for the period from ordinary operations	**-1,358**	**-2,187**
Closing balance of cash and cash equivalents	**3,888**	**8,894**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE INTEREUROPA GROUP

for the period 1 January 2017 to 30 June 2017

			PROFIT RESERVES							RETAINED EARNINGS				
in EUR thousand	Share capital	Share premium account	Legal reserves	Reserves for treasury shares	Treasury shares (as deduction item)	Reserves under the articles of association	Other reserves	Fair value reserves	Foreign currency translation differences	Net profit brought forward	Net profit for the accounting period	Equity pertaining to controlling interests	Equity pertaining to non-controlling interests	Total equity
Reported as at 1 January 2017	**27,489**	**18,455**	**4,653**	**180**	**-180**	**15**	**609**	**50,575**	**-7,486**	**33,686**	**1,500**	**129,496**	**9,066**	**138,562**
Correction of error*	0	0	0	0	0	0	0	-2	0	0	-259	-261	-116	-377
Reported as at 31 December 2016 after correction of error	**27,489**	**18,455**	**4,653**	**180**	**-180**	**15**	**609**	**50,573**	**-7,486**	**33,686**	**1,241**	**129,235**	**8,950**	**138,185**
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**27**	**1,114**	**0**	**1,731**	**2,872**	**250**	**3,122**
Net profit for the financial year	0	0	0	0	0	0	0	0	0	0	1,731	1,731	223	1,954
Other comprehensive income	0	0	0	0	0	0	0	27	1,114	0	0	1,141	27	1,168
Transactions with owners														
Transfer of net profit from the previous year to net profit or loss brought forward	0	0	0	0	0	0	0	0	0	1,241	-1,241	0	0	0
Dividends and shares in profit	0	0	0	0	0	0	0	0	0	0	0	0	-57	-57
Transfer of retained earnings to reserves	0	0	0	0	0		298	0	0	-298	0	0	0	0
Closing balance as at 30 June 2017	**27,489**	**18,455**	**4,653**	**180**	**-180**	**15**	**907**	**50,600**	**-6,372**	**34,629**	**1,731**	**132,107**	**9,143**	**141,250**

* Adjustments are disclosed in the point Introductory notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE INTEREUROPA GROUP

for the period 1 January 2016 to 30 June 2016

in EUR thousand	Share capital	Share premium account	PROFIT RESERVES					Fair value reserves	Foreign currency translation differences	RETAINED EARNINGS		Equity pertaining to controlling interests	Equity pertaining to non-controlling interests	Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares (as deduction item)	Reserves under the articles of association	Other reserves			Net profit brought forward	Net profit or loss for the accounting period			
Opening balance as at 1 January 2016	**27,489**	**18,455**	**4,691**	**180**	**-180**	**338**	**0**	**64,089**	**-7,902**	**31,962**	**-168**	**138,954**	**9,220**	**148,174**
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-2**	**708**	**4**	**1,781**	**2.491**	**156**	**2,647**
Net profit for the financial year	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	-2	708	4	0	710	-19	691
Transactions with owners														
Transfer of net profit from the previous year to net profit brought forward	0	0	0	0	0	0	0	0	0	-168	168	0	0	0
Payment of dividends and shares in profit	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	-234	0	0	0	0
Other changes	0	0	0	0	0	-323	323	0	0	0	0	0	0	0
Closing balance as at 30 June 2016	**27,489**	**18,455**	**4,691**	**180**	**-180**	**15**	**557**	**64,087**	**-7,194**	**31,564**	**1,781**	**141,445**	**9,221**	**150,666**

3.2 Notes to the financial statements of the Intereuropa Group

A) NOTES TO THE CONSOLIDATED INCOME STATEMENT

Sales revenue amounted to EUR 72,896 thousand. The Group generated EUR 507 thousand in **other operating revenues** that are mainly accounted for by revenues from the reversal of adjustments and write-offs of receivables (EUR 317 thousand).

Costs of goods, materials and services

Table 15: Costs of goods, materials and services of the Intereuropa Group in the period January–June 2017

in EUR thousand	January–June 2017	January–June 2016
Historical cost of goods and materials sold and cost of materials used	2,143	1,990
Costs of services	49,511	46,184
direct costs	44,213	41,197
costs of telecommunication services	221	230
maintenance costs	1,080	1,134
insurance premiums	386	370
training and education costs	37	27
other costs of services	3,574	3,226
Total	**51,655**	**48,174**

Direct costs primarily comprise the costs of subcontractors (transportation, port-related services, etc.) that are directly related to the provision of our services.

Labour costs

Table 16: Labour costs of the Intereuropa Group in the period January–June 2017

in EUR thousand	January–June 2017	January–June 2016
Costs of wages and salaries	9,328	9,441
Social security costs	2,046	1,934
Other labour costs:	1,871	1,903
annual leave allowance	712	758
transportation and meal allowances	999	1,066
other labour costs	160	79
expenses for employee participation in profits	0	0
Total	**13,246**	**13,278**

Amortisation and depreciation

Table 17: Amortisation and depreciation costs of the Intereuropa Group in the period January–June 2017

in EUR thousand	January–June 2017	January–June 2016
Amortisation of intangible assets	258	249
Depreciation of property, plant and equipment and investment property	3,137	3,015
Total	**3,395**	**3,264**

Other operating expenses

Table 18: Other operating expenses of the Intereuropa Group in the period January–June 2017

in EUR thousand	January–June 2017	January–June 2016
Building land use fee and similar expenses	751	780
Expenses from impairments and write-offs of property, plant and equipment	4	0
Expenses from value adjustments (impairments) and write-offs of receivables	360	374
Expenses from value adjustments (impairments) and write-offs of inventories	2	2
Costs of creation of provisions	0	0
Other operating expenses	367	357
Total	**1,484**	**1,514**

In the comparable data, the amount of EUR 188 thousand was reclassified from the item "other operating expenses" to the item "building land use fee and similar expenses" because the aforementioned amount relates to duties.

Effect of finance income and costs on profit or loss

Table 19: Effect of finance income and costs in the Intereuropa Group in the period January–June 2017

in EUR thousand	January–June 2017	January–June 2016
Interest income	108	133
Income from dividends and other shares in profit	4	4
Revenues from the reversal of impairments of loans and bills of exchange	0	14
Total finance income	**111**	**151**
Interest expense	-1,175	-1,482
Expenses from the disposal of financial assets	-16	0
Finance costs from impairments and write-offs of financial assets	-6	-2
Net exchange rate differences	-218	-174
Total finance costs	**-1,415**	**-1,658**
Loss from financing activities	**-1,304**	**-1,507**

The Group generated a **profit from ordinary operations** of EUR 2,327 thousand.

Corporate income tax was negative in the amount of EUR 373 thousand, comprising current tax in the amount of EUR 223 thousand and deferred tax in the amount of EUR 151 thousand.

The Group generated a **net profit** of EUR 1,954 thousand during the reported period. Of that amount, EUR 1,731 thousand pertains to **controlling** interests, while EUR 223 thousand pertains to **non-controlling** interests.

B) NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

Table 20: Property, plant and equipment of the Intereuropa Group as at 30 June 2017

in EUR thousand	30 June 2017	31 December 2016
Land and buildings	183,245	184,154
a) Land	88,460	87,988
b) Buildings	94,785	96,166
Other plant and equipment	6,319	6,599
Investments in foreign fixed assets	0	0
Property, plant and equipment in acquisition	434	420
Total	**189,997**	**191,173**

As at 30 June 2017, the Intereuropa Group had property, plant and equipment pledged as loan collateral in the amount of EUR 75,588 thousand, and for contingent liabilities in the amount of EUR 30,210 thousand. There were no other legal restrictions on the disposal of assets. The carrying amount of mortgaged real estate was EUR 131,477 thousand as at the reporting date.

Investment property

The carrying amount of mortgaged investment property as at 30 June 2017 was EUR 8,619 thousand. That amount represents additional collateral for liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

Intangible assets

Table 21: Intangible assets of the Intereuropa Group as at 30 June 2017

in EUR thousand	30 June 2017	31 December 2016
Long-term property rights	723	726
Goodwill	1,275	1,275
Other intangible assets	2,980	3,090
Intangible assets under construction	254	394
Total	**5,232**	**5,486**

Loans granted and deposits

Table 22: Loans granted and deposits of the Intereuropa Group as at 30 June 2017

in EUR thousand	30 June 2017	31 December 2016
Long-term loans granted and deposits	**49**	**30**
- Loans granted	5	6
- Deposits	44	24
Short-term loans granted and deposits	**1,800**	**2,124**
- Loans granted and bills of exchange	82	78
- Deposits	1,718	2,046
Total	**1,849**	**2,153**

As at 30 June 2017, the Intereuropa Group had pledged long-term deposits in the amount of EUR 44 thousand as collateral for contingent liabilities in the same amount.

As at 30 June 2017, the Intereuropa Group had pledged short-term deposits in the amount of EUR 34 thousand as collateral for contingent liabilities in the same amount.

Other financial assets in the amount of EUR 556 thousand comprise available-for-sale financial assets.

Current operating receivables

Table 23: Current operating receivables of the Intereuropa Group as at 30 June 2017

in EUR thousand	30 June 2017	31 December 2016
Current trade receivables	32,788	26,618
Current operating receivables from others	1,491	2,186
Total	**34,280**	**28,804**

The Intereuropa Group had current trade receivables with a carrying amount of EUR 10,000 thousand pledged as collateral as at 30 June 2017. That amount represents additional collateral for contingent liabilities in the amount of EUR 14,600 thousand for which the underlying collateral comprises pledged items of property, plant and equipment.

Other current assets amounting to EUR 1,080 thousand comprise current deferred costs.

Provisions

Table 24: Provisions of the Intereuropa Group as at 30 June 2017

in EUR thousand	30 June 2017	31 December 2016
Provisions for severance pay at retirement and jubilee benefits	1,247	1,285
Provisions for lawsuits	548	563
Other provisions	0	0
Total	**1,795**	**1,847**

Non-current financial liabilities comprise loans and finance leases and amounted to EUR 71,847 thousand.

Current financial liabilities

Table 25: Current financial liabilities of the Intereuropa Group as at 30 June 2017

in EUR thousand	30 June 2017	31 December 2016
Short-term loans and finance leases received	4,952	5,358
Liabilities for dividends and other shares in profit	851	843
Total	**5,804**	**6,201**

All of the Group's due liabilities under loan agreements were settled as at the reporting date.

Current operating liabilities

Table 26: Current operating liabilities of the Intereuropa Group as at 30 June 2017

in EUR thousand	30 June 2017	31 December 2016
Current trade payables	20,956	18,050
Current operating liabilities based on advances	740	525
Other current operating liabilities	3,427	3,310
Total	**25,124**	**21,885**

C) OTHER NOTES

Contingent liabilities

Table 27: Contingent liabilities of the Intereuropa Group as at 30 June 2017

in EUR thousand	30 June 2017	31 December 2016
From bank guarantees and guarantees given to others	18,369	18,967
From lawsuits	1,224	1,614
To D.S.U., družba za svetovanje in upravljanje, d.o.o.	250	250
Other contingent liabilities	105	105
Total	**19,947**	**20,936**

Fair value

Table 28: Fair value of financial instruments of the Intereuropa Group as at 30 June 2017

	30 June 2017		31 December 2016	
in EUR thousand	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Available-for-sale financial assets	556	556	542	542
- measured at fair value	495	495	462	462
- measured at historical cost	61	61	80	80
Loans and deposits	1,849	1,849	2,154	2,154
Operating receivables (including receivables for corporate income tax)	34,498	34,498	28,864	28,864
Cash and cash equivalents	3,888	3,888	5,294	5,294
Total	**40,791**	**40,791**	**36,854**	**36,854**
Financial liabilities				
Loans and finance leases	76,799	76,799	80,094	80,094
- at fixed interest rates	1,024	1,024	1,115	1,115
- at variable interest rates	75,775	75,775	78,979	78,979
Liabilities for dividends and other shares in profit	851	851	843	843
Operating liabilities (including liabilities for corporate income tax)	25,590	25,590	22,816	22,816
Total	**103,240**	**103,240**	**103,753**	**103,753**

In the comparable data as at 31 December 2016, the item 'loans and finance leases at a fixed interest rate' was reduced by EUR 870 thousand, while the item 'loans and finance leases at a variable interest rate' was increased by the same amount.

Table 29: Fair value hierarchy of assets in the Intereuropa Group as at 30 June 2017

in EUR thousand	30 June 2017			
Fair value hierarchy	Level 1	Level 2	Level 3	Total
Land	0	0	88,460	88,460
Financial assets				
Available-for-sale financial assets	495	0	61	556
- measured at fair value	495	0	0	495
- measured at historical cost	0	0	61	61
Loans and deposits	0	0	1,849	1,849
Operating receivables (including receivables for corporate income tax)	0	0	34,498	34,498
Cash and cash equivalents	0	0	3,888	3,888
Total	**495**	**0**	**128,816**	**129,251**
Financial liabilities	0	0		
Loans and finance leases	0	0	76,799	76,799
- at fixed interest rates	0	0	1,024	1,024
- at variable interest rates	0	0	75,775	75,775
Liabilities for dividends and other shares in profit	0	0	851	851
Operating liabilities (including liabilities for corporate income tax)	0	0	25,590	25,590
Total	**0**	**0**	**103,240**	**103,240**
in EUR thousand	31 December 2016			
Fair value hierarchy	Level 1	Level 2	Level 3	Total
Land	0	0	87,988	87,988
Financial assets				
Available-for-sale financial assets	462	0	80	542
- measured at fair value	462	0	0	462
- measured at historical cost	0	0	80	80
Loans and deposits	0	0	2,154	2,154
Operating receivables (including receivables for corporate income tax)	0	0	28,864	28,864
Cash and cash equivalents	0	0	5,294	5,294
Total	**462**	**0**	**124,380**	**124,842**
Financial liabilities				
Loans and finance leases	0	0	80,094	80,094
- at fixed interest rates	0	0	1,115	1,115
- at variable interest rates	0	0	78,979	78,979
Liabilities for dividends and other shares in profit	0	0	843	843
Operating liabilities (including liabilities for corporate income tax)	0	0	22,816	22,816
Total	**0**	**0**	**103,753**	**103,753**

Transactions between related parties

Table 30: Transactions between related parties

Revenues from the sale of services in EUR thousand	January–June 2017	January–June 2016
Associate / joint venture	548	506
Companies that are controlled or jointly controlled by an individual, or a member of their immediate family, who is in a relationship with the Intereuropa Group	25	10

Costs of services in EUR thousand	January–June 2017	January–June 2016
Associate and joint venture	2,084	1,910

Balance of operating receivables in EUR thousand	30 June 2017	31 December 2016
Associate	139	130
Companies that are controlled or jointly controlled by an individual, or a member of their immediate family, who is in a relationship with the Intereuropa Group	8	10

Balance of operating liabilities in EUR thousand	30 June 2017	31 December 2016
Associate	508	504
Owners that are banks	248	205

Interest expense in EUR thousand	January–June 2017	January–June 2016
Owners that are banks	1,055	1,376

Balance of financial liabilities in EUR thousand	30 June 2017	31 December 2016
Owners that are banks	75,354	78,582

Balance of contingent liabilities in EUR thousand	30 June 2017	31 December 2016
Owners that are banks	10,125	10,125

INFORMATION BY OPERATING SEGMENTS FOR THE PERIOD JANUARY–JUNE 2017

Table 31: Geographical business segments of the Intereuropa Group in the period January–June 2017

	Slovenia		Croatia		Bosnia and Herzegovina		Serbia		Montenegro	
in EUR thousand	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun 2017	Jan–Jun 2016
Revenues from external customers	49,498	45,508	10,407	10.484	3,085	3,123	2,832	2,027	2,837	2,548
Revenues from transactions with other segments	1,640	1,586	286	258	198	182	330	299	38	52
Total revenues	51,138	47,094	10,694	10,743	3,283	3,305	3,162	2,327	2,875	2,600
Depreciation and amortisation	2,021	1,951	830	766	180	174	91	92	216	220
Operating profit or loss	2,766	2,539	-112	138	73	134	314	283	434	310
Interest income	103	129	12	8	2	0	2	2	13	21
Interest expense	1,064	1,384	38	23	4	6	32	39	0	0
Profit or loss from ordinary operations	2,246	2,108	-158	120	70	128	294	229	448	331
Revenues from investment valued according to the equity method	39	34	0	0	0	0	0	0	0	0
Corporate income tax	309	22	6	24	8	14	33	29	1	36

	Ukraine		Other		Total		Adjustments (including eliminations)*		Group	
in EUR thousand	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun 2017	Jan–Jun 2016
Revenues from external customers	1,465	3,482	2,736	2,089	72,861	69,260	35	13	72,896	69,274
Revenues from transactions with other segments	0	1	607	314	3,099	2,692	-3,099	-2,692	0	0
Total revenues	1,465	3,483	3,343	2,403	75,960	71,952	-3,064	-2,679	72,896	69,274
Depreciation and amortisation	23	26	35	34	3,395	3,263	0	0	3,395	3,263
Operating profit or loss	-9	85	164	109	3,631	3,598	-8	-25	3,623	3,573
Interest income	0	2	0	0	132	163	-24	-29	109	133
Interest expense	61	59	0	0	1,199	1,512	-24	-29	1,175	1,482
Profit or loss from ordinary operations	-165	-56	159	106	2,894	2,967	-566	-873	2,328	2,094
Revenues from investment valued according to the equity method	0	0	0	0	39	34	-31	-6	8	28
Corporate income tax	0	0	17	12	373	138	0	0	373	138

* All adjustments are subject to consolidation procedures.

in EUR thousand	Slovenia		Croatia		Bosnia and Herzegovina		Serbia		Montenegro	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Assets	193,305	192,299	59,610	58,364	17,400	16,860	9,909	9,476	21,867	21,338
Non-current assets	164,949	166,661	53,028	52,777	15,617	15,629	8,572	8,463	18,264	17,821
Operating liabilities	18,567	16,943	3,756	2,918	1,439	888	764	618	708	616
Financial liabilities	75,595	77,587	1,206	1,628	333	213	1,080	1,150	395	404
Investment in associate and joint venture according to the equity method	39	39	0	0	0	0	0	0	0	0

in EUR thousand	Ukraine		Other		Total		Adjustments (including eliminations)*		Group	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Assets	1,854	1,914	3,393	3,278	307,339	303,529	-49,058	-47,799	258,281	255,730
Non-current assets	1,123	1,247	1,061	1,080	262,614	263,678	-45,738	-45,064	216,876	218,614
Operating liabilities	1,009	851	807	842	27,050	23,676	-1,596	-1,460	25,454	22,216
Financial liabilities	1,215	1,309	180	0	80,004	82,291	-2,353	-1,354	77,651	80,937
Investment in associate and joint venture according to the equity method	0	0	0	0	39	39	32	63	71	102

* All adjustments are subject to consolidation procedures.

Table 32: Sales revenue of the Intereuropa Group by business segment in the period January-June 2017

in EUR thousand	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun 2017	Jan–Jun 2016
	Land transport		Logistics solutions		Intercontinental transport		Other services		Total	
Sales revenues	38,771	38,416	10,475	9,409	20,354	18,182	3,296	3,266	72,896	69,274

FINANCIAL RISKS

The Intereuropa Group manages liquidity risk through the active management of cash and includes:

- the monitoring and planning of cash flows;
- regular collection activities and daily contact with major customers;
- the option of using short-term credit lines via banks.

The table illustrates estimated undiscounted cash flows, including future interest.

Table 33: Liquidity risk as at 30 June 2017

in EUR thousand

30 June 2017	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Loans from banks and others	75,755	80,059	3,456	3,082	6,233	67,288	0
Loans received on the basis of finance leases	1,044	1,115	200	282	483	149	0
Liabilities for dividends and other shares in profit	851	851	425	0	426	0	0
Trade payables	21,262	21,262	20,834	122	119	72	116
Liabilities based on advances	740	740	648	41	0	51	0
Other operating liabilities (including liabilities for corporate income tax)	3,587	3,587	3,292	275	21	0	0
Total	**103,240**	**107,616**	**28,855**	**3,803**	**7,282**	**67,560**	**116**

Table 34: Liquidity risk as at 31 December 2016

in EUR thousand

31 December 2016	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Loans from banks and others	78,978	84,337	3,813	3,420	6,641	70,462	0
Loans received on the basis of finance leases	1,114	1,229	93	123	481	532	0
Liabilities for dividends and other shares in profit	843	843	417	426	0	0	0
Trade payables	18,357	18,357	17,882	168	119	72	116
Liabilities based on advances	525	525	324	68	3	129	0
Other operating liabilities (including liabilities for corporate income tax)	3,936	3,936	3,889	7	18	22	0
Total	**103,753**	**109,227**	**26,418**	**4,212**	**7,262**	**71,217**	**116**

The most important items in the scope of liquidity risk are trade payables and liabilities to creditor banks. The Intereuropa Group manages those risks by ensuring the appropriate amount (with an emphasis here on deleveraging) and maturity of long-term loans, through regular contact with creditor banks and the necessary credit limits to balance fluctuations in short-term liquidity. The Group also takes a preventive approach by monitoring and managing operating receivables.

Table 35: Currency risk as at 30 June 2017

in EUR thousand

30 June 2017	EUR	HRK	RSD	Other	Total
Operating receivables (including receivables for corporate income tax)	25,853	5,148	861	2,636	**34,498**
Long-term loans granted and deposits	30	0	14	5	**49**
Short-term loans granted and deposits	1,335	129	0	336	**1,800**
Long-term loans received and finance leases	-71,095	-642	0	-110	**-71,847**
Short-term loans received, finance leases, and liabilities for dividends and other shares in profit	-4,948	-378	-232	-246	**-5,804**
Operating liabilities (including liabilities for corporate income tax)	-19,498	-3,531	-642	-1.918	**-25,589**
Exposure disclosed in the statement of financial position	**-68,323**	**726**	**1**	**703**	**-66,893**

Table 36: Currency risk as at 31 December 2016

in EUR thousand

31 December 2016	EUR	HRK	RSD	Other	Total
Operating receivables (including receivables for corporate income tax)	22,612	3,261	543	2,448	**28,864**
Long-term loans granted and deposits	24	0	0	6	**30**
Short-term loans granted and deposits	1,506	165	0	453	**2,124**
Long-term loans received and finance leases	-73,654	-929	0	-152	**-74,736**
Short-term loans received, finance leases, and other current financial liabilities	-5,758	-141	-197	-105	**-6,201**
Operating liabilities (including liabilities for corporate income tax)	-18,296	-2,565	-494	-1,461	**-22,816**
Exposure disclosed in the statement of financial position	**-73,141**	**-209**	**-148**	**1,189**	**-72,310**

Table 37: Credit risk

in EUR thousand	30 June 2017	31 December 2016
Loans granted and deposits	1,849	2,154
Operating receivables (including receivables for corporate income tax)	34,498	28,864
of which trade receivables	34,280	26,618
Cash and cash equivalents	3,888	5,294
Total	**40,235**	**36,312**

The Intereuropa Group believes that credit risk is appropriately managed. The most significant risk in the aforementioned category is the risk of payment delays and default by customers, where control limits and mechanisms are in place for approving exposure to credit risk for major customer. Those limits and mechanisms apply to all Group companies.

The table presents an interest-rate sensitivity analysis and the impact on profit or loss from ordinary operations.

Table 38: Interest-rate risk as at 30 June 2017

in EUR thousand

Type of variable interest rate	Loan amount 30 June 2017	Increase in IR by 10 basis points	Increase in IR by 25 basis points	Increase in IR by 50 basis points
3-month EURIBOR	75,523	-76	-189	-378
1-month EURIBOR	234	0	-1	-1
Total	75,757	-76	-189	-379

Table 39: Interest-rate risk as at 31 December 2016

in EUR thousand

Type of variable interest rate	Loan amount 31 December 2016	Increase in IR by 10 basis points	Increase in IR by 25 basis points	Increase in IR by 50 basis points
3-month EURIBOR	78,783	-79	-197	-394
1-month EURIBOR	197	0	0	-1
Total	78,979	-79	-197	-395

Table 40: Risk of change in fair value of securities as at 30 June 2017

in EUR thousand

30 June 2017		31 December 2016	
Change in index in %	Effect on equity	Change in index in %	Effect on equity
10	40	10	37
-10	-40	-10	-37

EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period that could significantly affect the Group's financial statements.

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

4.1 Basic financial statements of the parent company Intereuropa d.d.

INCOME STATEMENT OF INTEREUROPA D.D.

for the period 1 January 2017 to 30 June 2017

in EUR thousand	January–June 2017	January–June 2016
Sales revenue	**50,829**	**46,588**
Other operating revenues	286	164
Costs of goods, materials and services	-37,053	-33,208
Labour costs	-8,616	-8,509
Amortisation/depreciation	-2,019	-1,949
Other operating expenses	-683	-673
Operating profit	**2,744**	**2,413**
Finance income	603	2,279
Finance costs	-1,086	-2,708
Loss from financing activities	**-483**	**-429**
Profit from ordinary operations	**2,261**	**1,984**
Corporate income tax (including deferred taxes)	-303	0
Net profit for the accounting period	**1,958**	**1,984**
Basic and diluted earnings per ordinary share (in EUR)	0.07	0.07

STATEMENT OF OTHER COMPREHENSIVE INCOME OF INTEREUROPA D.D.

for the period 1 January 2017 to 30 June 2017

in EUR thousand	January–June 2017	January–June 2016
Net profit for the accounting period	**1,958**	**1,984**
Other comprehensive income	**27**	**-3**
Items that will be reclassified to profit or loss	**27**	**-3**
Change in the fair value of available-for-sale financial assets	33	-3
Change in deferred taxes in the revaluation surplus for available-for-sale financial assets	-6	0
Items that will not be reclassified to profit or loss	**0**	**0**
Total comprehensive income	**1,985**	**1,981**

STATEMENT OF FINANCIAL POSITION OF INTEREUROPA D.D.

as at 30 JUNE 2017

in EUR thousand	30 June 2017	31 December 2016
ASSETS		
Property, plant and equipment	95,586	96,812
Investment property	8,797	8,903
Intangible assets	3,724	3,962
Other non-current assets	38	49
Deferred tax assets	10,980	11,160
Long-term loans granted and deposits	30	10
Other non-current financial assets	45,772	45,739
TOTAL NON-CURRENT ASSETS	**164,927**	**166,635**
Available-for-sale assets	0	323
Inventories	8	8
Short-term loans granted and deposits	1,238	1,343
Other current financial assets	250	250
Current operating receivables	23,734	20,290
Current receivables from corporate income tax	166	0
Other current assets	555	60
Cash and cash equivalents	1,085	1,822
TOTAL CURRENT ASSETS	**27,036**	**24,096**
TOTAL ASSETS	**191,963**	**190,731**
EQUITY		
Share capital	27,489	27,489
Share premium account	18,455	18,455
Profit reserves	2,749	2,749
Fair value reserves	34,956	34,929
Net profit brought forward	3,496	3,496
Net profit	1,958	0
TOTAL EQUITY	**89,103**	**87,118**
LIABILITIES		
Provisions	1,050	1,078
Non-current deferred income	104	103
Non-current financial liabilities	71,094	73,175
Non-current operating liabilities	306	306
Deferred tax liabilities	8,199	8,193
TOTAL NON-CURRENT LIABILITIES	**80,753**	**82,855**
Current financial liabilities	4,501	4,412
Current operating liabilities	17,559	15,849
Current corporate income tax liabilities	47	497
TOTAL CURRENT LIABILITIES	**22,107**	**20,758**
TOTAL LIABILITIES	**102,860**	**103,613**
TOTAL EQUITY AND LIABILITIES	**191,963**	**190,731**

STATEMENT OF CASH FLOWS OF INTEREUROPA D.D.

for the period 1 January 2017 to 30 June 2017

in EUR thousand	January–June 2017	January–June 2016
Cash flows from operating activities		
Net profit for the accounting period	**1,958**	**1,984**
Adjustments for:		
- amortisation and depreciation	2,019	1,949
- impairments and write-offs of property, plant and equipment and intangible assets	4	0
- gains on the sale of property, plant and equipment	-21	-8
- losses from the sale of property, plant and equipment	0	0
- impairments and write-offs of receivables	110	92
- finance income	-603	-2,279
- finance costs	1,086	2,708
- corporate income tax (including deferred taxes)	303	0
Operating profit before changes in net working capital and taxes	**4,856**	**4,446**
Changes in net working capital and provisions		
Changes in receivables	-3,182	-1,527
Changes in inventories	0	1
Changes in other current assets	-496	-565
Changes in operating liabilities	2,109	3
Changes in provisions	-28	-35
Changes in non-current deferred income	1	-5
Income tax paid	-733	0
Net cash flow from operating activities	**2,527**	**2,318**
Cash flows from investing activities		
Interest received	84	115
Dividends received and shares in profit	142	225
Inflows from the sale of property, plant and equipment, and assets held for sale	346	12
Inflows from long-term loans granted	20	0
Inflows from long-term deposits placed	30	0
Inflows from the sale of other non-current financial assets	3	0
Net cash flow from short-term loans granted	62	23
Net cash flow from short-term deposits placed	20	18
Outflows for the acquisition of property, plant and equipment, and investment property	-787	-1,185
Outflows for the acquisition of intangible assets	-40	-27
Outflows for long-term deposits placed	-50	-10
Outflows for increase in capital of subsidiaries	-19	-5
Net cash flow from investing activities	**-189**	**-834**
Cash flows from financing activities		
Interest paid	-1,083	-1,394
Outflows for the repayment of long-term loans	-1,992	-1,876
Net cash flow from financing activities	**-3,075**	**-3,270**
Opening balance of cash and cash equivalents	**1,822**	**8,169**
Net cash flow for the period	**-737**	**-1,786**
Closing balance of cash and cash equivalents	**1,085**	**6,383**

STATEMENT OF CHANGES IN EQUITY OF INTEREUROPA d.d.

for the period 1 January 2017 to 30 June 2017

in EUR thousand	Share capital	Share premium account	PROFIT RESERVES			Fair value reserves	RETAINED EARNINGS		Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares (as deduction item)		Net profit brought forward	Net profit	
Opening balance as at 1 January 2017	**27,489**	**18,455**	**2,749**	**180**	**-180**	**34,929**	**3,496**	**0**	**87,118**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**27**	**0**	**1,958**	**1,985**
Net profit	0	0	0	0	0	0	0	1,958	**1,958**
Other comprehensive income	0	0	0	0	0	27	0	0	**27**
Transactions with owners									
Closing balance as at 30 June 2017	**27,489**	**18,455**	**2,749**	**180**	**-180**	**34,956**	**3,496**	**1,958**	**89,103**

STATEMENT OF CHANGES IN EQUITY OF INTEREUROPA d.d.

for the period 1 January 2016 to 30 June 2016

in EUR thousand	Share capital	Share premium account	PROFIT RESERVES			Fair value reserves	RETAINED EARNINGS		Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares (as deduction item)		Net profit brought forward	Net profit	
Opening balance as at 1 January 2016	**27,489**	**18,455**	**2,749**	**180**	**-180**	**48,659**	**89**	**535**	**97,976**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**-3**	**0**	**1,984**	**1,981**
Net profit	0	0	0	0	0	0	0	1,984	**1,984**
Other comprehensive income	0	0	0	0	0	-3	0	0	**-3**
Transactions with owners									
Transfer of net profit from the previous year to net profit or loss brought forward	0	0	0	0	0	0	535	-535	**0**
Closing balance as at 30 June 2016	**27,489**	**18,455**	**2,749**	**180**	**-180**	**48,656**	**624**	**1,984**	**99,957**

4.2 Notes to the financial statements of the parent company Intereuropa d.d.

A) NOTES TO THE INCOME STATEMENT

Sales revenue

Table 41: Sales revenue of Intereuropa d.d. by business segment in the period January-June 2017

in EUR thousand	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun 2017	Jan–Jun 2016	Jan–Jun 2017	Jan–Jun 2016
	Land transport		Logistics solutions		Intercontinental transport		Other services		Total	
Sales revenues	23,467	21,894	7,132	6,370	18,046	16,097	2,184	2,227	50,829	46,588

Other operating revenues amounted to EUR 286 thousand and are mainly accounted for by revenues from the reversal of adjustments and write-offs of receivables (EUR 167 thousand).

Costs of goods, materials and services

Table 42: Costs of goods, materials and services of Intereuropa d.d. in the period January–June 2017

in EUR thousand	January–June 2017	January–June 2016
Historical cost of goods and materials sold and cost of materials used	906	837
Cost of services in the Group	1,040	1.016
Cost of services (excluding the Group):	35,107	31,354
direct costs	32,004	28,530
costs of telecommunication services	81	82
maintenance costs	718	766
insurance premiums	238	233
training and education costs	26	16
other costs of services	2,041	1,728
Total	**37,053**	**33,208**

Direct costs comprise the costs of subcontractors (transportation, port-related services, etc.) that are directly related to the provision of our services.

Labour costs

Table 43: Labour costs of Intereuropa d.d. in the period January–June 2017

in EUR thousand	January–June 2017	January–June 2016
Costs of wages and salaries	5,796	5,849
Pension insurance costs	805	692
Other social security costs	426	423
Other labour costs:	1,590	1,546
annual leave allowance	666	687
transportation and meal allowances	796	828
other labour costs	128	31
expenses for employee participation in profits	0	0
Total	**8,616**	**8,509**

Amortisation and depreciation

Table 44: Amortisation and depreciation of Intereuropa d.d. in the period January–June 2017

in EUR thousand	January–June 2017	January–June 2016
Depreciation of property, plant and equipment and investment property	1,780	1,715
Amortisation of intangible assets	240	234
Total	**2,019**	**1,949**

Other operating expenses

Table 45: Other operating expenses of Intereuropa d.d. in the period January–June 2017

in EUR thousand	January–June 2017	January–June 2016
Building land use fee and similar expenses	496	533
Expenses from impairments and write-offs of property, plant and equipment	4	0
Expenses from value adjustments (impairments) and write-offs of receivables	110	92
Other operating expenses	72	47
Total	**683**	**673**

Effect of finance income and costs on profit or loss

Table 46: Effect of finance income and costs on the profit or loss of Intereuropa d.d. in the period January–June 2017

in EUR thousand	January–June 2017	January–June 2016
Interest income from Group companies	22	29
Interest income from others	80	95
Income from dividends and other shares in profit from Group companies	460	777
Income from participating interest in joint venture	39	34
Income from dividends and other shares in profit from other companies	4	4
Revenues from the reversal of impairments of loans and bills of exchange	0	1,336
Revenues from the sale of financial assets	0	4
Net exchange rate differences	0	0
Total finance income	**603**	**2,279**
Interest expense and other borrowing expenses	-1,063	-1,384
Expenses from impairments of investments in participating interests and shares in Group companies	0	-1,322
Expenses from impairments of other financial assets	-5	-2
Expenses from the disposal of financial assets	-16	0
Net exchange rate differences	-1	0
Total finance costs	**-1,086**	**-2,708**
Loss from financing activities	**-483**	**-429**

The **profit from ordinary operations** in the amount of EUR 2,261 thousand was the result of operating profit in the amount of EUR 2,744 thousand and a loss from financing activities in the amount of EUR 483 thousand.

Corporate income tax for the reporting period was negative in the amount of EUR 303 thousand, comprising current tax in the amount of EUR 123 thousand and deferred tax in the amount of EUR 180 thousand. Corporate income tax amounted to zero during the comparable period, primarily due to the higher value of tax allowances taken into account.

A **net profit** in the amount of EUR 1,958 thousand was thus achieved taking into account corporate income tax.

B) NOTES TO THE STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

Table 47: Property, plant and equipment of Intereuropa d.d. as at 30 June 2017

in EUR thousand	30 June 2017	31 December 2016
Land and buildings	91,686	92,787
a) Land	50,497	50,394
b) Buildings	41,189	42,394
Other plant and equipment	3,684	3,777
Property, plant and equipment in acquisition	217	247
Total	**95,586**	**96,812**

As at 30 June 2017, the Company had property, plant and equipment pledged as loan collateral in the amount of EUR 75,168 thousand, and for contingent liabilities in the amount of EUR 14,786 thousand. There were no other legal restrictions on the disposal of assets. The carrying amount of mortgaged real estate was EUR 83,573 thousand as at the reporting date.

Investment property

The carrying amount of mortgaged investment property was EUR 8,619 thousand as at 30 June 2017. That amount represents additional collateral for liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

Intangible assets

Table 48: Intangible assets of Intereuropa d.d. as at 30 June 2017

in EUR thousand	30 June 2017	31 December 2016
Long-term property rights	499	569
Other intangible assets	2,974	3,083
Intangible assets under construction	251	311
Total	**3,724**	**3,962**

Loans granted and deposits

Table 49: Loans granted and deposits of Intereuropa d.d. as at 30 June 2017

in EUR thousand	30 June 2017	31 December 2016
Non-current deposits	**30**	**10**
- deposits	30	10
Short-term loans granted and deposits	**1,238**	**1,343**
- loans to subsidiaries	1,183	1,293
- loans to others	26	0
- deposits	30	50
Total	**1,268**	**1,353**

Intereuropa d.d. had pledged long-term deposits in the amount of EUR 30 thousand as collateral for contingent liabilities in the same amount.

The Company also had pledged short-term deposits in the amount of EUR 30 thousand as collateral for contingent liabilities in the same amount.

Other non-current financial assets

Table 50: Other non-current financial assets of Intereuropa d.d. as at 30 June 2017

in EUR thousand	30 June 2017	31 December 2016
Non-current investments in shares and participating interests in subsidiaries	45,188	45,169
Non-current investment in a participating interest in an associate	39	39
Other non-current financial assets	545	531
Total	**45,772**	**45,739**

The carrying amount of pledged investments in shares and participating interests in subsidiaries was EUR 10,186 thousand. That amount represents additional collateral for liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

Current operating receivables

Table 51: Current operating receivables of Intereuropa d.d. as at 30 June 2017

in EUR thousand	30 June 2017	31 December 2016
Current operating receivables from group companies	621	577
Current operating receivables from Group companies for interest	236	216
Current receivables for dividends and other shares in profit of Group companies	322	0
Current trade receivables (excluding the Group)	22,211	18,551
Current operating receivables from others	345	945
Total	**23,734**	**20,290**

The Company had current trade receivables with a carrying amount of EUR 10,000 thousand pledged as collateral. That amount represents additional collateral for contingent liabilities in the amount of EUR 14,600 thousand for which the underlying collateral comprises pledged items of property, plant and equipment.

Other current assets amounting to EUR 555 thousand comprise current deferred costs.

Provisions

Table 52: Provisions of Intereuropa d.d. as at 30 June 2017.

in EUR thousand	30 June 2017	31 December 2016
Provisions for severance pay at retirement and jubilee benefits	965	993
Provisions for lawsuits	85	85
Other provisions	0	0
Total	**1,050**	**1,078**

The full amount of **non-current financial liabilities** (EUR 71,094 thousand) relates to long-term loans received.

Current financial liabilities amounted to EUR 4,501 thousand and comprise the current portion of long-term loans (EUR 4,075 thousand) and liabilities for preferred dividends (EUR 426 thousand).

Current operating liabilities

Table 53: Current operating liabilities of Intereuropa d.d. as at 30 June 2017

in EUR thousand	30 June 2017	31 December 2016
Current operating liabilities to Group companies	397	358
Current trade payables (excluding the Group)	14,858	13,344
Current operating liabilities based on advances	81	59
Other current operating liabilities	2,222	2,087
Total	**17,559**	**15,849**

C) OTHER NOTES

Contingent liabilities

Table 54: Contingent liabilities of Intereuropa d.d. as at 30 June 2017

in EUR thousand	30 June 2017	31 December 2016
From bank guarantees and guarantees given to Group companies	1,330	1,786
From bank guarantees and guarantees given to others	10,155	10,155
From lawsuits	9	299
To D.S.U., družba za svetovanje in upravljanje, d.o.o.	250	250
Total	**11,745**	**12,490**

Fair value

Table 55: Fair value of financial instruments of Intereuropa d.d. as at 30 June 2017

in EUR thousand	30 June 2017 Carrying amount	Fair value	31 December 2016 Carrying amount	Fair value
Assets				
Available-for-sale financial assets	545	545	530	530
- measured at fair value	484	484	450	450
- measured at historical cost	61	61	80	80
Loans and deposits	1,268	1,268	1,353	1,353
Operating receivables (including receivables for corporate income tax)	23,900	23,900	20,290	20,290
Cash and cash equivalents	1,085	1,085	1,822	1,822
Total	**26,798**	**26,798**	**23,995**	**23,995**
Liabilities				
Loans	75,168	75,168	77,161	77,161
- at fixed interest rates	0	0	0	0
- at variable interest rates	75,168	75,168	77,161	77,161
Liabilities for dividends	426	426	426	426
Operating liabilities (including liabilities for corporate income tax)	17,912	17,912	16,652	16,652
Total	**93,506**	**93,506**	**94,239**	**94,239**

Table 56: Fair value hierarchy of assets at Intereuropa d.d. as at 30 June 2017

in EUR thousand	30 June 2017			
Fair value hierarchy	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Land	0	0	50,497	50,497
Available-for-sale financial assets	484	0	61	545
- measured at fair value	484	0	0	484
- measured at historical cost	0	0	61	61
Loans and deposits	0	0	1,268	1,268
Operating receivables (including receivables for corporate income tax)	0	0	23,900	23,900
Cash and cash equivalents	0	0	1,085	1,085
Total	**484**	**0**	**76,811**	**77,295**
Loans	0	0	75,168	75,168
- at fixed interest rates	0	0	0	0
- at variable interest rates	0	0	75,168	75,168
Liabilities for dividends	0	0	426	426
Operating liabilities (including liabilities for corporate income tax)	0	0	17,912	17,912
Total	**0**	**0**	**93,506**	**93,506**
in EUR thousand	31 December 2016			
Fair value hierarchy	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Land	0	0	50,394	50,394
Available-for-sale financial assets	450	0	80	530
- measured at fair value	450	0	0	450
- measured at historical cost	0	0	80	80
Loans and deposits	0	0	1,353	1,353
Operating receivables (including receivables for corporate income tax)	0	0	20,290	20,290
Cash and cash equivalents	0	0	1,822	1,822
Total	**450**	**0**	**73,939**	**74,389**
Loans	0	0	77,161	77,161
- at fixed interest rates	0	0	0	0
- at variable interest rates	0	0	77,161	77,161
Liabilities for dividends	0	0	426	426
Operating liabilities (including liabilities for corporate income tax)	0	0	16,652	16,652
Total	**0**	**0**	**94,239**	**94,239**

TRANSACTIONS BETWEEN RELATED PARTIES

Table 57: Transactions between related parties

Revenues from the sale of services in EUR thousand	January–June 2017	January–June 2016
Subsidiaries	1,668	1,571
Associate / joint venture	360	311
Companies that are controlled or jointly controlled by an individual, or a member of their immediate family, who is in a relationship with Intereuropa d.d.	23	9

Costs of services in EUR thousand	January–June 2017	January–June 2016
Subsidiaries	1,040	1.016
Associate	2,083	1,908

Interest income in EUR thousand	January–June 2017	January–June 2016
Subsidiaries	22	29

Income from participating interests in EUR thousand	January–June 2017	January–June 2016
Subsidiaries	460	777
Associate	39	34

Balance of operating receivables in EUR thousand	30 June 2017	31 December 2016
Subsidiaries	1,178	794
Associate	139	130
Companies that are controlled or jointly controlled by an individual, or a member of their immediate family, who is in a relationship with Intereuropa d.d.	8	10

Balance of operating liabilities in EUR thousand	30 June 2017	31 December 2016
Subsidiaries	387	358
Associate	503	500
Owners that are banks	239	205

Loans granted in EUR thousand	30 June 2017	31 December 2016
Subsidiaries	1,183	1,293

Interest expense in EUR thousand	January–June 2017	January–June 2016
Owners that are banks	1,040	1,349

Balance of financial liabilities in EUR thousand	30 June 2017	31 December 2016
Owners that are banks	75,168	77,161

Balance of contingent liabilities in EUR thousand	30 June 2017	31 December 2016
Owners that are banks	11,547	10,311

FINANCIAL RISKS

Intereuropa d.d. manages liquidity risk through the active management of cash and includes:

- the monitoring and planning of cash flows;
- regular collection activities and daily contact with major customers;
- the option of using short-term credit lines via banks.

The table illustrates estimated undiscounted cash flows, including future interest.

Table 58: Liquidity risk as at 30 June 2017

in EUR thousand 30 June 2017	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Loans received from others on the basis of loan agreements	75,168	79,472	3,007	3,052	6,172	67,242	0
Liabilities for dividends	426	426	0	0	426	0	0
Operating liabilities to Group companies	397	397	397	0	0	0	0
Trade payables (excluding the Group)	15,163	15,163	14,834	24	119	72	116
Liabilities based on advances	81	81	81	0	0	0	0
Other operating liabilities (including liabilities for corporate income tax)	2,269	2,269	2,269	0	0	0	0
Total	**93,506**	**97,809**	**20,588**	**3,075**	**6,717**	**67,314**	**116**

Table 59: Liquidity risk as at 31 December 2016

in EUR thousand 31 December 2016	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Loans received from others on the basis of loan agreements	77,161	82,519	3,022	3,012	6,100	70,385	0
Liabilities for dividends	426	426	0	426	0	0	0
Operating liabilities to Group companies	358	358	358	0	0	0	0
Trade payables (excluding the Group)	13,650	13,650	13,319	25	119	72	116
Liabilities based on advances	59	59	59	0	0	0	0
Other operating liabilities (including liabilities for corporate income tax)	2,585	2,585	2,585	0	0	0	0
Total	**94,239**	**99,598**	**19,343**	**3,462**	**6,219**	**70,457**	**116**

The most important items in the scope of liquidity risk are trade payables and liabilities to creditor banks. Intereuropa d.d. manages those risks by ensuring the appropriate amount (with an emphasis here on deleveraging) and maturity of long-term loans, through regular contact with creditor banks and the necessary credit limits to balance fluctuations in short-term liquidity. The Group also takes a preventive approach by monitoring and managing operating receivables.

Table 60: Currency risk as at 30 June 2017

in EUR thousand

30 June 2017	EUR	USD	Other	Total
Operating receivables from Group companies	932	14	232	1,178
Operating receivables from others (including receivables for corporate income tax)	22,665	56	1	22,722
- of which trade receivables	22,155	55	0	22,211
Short-term loans to Group companies	1,183	0	0	1,183
Long-term deposits placed	30	0	0	30
Short-term loans granted and deposits placed with others	56	0	0	56
Long-term loans from others	-71,094	0	0	-71,094
Short-term loans from others and liabilities for dividends	-4,501	0	0	-4,501
Operating liabilities within the Group	-397	0	0	-397
Operating liabilities to others (including liabilities for corporate income tax)	-17,385	-109	-21	-17,515
- of which trade payables	-14,729	-109	-20	-14,858
Exposure disclosed in the statement of financial position	**-68,511**	**-40**	**212**	**-68,339**

Table 61: Currency risk as at 31 December 2016

in EUR thousand

31 December 2016	EUR	USD	Other	Total
Operating receivables from Group companies	790	4	0	794
Operating and other receivables	19,425	72	0	19,497
- of which trade receivables	18,479	72	0	18,551
Short-term loans to Group companies	1,293	0	0	1,293
Long-term deposits placed	10	0	0	10
Short-term loans granted and deposits placed with others	50	0	0	50
Long-term loans from others	-73,175	0	0	-73,175
Short-term loans from others and liabilities for dividends	-4,412	0	0	-4,412
Operating liabilities within the Group	-358	0	0	-358
Operating liabilities to others (including liabilities for corporate income tax)	-16,181	-90	-23	-16,294
- of which trade payables	-13,235	-89	-20	-13,344
Exposure disclosed in the statement of financial position	**-72,559**	**-14**	**-23**	**-72,596**

Table 62: Credit risk

in EUR thousand	30 June 2017	31 December 2016
Loans to Group companies	1,183	1,293
Loans granted and deposits placed with others	86	60
Operating receivables (including receivables for corporate income tax)	23,900	20,290
- of which trade receivables within the Group	621	577
- of which trade receivables from others	22,211	18,551
Cash and cash equivalents	1,085	1,822
Sureties and guarantees issued	1,330	1,786
Total	**27,583**	**25,251**

The table presents an interest-rate sensitivity analysis and the impact on profit or loss from ordinary operations.

Intereuropa d.d. believes that credit risk is appropriately managed. The most significant risk in the aforementioned category is the risk of payment delays and default by customers, where control limits and mechanisms are in place for approving exposure to credit risk for major customers. Those limits and mechanisms apply to all Group companies.

Table 63: Interest-rate risk as at 30 June 2017

in EUR thousand

Type of variable interest rate	Loan amount 30 June 2017	Increase in IR by 10 basis points	Increase in IR by 25 basis points	Increase in IR by 50 basis points
3-month EURIBOR	75,168	-75	-188	-376

Table 64: Interest-rate risk as at 31 December 2016

in EUR thousand

Type of variable interest rate	Loan amount 31 December 2016	Increase in IR by 10 basis points	Increase in IR by 25 basis points	Increase in IR by 50 basis points
3-month EURIBOR	77,161	-77	-193	-386

Table 65: Risk of change in fair value of securities as at 30 June 2017

in EUR thousand

30 June 2017		31 December 2016	
Change in index in %	Effect on equity	Change in index in %	Effect on equity
10	39	10	37
-10	-39	-10	-37

EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period that could significantly affect the Company's financial statements.

IN BRIEF…

Growth in activity in the euro area continued to strengthen during the second quarter, and was stimulated by domestic demand in the context of the strengthening global economy and trade, while exports were also up. All of these factors have led to growth in the flow of goods and demand for logistics services. The Intereuropa Group achieved 5% growth in sales during the first half of 2017 relative to 2016, and generated **EUR 72.8 million in sales revenue**.

The highest growth in turnover was recorded by the intercontinental transport business segment, primarily on account of the rising scope of conventional sea freight services and chartered cargo flights through Serbian airports. Sales results were up 12% relative to the same period in 2016. The logistics solutions segment improved its results by 11% relative to the same period last year. A positive business climate can be seen on key markets which, together with numerous activities aimed at the utilisation of warehouse capacities, has helped the Group secure new transactions with higher added value. There has been a notable increase in demand for goods transport in the land transport segment, which is reflected in the increased number of orders. At the same time, customers continue to reduce their logistics costs, which has led to a reduction in margins on the market. In addition, the negative effect of unstable political conditions persisted in Ukraine during the first half of the year, which affected the operations of the Ukrainian subsidiary, whose primary activity is the provision of land transport services. Nevertheless, the land transport segment's sales were up 1% relative to the same period in 2016.

The Intereuropa Group's **earnings before interest, taxes, depreciation and amortisation (EBITDA)** were up 3% relative to the same period the previous year to stand at **EUR 7.0 million**. The **operating profit (EBIT)** of the Group was also up by 1%, to stand at **EUR 3.6 million**. The **loss from financing activities** of **EUR 1.3 million** was primarily the result of net interest expense and negative exchange rate difference. **Net financial debt** amounted to **EUR 71.9 million** at the end of July 2017.

The Group generated a **profit from ordinary operations** of **EUR 2.3 million**. Corporate income tax (including deferred taxes) amounted to EUR 0.37 million and reduced the profit from ordinary operations. The Intereuropa Group thus ended the reporting period with a **net profit of EUR 1.95 million.**

The Group will continue with the reorganisation of operations during the second half of the year. Those activities are primarily aimed at improving the effectiveness of sales and optimising execution. Special attention is given to supplier and customer management, and to the introduction of an integrated IT solution to support the Group's business processes. Growth in key performance indicators in recent periods confirms the appropriateness of Intereuropa's outlined strategy and provides the impetus to achieve established objectives in 2017.

STATEMENT OF MEMBERS OF THE MANAGEMENT BOARD

The Management Board of Intereuropa d.d. hereby declares that, to the best of its knowledge, the financial report of Intereuropa, Globalni logistični servis, delniška družba and the Intereuropa Group has been compiled in accordance with IAS 34, and must be read in conjunction with the annual financial statements compiled for the financial year ending 31 December 2016.

The financial report provides a true and fair picture of the assets, liabilities, financial position and operating results of Intereuropa, Globalni logistični servis, delniška družba and the other companies included in consolidation.

The business report includes a fair presentation of information regarding material transactions with related parties and is compiled in accordance with the applicable accounting standards.

Intereuropa d.d.
Management Board

Koper, 31 August 2017

Ernest Gortan, MSc,
President of the Management Board

Marko Rems,
Member of the Management Board

Marko Cegnar,
Member of the Management Board