Intereuropa®

Global Logistics Service

ANNUAL REPORT

18

ANNUAL REPORT

OF THE INTEREUROPA GROUP AND CONTROLLING COMPANY INTEREUROPA D.D. FOR THE YEAR 2018

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Koper, April 2018

Note:
The English version of the Annual Report 2018 of Intereuropa Group and controlling company Intereuropa d.d. constitutes a translation of the original Slovenian version. Only the Slovenian version is legally binding.

01 INTRODUCTION

02 BUSINESS REPORT

03 SUSTAINABLE DEVELOPMENT

04 FINANCIAL REPORT

INTRO-DUCTION

01

RELIABLE TO THE DESTINATION

01 INTRODUCTION

1.1 KEY OPERATING INDICATORS OF THE INTEREUROPA GROUP

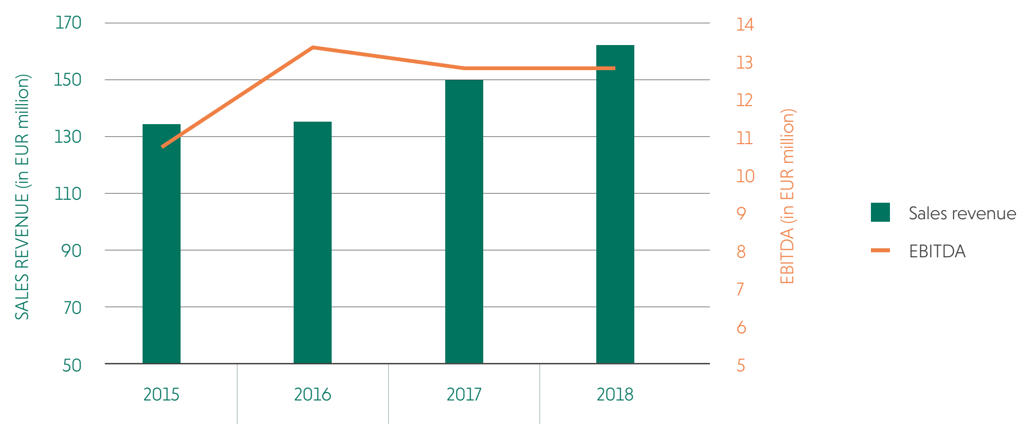
The performance of the Intereuropa Group in 2018 was characterised by high growth in sales revenue, the highest net profit since 2007 and the continued reduction of debt, despite the fact that investments in property, plant and equipment and intangible assets in 2018 were the highest since the financial restructuring of the Company began.

TABLE 1: KEY OPERATING INDICATORS OF THE INTEREUROPA GROUP (IN EUR THOUSAND)

	2015	2016	2017*	2018	Index 2018/2017
Sales revenue	134,613	135,596	149,889	160,382	107
EBITDA	10,759	13,338	12,739	12,753	100
Operating profit (EBIT)	4,224	7,606	311	6,421	2,067
Profit or loss from ordinary operations	762	5,037	-2,028	4,385	-
Net profit or loss	288	-1,604	-1,979	4,765	-
Value added	36,335	39,903	39,911	41,604	104
Net earnings/loss per ordinary share (in EUR)	0.04	-0.13	0.01	0.15	1,500
Investments in property, plant and equipment, and intangible assets	3,962	3,741	2,690	5,374	200

* Adjusted: adjustments relate to the reclassification of items on account of amendments to IAS 1. Disclosures can be found in the Financial Report in point III – reclassification of items in comparable data.
EBITDA: operating profit + depreciation/amortisation + revaluation operating expenses for intangible assets and property, plant and equipment – revaluation operating revenues from the reversal of impairments of intangible assets and property, plant and equipment.
Value added: EBITDA + labour costs

FIGURE 1: CHANGES IN THE SALES REVENUE AND EBITDA OF THE GROUP IN THE PERIOD 2015 TO 2018



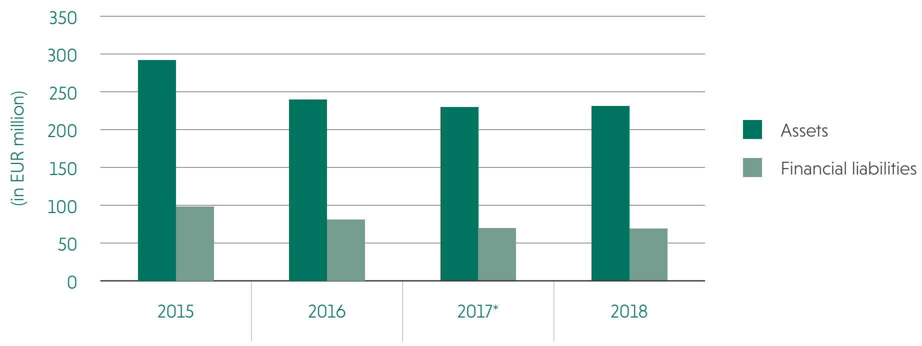
The Group recorded a 7% increase in sales revenue in 2018. Revenues would have been even higher were it not for the harmful conduct of the former executive staff in Serbia. The latter had a negative effect on EBITDA, which remained at the level recorded the previous year.

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

	2015	2016	2017*	2018	Index 2018/2017
Total assets	291,893	242,099	229,672	232,927	101
Non-current assets	242,639	204,983	188,267	182,978	97
Current assets	49,254	37,116	41,405	49,949	121
Equity	147,137	124,341	117,049	121,643	104
Financial and operating liabilities	138,473	115,802	109,297	108,836	100

* Adjusted: adjustments are disclosed in the Financial Report in point IV - correction of errors.

FIGURE 2: CHANGES IN THE ASSETS AND FINANCIAL LIABILITIES OF THE GROUP IN THE PERIOD 2015 TO 2018



* Adjusted: adjustments are disclosed in the Financial Report in point IV - correction of errors.

Financial liabilities were down by EUR 1.7 million relative to the balance at the beginning of the year, and accounted for 30% of total equity and liabilities at the end of the year.

TABLE 3: PERFORMANCE INDICATORS

	2015	2016	2017*	2018	Index 2018/2017
Net return on equity	0.2%	-1.2%	-1.6%	4.1%	-
Net return on assets	0.1%	-0.6%	-0.8%	2.1%	-
Productivity (in EUR thousand)	98.25	99.83	112.83	124.72	111
Net return on revenue	0.2%	-1.2%	-1.3%	3.0%	-

* Adjusted: adjustments are disclosed in the Financial Report in point IV - correction of errors.
Net return on equity: net profit or loss / average equity.
Net return on assets: net profit or loss / average assets.
Productivity: sales revenue / number of employees.
Net return on revenue: net profit or loss / total revenues.

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

	2015	2016	2017	2018	Index 2018/2017
Number of Group employees	1,370	1,358	1,328	1,286	97
No. of employees at the parent company	607	596	577	566	98
No. of employees at subsidiaries	763	763	751	720	96

1.2 PRESENTATION OF THE INTEREUROPA GROUP

1.2.1 PRESENTATION OF ACTIVITIES

The Intereuropa Group is the leading provider of comprehensive logistics solutions in the western Balkan region. A full range of services is provided through the following three key business lines:

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

Additional services comprise: the leasing of business premises, parking services at customs terminals, trade fair logistics and insurance brokerage services.

Competitive advantages of the Intereuropa Group:

- wide range of services;
- brand recognition;
- our own warehouse infrastructure at key locations in the region;
- a high-value customs guarantee;
- our own business network; and
- professional and qualified staff.

1.2.2 BASIC DATA AS AT 31 DECEMBER 2017

TABLE 5: PARENT COMPANY

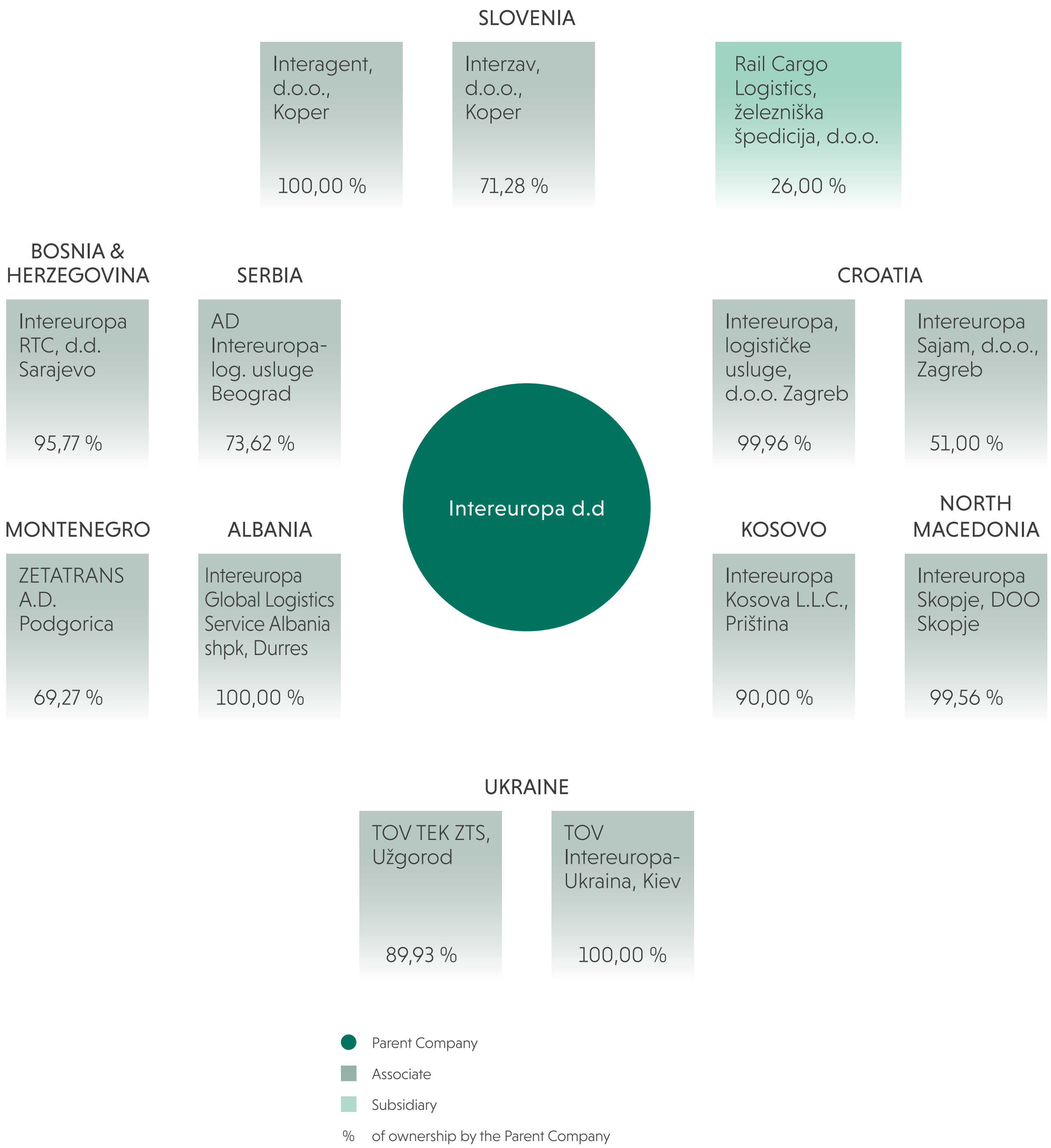
Abbreviated name	Intereuropa, d.d.
Country of the parent company	Slovenia
Registered office of the parent company	Vojkovo nabrežje 32, 6000 Koper
Contact details	tel.: +386 5 664 1000 e-mail: info@intereuropa.si web: http://www.intereuropa.si
Registration no.	5001684
Tax no.	56405006
Entry in the companies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

TABLE 6: INTEREUROPA GROUP

No. of employees	1,327
Total warehousing area*	223,000 m^2
Total land area	1,656,000 m^2
Membership in international organisations	IATA, FONASBA, BIMCO, GS1 and FIATA
Membership in international logistics networks	WCA, FETA and HCL
Quality certificates	The ISO 9001: 2008 certificate is held by the following companies: Intereuropa, d. d., Koper Intereuropa, logističke usluge, d. o. o., Zagreb Intereuropa RTC, d. d., Sarajevo
Important certificates:	AEO (Authorised Economic Operator) certificate for the following companies: Intereuropa, d. d., Koper Intereuropa, logističke usluge, d. o. o., Zagreb AD Intereuropa logističke usluge, Belgrade (OPS)
Own branch network	Slovenia, Croatia, Montenegro, Bosnia and Herzegovina, Serbia, Kosovo, North Macedonia, Albania and Ukraine

* Closed warehousing area without tents and canopies owned by Intereuropa

1.2.3 ORGANISATIONAL CHART OF THE INTEREUROPA GROUP



1.2.4 PRESENTATION OF INTEREUROPA GROUP COMPANIES

Companies as at 31 December 2018	Management board/director as at 31 December 2018	Supervisory body	Chairman of the supervisory body/ representative of IE d.d. on the supervisory body as at 31 December 2018	Business				Distinction
				Land Transport	Logistics Solutions	Intercontinental Transport	Other services	
Intereuropa d.d., Koper	**Ernest Gortan, MSc,** President of the Management Board **Marko Cegnar,** Member of the Management Board **Marko Rems,** Member of the Management Board	Supervisory board	**Vojko Čok,** Chairman of the Supervisory Board	•	•	•	•	• Leading provider of comprehensive logistics services in Slovenia; • 125,900 m2 of company-owned and 5,300 m^2 of leased warehousing area.*
Interagent d.o.o., Koper	**Mihovil Rameša,** Director	General Meeting of Shareholders	Representative of Intereuropa d.d. by authorisation of the Management Board			•		• Company specialising in shipping agency services
Interzav, d.o.o., Koper	**Mojca Žbontar,** Director	General Meeting of Shareholders	Representative of Intereuropa d.d. by authorisation of the Management Board				•	• Insurance transaction broker
Intereuropa, logističke usluge, d.o.o., Zagreb	**Darko Skrnički,** President of the Management Board **Marija Štajduhar,** Member of the Management Board	Supervisory board	**Marko Cegnar,** Chairman of the Supervisory Board	•	•	•	•	• Leading provider of comprehensive logistics services in Croatia; • 50,500 m^2 of company-owned and 2,900 m^2 of leased warehousing area.
Intereuropa Sajam, d.o.o., Zagreb	**Krešimir Lipovčić,** Director	Supervisory board	**Matjaž Ujčič,** Chairman of the Supervisory Board	•	•		•	• Company specialising in trade fair logistics services. • 100 m^2 of company-owned warehousing area.
Intereuropa RTC d.d. Sarajevo	**Drago Kajtezovič Knez,** Director	Supervisory board	**Ernest Gortan, MSc,** Chairman of the Supervisory Board	•	•	•	•	• Leading provider of comprehensive logistics services in Bosnia and Herzegovina; • 6,700 m^2 of company-owned and 3,500 m^2 of leased warehousing area.
AD Intereuropa-logističke usluge Beograd	**Panagiotis Saringelos,** General Director **Robert Šprem,** Executive director	Board of Directors	**Ernest Gortan, MSc,** Chairman of the Board of Directors	•	•	•		• One the leading providers of comprehensive logistics services in Serbia; • 21.100 m^2 of company-owned warehousing area.
Intereuropa Kosova L.L.C, Priština	**Arben Mustafa,** Director **Andrej Kariš,** Director	General Meeting of Shareholders	Representative of Intereuropa d.d. by authorisation of the Management Board	•	•	•	•	• Leading provider of comprehensive logistics services in Kosovo; • 1,800 m^2 of leased warehousing area.
Zetatrans A.D. Podgorica	**Tomaž Koder,** Executive director	Board of Directors	**Ernest Gortan, MSc,** Chairman of the Board of Directors	•	•	•	•	• Leading provider of comprehensive logistics services in Montenegro; • 16,600 m^2 of company-owned and 2,000 m^2 of leased warehousing area.
Intereuropa Skopje DOO, Skopje	**Nebojša Cvetanovski,** Director	Independent supervisor	**Ernest Gortan, MSc,** Independent Supervisior	•	•	•	•	• Leading provider of groupage services in North Macedonia; • 2.100 m^2 of company-owned warehousing area.
Intereuropa Global Logistics Service Albania, Drač	**Dashamir Mandija,** Director	General Meeting of Shareholders	Representative of Intereuropa d.d. by authorisation of the Management Board	•		•		• Company specialising in land and sea freight services.
TOV TEK ZTS, Užgorod	**Anatolly Nikolajević Parfenyuk,** Director	General Meeting of Shareholders	**Miha Romih, Msc,** Chairman of the General Meeting of Shareholders	•				• Company specialising in railway freight and international road transport services;
TOV Intereuropa-Ukraina, Kiev	**Igor Bibikov,** Director	General Meeting of Shareholders	Representative of Intereuropa d.d. by authorisation of the Management Board	•				• The Company did not operate in 2018.

* Own warehousing area = closed warehousing area owned by Intereuropa (excluding tents and canopies).

1.3 LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Six years have passed since the signing of the agreement on the financial restructuring of the Intereuropa Group. Although it was meant to be for a short period in which owners would find a strategic partner for the Intereuropa Group, we have been operating under the restrictions and commitments set out in that agreement.

Despite the very dynamic and competitive logistics sector in which Intereuropa operates, we have fulfilled all commitments to creditor banks, maintained our competitiveness, adapted to all external factors and in recent years ensured growth and profitability that is comparable with other companies in the sector.

The Intereuropa Group once again exploited the favourable economic conditions on key markets in 2018, and generated EUR 160.4 million in sales revenue and 7% growth relative to 2017 through intensive and structured market activities. We achieved growth in all three business lines. Most worthy of note is the 13% growth recorded by the intercontinental transport segment, 7% growth in logistics solutions and 5% growth in the groupage segment, which represent more complex products with higher value added. We achieved revenue growth on all markets, except Serbia and Ukraine.

We are particularly pleased with the 12% growth recorded on the Croatian market, which has contributed to the significant improvement in the operations of the subsidiary there. Following several years of rehabilitation, the company's operations improved considerably in 2018.

In the context of an increase in the physical volume of transactions, we invested a great deal of energy in the optimisation of operational processes to ensure the high-quality provision of services. Our primary focus in that regard was on the continued computerisation of operations and measures to increase employee productivity. On account of the positive economic sentiment, there is an increasing shortage of operational personnel on the market. This has also resulted in increased pressure on labour costs and slightly higher employee turnover. We are aware of the importance of our employees for the long-term growth of the Company, and are therefore implementing measures to train, motivate and appropriately remunerate them. We want employees to know that they are valued and that their efforts are noticed, and that the Company relies on them.

Because the Intereuropa Group's financial liabilities remain too high with respect to the EBITDA it generates, we have continued with activities to reduce the Group's debt. We reduced net debt by EUR 6.9 million in 2018, to bring the balance of debt at the end of 2018 to EUR 60.2 million. In that context, we invested EUR 5.4 million in fixed assets, the highest amount in recent years. The most important investment (in the amount of EUR 1.6 million) was the purchase and arrangement of warehouse capacities in Celje to meet the growth needs of a key customer.

The Intereuropa Group generated EBITDA of EUR 12.8 million in 2018, while operating profit (EBIT) amounted to EUR 6.4 million. It generated a net profit of EUR 4.8 million.

At the end of the year, we drafted a new strategic plan for the period until 2022. That plan lays down key strategic policies and objectives for the next strategic period, in which our aim is to further strengthen our competitive advantages. Our objective is to be a superior provider of comprehensive logistics solutions in the in the western Balkan region. In the scope of the land transport, intercontinental transport and logistics solutions business lines, we focus on products with higher value added and those with high growth potential. In accordance with our customer segmentation, we are developing the appropriate approach to various groups of customers with the aim of satisfying their needs and establishing long-term relationships. The greatest emphasis in the governance of the Group is placed on ensuring financial stability, the development of centralised information support for operations, the development of an effective system for governing subsidiaries, and ensuring motivated and qualified employees.

The consortium of creditor banks that together holds a majority interest in Intereuropa, d. d. restarted activities to sell the Company's shares in 2018. The Company's Management Board supported that process appropriately and works for the benefit of all stakeholders. We would like to find an owner that recognises the growth potential of the Intereuropa Group and contributes to its continued growth.

I would like to thank our esteemed shareholders, employees and business partners for the trust you have placed in us in the past. Before us are numerous challenges presented by a demanding and changing business environment. The Intereuropa Group is capable of addressing those challenges and ensuring its own long-term development in accordance with its newly established strategy.

Ernest Gortan, MSc,
President of the Management Board

1.4 REPORT OF THE SUPERVISORY BOARD FOR 2018

Intereuropa, d. d.'s Supervisory Board ensured the responsible and high-quality supervision of the operations of the Company and the Intereuropa Group in 2018. It periodically discussed different aspects of operations, adopted the appropriate decisions and monitored the implementation thereof. Certain topics were discussed in advance by the Supervisory Board's Audit Committee and Nomination and Remuneration Committee. The Supervisory Board adopted the appropriate resolutions on the basis of their findings and recommendations. The Supervisory Board and Management Board built sound mutual relations during the year through constructive dialogue.

1.4.1 COMPOSITION OF THE SUPERVISORY BOARD

The Company's Supervisory Board functioned in a composition of six members in 2018. That composition is presented in the section Corporate governance statement (Composition of the Supervisory Board and its committees), in the business report section of the annual report.

1.4.2 WORK OF THE SUPERVISORY BOARD IN 2018

The description of the work of the Supervisory Board, and the scope of the monitoring and verification of operations are based on the supervision of Intereuropa, d. d. and the Intereuropa Group, undertaken by the Supervisory Board in accordance with its powers. The work of the members of the Supervisory Board, including the work of committee members, was professional and focused on the effective performance of their function. All members of the Supervisory Board attended sessions regularly. Attendance was 100% at all sessions of the Supervisory Board and its committees. In adopting the appropriate resolutions, the Supervisory Board was supported in terms of content by the proposals of its committees. The Supervisory Board continuously informed interested parties about its most important resolutions.

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

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

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

- It discussed and approved interim reports regarding the current operations of the entire Intereuropa Group and of individual subsidiaries on a quarterly basis. It also monitored the compliance of reports with adopted business and strategic plans.
- It adopted the audited annual report of the Intereuropa Group for 2017, together with the report of the certified auditor KPMG Slovenija, d. o. o., and was briefed in advance on the findings of the audit.
- It took a position regarding the corporate governance statement and statement regarding non-financial operations in accordance with the ZGD-1J.
- Together with the Management Board, the Supervisory Board drafted the agenda and proposed resolutions with justifications for the 31st General Meeting of Intereuropa, d. d., which was held on 22 June 2018.
- It adopted amended Rules on the Remuneration of the Management Board for Work Performance.
- It adopted the revised Rules of Procedure of the Supervisory Board's Audit Committee.
- It adopted the revised Rules of Procedure of the Supervisory Board.
- It confirmed the revised Risk Management Rules of the Intereuropa Group.
- It was briefed quarterly on sales activities, changes in the balance of receivables, risk management reports, reports on the sale of real estate and reports on the progress of the implementation of priority projects.

- It approved the business plan documents of the parent company Intereuropa, d. d., subsidiaries and the Group for 2019, and confirmed the financial calendar for 2019, which includes planned important publications.
- It gave its consent to the semi-annual and annual report on the work of the Internal Audit Department.
- It gave its consent to appointment and remuneration of the head of the Internal Audit Department.
- It assessed the effectiveness of the work of Intereuropa, d. d.'s Supervisory Board according to the methodology of the Slovenian Directors' Association, and adopted the appropriate measures for improvements on the basis of the results of that assessment.
- It adopted limitations on the powers of the parent company's Management Board and limitations on the powers of subsidiaries' senior management.
- It was briefed on the report on the comparative analysis for the Intereuropa Group and the report on the comparative financial analysis for the Intereuropa Group.
- It was briefed on the IT Development Strategy.
- It was briefed on the Strategic Business Plan of the Intereuropa Group for the period 2018 to 2022.
- It regularly monitored the implementation of strategic projects, giving particular attention to the corporate governance project within the Group.
- It was briefed annually and semi-annually on the report on the corporate integrity system.
- It discussed the reports of the Audit Committee and the Nomination and Remuneration Committee.
- At the beginning of the calendar year, it adopted its own work plan, including the planned content of sessions in 2018.
- It was briefed on other information relating to Intereuropa, d. d., the Intereuropa Group and its subsidiaries.

Reports prepared by the Management Board for the purpose of the work of the Supervisory Board and the Supervisory Board's committees were sufficient and suitable for the quality assessment of information and the fulfilment of the obligations of Supervisory Board members that are prescribed by the law and the Articles of Association. The Supervisory Board responded regularly to information received and tasked the Management Board with the implementation of appropriate measures based on that information.

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

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

The remuneration of members of the Supervisory Board and its committees is disclosed in the financial report of the parent company in note no. 28 Other explanations. Other costs associated with the work of the Supervisory Board and its committees comprise the costs of liability insurance for members of the Supervisory Board, membership fees for the Slovenian Directors' Association and training costs for Supervisory Board members. The aforementioned costs amounted to EUR 9,596.11 in 2018.

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

Two committees functioned under the aegis of the Supervisory Board in 2018: the Audit Committee and the Nomination and Remuneration Committee. The composition of the Supervisory Board's committees is described in the section Corporate governance statement (Composition of the Supervisory Board and its committees). The Supervisory Board adopted the appropriate resolutions based on reports received from and resolutions adopted by both committees, and based on the committees' opinions and recommendations. Members of the Supervisory Board are fully liable for the performance of their supervisory function and make their decisions independently. Members prepared themselves adequately for topics discussed at individual sessions and put forward constructive proposals, and through their active participation, contributed to the performance of the Supervisory Board's tasks. The work of committees contributed significantly to the effective work of the Supervisory Board.

1.4.3.1 Audit Committee

Composition of the Audit Committee

The Audit Committee comprised the following members in 2018: Matija Vojsk, MSc (chairman), Rok Rape, DSc (deputy chairman), Zlatka Čretnik, who holds a degree in economics (member) and Barbara Nose, who holds a bachelor's degree in economics (external member).

Work of the Audit Committee

The members of the Audit Committee met at twelve sessions, four of which were correspondence sessions. The committee functioned in accordance with the provisions of the Companies Act, the Auditing Act (ZRev-2) and Regulation (EU) No 537 on specific requirements regarding statutory audits of public-interest entities, the Rules of Procedure of the Audit Committee, the recommendations for audit committees of the Slovenian Directors' Association and the resolutions of the Company's Supervisory Board. Presented below are some of the tasks performed by the committee in accordance with its competences and duties:

- It discussed the audited annual report of Intereuropa, d. d. and the Intereuropa Group for the 2017 financial year.
- It discussed interim reports on the performance of Intereuropa, d. d. and the Intereuropa Group.
- It participated in preparations for the selection of the certified auditor of the financial statements, monitored the selection of the certified auditor of the financial statements and drafted a recommendation for the Supervisory Board on the appointment of the certified auditor of the annual and consolidated financial statements for 2018.
- It reviewed the draft agreement on the auditing of financial statements for the 2018 financial year with KPMG Slovenija, d. o. o. and submitted the agreement to the Chairman of the Supervisory Board for signing.
- It met regularly with the certified auditor of the financial statements, discussed the management letter following the completion of the preliminary audit, the auditor's report following the completion of the preliminary audit and the draft list of key audit matters, and monitored the auditing of the annual and consolidated financial statements.
- It reviewed the management letter from the certified auditor of the financial statements, and monitored the responses and measures of senior management.
- It reviewed the audit report and the effectiveness of external auditing procedures.
- It reviewed the statement regarding non-financial operations in accordance with the ZGD-1J and proposed that the Supervisory Board take a position regarding that statement.
- It monitored reporting on the implementation of the Internal Audit Department's recommendations.
- It monitored reporting on the implementation of the external auditor's recommendations.
- It monitored the compliance of transactions between Intereuropa Group companies and audit firms and companies in their network.
- It was briefed on the independent auditor's report on findings relating to Intereuropa d. d.'s information system.
- It discussed the semi-annual and annual report on the work of the Internal Audit Department.
- It performed a self-assessment of the work of the Audit Committee in accordance with the recommendations for audit committees, adopted a plan of measures and briefed the Supervisory Board on its findings.
- It discussed the corporate integrity report, and proposed changes to the corporate integrity system and the accelerated implementation of activities.
- It proposed that the Supervisory Board give its consent to the appointment of a corporate integrity and compliance officer.
- It discussed quarterly risk management reports, and proposed that the Supervisory Board task the Management Board with drafting a report regarding risks assessed as high and the adoption of measures to mitigate those risks.
- It amended the Rules of Procedure of the Audit Committee and sent them to the Supervisory Board for approval.
- It discussed the draft annual work plan of the Internal Audit Department for 2019 and proposed amendments to that document.

- It was briefed on the employment contract for the head of the Internal Audit Department, and proposed that the Management Board draft a proposal for the Supervisory Board regarding the appointment, recall and remuneration of that person.
- It was briefed on the proposal of the Management Board on the appointment of the head of the Internal Audit Department and the remuneration thereof, and proposed that the Supervisory Board give its consent.
- It discussed the list of payments made by Intereuropa, d. d. and other Intereuropa Group companies to countries on the list of tax havens in the period 1 October 2017 to 30 September 2018.
- It discussed the IT development strategy of the Intereuropa Group.
- It discussed the report on flexible forms of employment for Intereuropa, d. d.
- It was briefed on the report of the Management Board regarding the status of litigation and the costs of legal services at Intereuropa, d. d.
- It discussed the Audit Committee's work programme for 2019.
- It discussed non-audit services in accordance with the provisions of Regulation (EU) No 537/2014.
- It was briefed on the status report and measures for managing risks in connection with inadequately insured goods in the customs warehouse of Zetatrans, and was the body that proposed the drafting of the aforementioned report and measures.
- It proposed the upgrading of the risk management system with elements of opportunity management, and proposed the accelerated implementation of risk management at Intereuropa Group companies.
- It proposed verification of the testing of indicators of the impairment of real estate at the subsidiary in Croatia in the past.
- It proposed the revision of accounting rules, including the definition of the financial reporting process within the Group.
- It proposed the accelerated implementation of and reporting on the upgrading of the Intereuropa Group's information system. It proposed an analysis of the causes of absenteeism, and drafted a report on the proportion of hired workers and whether that proportion is in line with the associated legal framework.
- It ordered the immediate submission of overdue audit reports.
- It proposed a comprehensive overhaul of ordering and procurement processes in the Intereuropa Group.
- It discussed other information and tasks in accordance with its competences.

The chairman of the Audit Committee reported regularly to the Supervisory Board regarding the work, positions and initiatives of the aforementioned committee, and sent the Supervisory Board resolutions for further discussion. The Audit Committee's cooperation with the Supervisory Board, Management Board, Internal Audit Department and certified audit firm was constructive. The Audit Committee dedicated special attention to ensuring the independence of the auditor of the financial statements by approving the transactions that the audit firm and its network concluded with Intereuropa Group companies. The Audit Committee proposed the appointment of the audit firm KPMG Slovenija, d. o. o., Ljubljana as auditor of the financial statements of the Company and Intereuropa Group for the 2018 financial year.

1.4.3.2 Nomination and Remuneration Committee

Composition of the Nomination and Remuneration Committee

The composition of the Nomination and Remuneration was as follows in 2018: Jure Fišer, who holds a bachelor's degree in economics (chairman), Vojko Čok, who holds a bachelor's degree in economics (member) and Tjaša Benčina, who holds a degree in economics (member).

Work of the Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee met at four sessions, of which one was a correspondence session. That committee performed the following tasks in accordance with its competences and the resolutions of the Supervisory Board:

- It reviewed the quantitative and qualitative criteria for the payment of the variable component of remuneration to the Management Board for the 2017 financial year, and determined that the aforementioned body is not entitled to the variable component of remuneration according to the methodology for calculating the performance factor set out in the Rules on the Remuneration of the Management Board for Work Performance.
- It amended the Rules on the Remuneration of the Management Board for Work Performance with a methodology for determining the variable, performance-based component of the Management Board's remuneration and submitted it to the Supervisory Board for approval.
- Based on a Supervisory Board resolution, the committee discussed the report on the self-assessment of the Supervisory Board's work, and proposed the appropriate measures to improve that body's work in the future.
- It reported on its work during sessions of the Supervisory Board.
- It performed other tasks in accordance with its competences.

1.4.4 PERFORMANCE OF THE INTEREUROPA GROUP IN 2018

The performance of the Intereuropa Group in 2018 was characterised by an increase in sales revenue as a result of the promotion of sales activities with the aim of strengthening the market position of the leading provider of comprehensive logistics services on the markets of Southeast Europe. The Intereuropa Group generated EUR 160.4 million in sales revenue last year, an increase of 7% relative to 2017 and 2% higher than planned. It generated EBITDA of EUR 12.8 million. The Group is successfully reducing its debt. It reduced its net debt by EUR 6.9 million or 10% in 2018. Net debt thus stood at EUR 60.2 million at the end of December. The Intereuropa Group generated a net profit of EUR 4.8 million in 2018. The parent company Intereuropa, d. d. generated a net profit of EUR 4.1 million in 2018, an improvement of EUR 3.8 million relative to the previous year.

1.4.5 APPROVAL OF THE 2018 ANNUAL REPORT

The Supervisory Board discussed the audited annual report of the Intereuropa Group and Intereuropa, d. d. for 2018 at its session of 17 April 2019. The annual report was also reviewed in advance by the Supervisory Board's Audit Committee, which adopted a resolution proposing that the Supervisory Board approve the 2018 annual report. Based on verification of the annual report, financial statements and accompanying notes, verification of the Management Board's proposal on the use of distributable profit and the report of the certified auditor, the Supervisory Board approved the audited annual report of the Intereuropa Group and Intereuropa, d. d. for 2018.

Upon receipt of the annual report, the Supervisory Board also took a position regarding the corporate governance statement and the statement of compliance with the reference code, which are included in the business report section of the annual report of the Intereuropa Group and Intereuropa, d. d. for 2018, and assessed that they reflect the actual state of corporate governance in 2018.

Koper, 17 April 2019

Vojko Čok,
Chairman of the Supervisory Board

1.5 STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT BOARD

The Management Board is responsible for compiling the annual report of Intereuropa, d. d. and the Intereuropa Group and the accompanying financial statements in such a way that it presents a true and fair picture of the financial position and the results of the operations of the Company and its subsidiaries in 2018.

The Management Board also confirms that the appropriate accounting policies were applied in the compilation of the financial statements of Intereuropa, d. d. and the Intereuropa Group, that accounting estimates were made according to the principle of prudence and the diligence of a good manager, and that the financial statements of Intereuropa, d. d. and the Intereuropa Group present a true and fair picture of their financial position and the results of their operations in 2018.

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

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

The President and members of Intereuropa, d. d.'s Management Board have been briefed on the constituent parts of the annual report of Intereuropa, d. d. and the Intereuropa Group for 2018. By signing below they hereby confirm that they agree with the aforementioned report in full.

Management Board of Intereuropa, d. d.

Koper, 29 March 2019

Ernest Gortan, MSc
President of the Management Board

Marko Cegnar
Member of the Management Board

Marko Rems,
Member of the Management Board

1.6 SIGNIFICANT EVENTS IN 2018

- The initial listing of Intereuropa on the regulated market at the Ljubljana Stock Exchange took place 20 years earlier on 12 January.
- 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.
- On 5 April 2018, Intereuropa, d. d. was notified by SID banka, d. d., Ljubljana, as coordinator of the collection of bids for financial consultancy services under a creditors' agreement, that SID banka, d. d., Nova Ljubljanska banka, d. d., Gorenjska banka, d. d., SKB Banka, d. d. and Banka Intesa Sanpaolo, d. d. signed a term contract with the consultancy firm PwC Svetovanje, d. o. o. on the sale of shares in Intereuropa. The sales package comprises 9,168,425 ordinary shares and 10,657,965 preference shares, representing 54.47% of voting rights and 72.13% of all shares of Intereuropa, d. d.
- At its session held on 19 April, Intereuropa, d. d.'s Supervisory Board adopted the audited annual report of the Intereuropa Group for the 2017 financial year, together with the independent auditor's report.
- Intereuropa, d. d. was the main sponsor of the Slovenian Logistics Congress held in Portorož from 11 to 13 April.
- Together with an Austrian partner, Intereuropa successfully organised a charter flight of crucial spare parts on 22 May for MAGNA in Austria. An Antonov 26 airplane flew from the airport in Birmingham to Maribor. Ground handling and associated operations, as well as further transport to MAGNA's factory in Graz were carried out flawlessly.
- Following the successful external assessment of its quality management system, Intereuropa received a new ISO 9001:2015 quality management system certificate in the provision of logistics services. That external assessment was performed in two parts, on 23 April and 14 May 2018. The certificate is valid for three years, i.e. until 2021.
- On 4 June, PwC Svetovanje published a call for declarations of interest in the purchase of a 72.13% participating interest in Intereuropa.
- On 22 June, the General Meeting of Shareholders was briefed on the annual report of the Intereuropa Group for 2017, conferred official approval on the Management Board and Supervisory Board, appointed KPMG Slovenija, d. o. o. as certified auditor for 2018, and adopted a decision leaving distributable profit for 2017 in the amount of EUR 3,849,131.80 undistributed in full.
- Between 11 and 16 September, Intereuropa began serving in its role as the official logistics partner of the 51st International Trade Fair in Celje.
- On 12 October, the Intereuropa Group was awarded a silver medal by the EcoVadis assessment firm as a supplier.
- The Competence Centre project was completed in September. Employees obtained competences in the areas of management, sales, communication and corporate integrity in the scope of that project.
- On 19 October, Intereuropa informed the general public that it received notification from PwC Svetovanje, d. o. o. (as consultant to shareholders/sellers) that shareholders decided to invite four interested investors to submit binding offers.
- At its session held on 22 November, Intereuropa, d. d.'s Supervisory Board was briefed on the Strategic Business Plan of the Intereuropa Group for the period 2018 to 2022.

Significant events after the end of the 2018 financial year

- Intereuropa attended the 11th World Cargo Association (WCA Ltd.) Worldwide Conference in Singapore from 18 to 22 February 2019. The aforementioned conference is considered the largest and most successful networking event for WCA members.
- On 1 March 2019, Intereuropa, d. d. and creditor banks concluded an annex to the financial restructuring agreement, thereby extending the validity of the aforementioned agreement until 31 January 2020. This will allow the Company to refinance its financial liabilities following the completion of the sale of a majority holding of its shares.

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

1.7 CORPORATE GOVERNANCE STATEMENT

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

In 2018, the Company applied the Slovenian Corporate Governance Code, which was adopted by the Ljubljana Stock Exchange and the Slovenian Directors' Association on 27 October 2016, as its reference code.

1.7.1 GENERAL MEETING OF SHAREHOLDERS

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

Ordinary no-par-value shares provide their holders the following rights:
- the right to participate in the management of the Company (voting right);
- the right to a share in profits; and
- the right to a corresponding portion of residual assets after the liquidation or bankruptcy of the Company.

No-par-value preference shares provide their holders the following rights:
- the right to a share in profits; and
- the right to a corresponding portion of residual assets after the liquidation or bankruptcy of the Company.

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

1.7.1.1 Functional bases and method of convocation

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

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

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

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

The main competences of the General Meeting of Shareholders are as follows:
- the adoption of the annual report;
- decisions regarding the use of distributable profit;
- the appointment and recall of members of the Supervisory Board;
- the conferral of official approval on the members of management or supervisory bodies;
- decisions regarding amendments to the Articles of Association;
- decisions regarding measures to increase and decrease capital;
- decisions regarding the winding-up of the Company, and status transformations; and
- the appointment of an external auditor.

In most cases, the General Meeting of Shareholders makes decisions by a majority of votes cast. The General Meeting of Shareholders makes decisions regarding certain important matters with a three quarters majority of represented share capital. Those matters include:
- amendment to the Articles of Association;
- decrease and increase in share capital;
- changes in the Company's status;
- the early recall of members of the Supervisory Board; and
- other matters, if so provided for by law or the Company's Articles of Association.

1.7.1.2 Conditions for attendance and communication with shareholders

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

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

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

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

1.7.1.3 General Meeting of Shareholders in 2018

The annual General Meeting of Shareholders of Intereuropa, d. d. was held on 22 June 2018. In accordance with paragraph 2 of Article 315 of the ZGD-1, the holders of preference shares held voting rights during the General Meeting of Shareholders.

A total of 75.22% of shares with voting rights were represented at the 31st General Meeting of Shareholders. The General Meeting of Shareholders discussed the following points and adopted the following significant resolutions:

- It was briefed on the annual report of the Intereuropa Group for 2017, together with the auditor's opinion, and on the Supervisory Board's written report on the verification of the annual report compiled for 2017.
- It adopted a resolution, whereby distributable profit in the amount of EUR 3,849,131.80 will remain undistributed.
- It approved the work of the Company's Supervisory Board and Management Board during the 2017 financial year, and conferred official approval on both bodies for their work in 2017.
- The General Meeting of Shareholders appointed the audit firm KPMG Slovenija, podjetje za revidiranje, d. o. o. to audit the financial statements for 2018.

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

1.7.2 SUPERVISORY BOARD

1.7.2.1 Composition of the Supervisory Board and its committees

Intereuropa, d. d.'s Supervisory Board comprises six members, four of whom are shareholder representatives and two of whom are employee representatives. Members serve a four-year term of office, with the possibility of re-appointment. Supervisory Board members who represent the interests of shareholders are elected by the General Meeting of Shareholders. Employee representatives are elected by the Works Council of Intereuropa, d. d. The General Meeting of Shareholders is only briefed on their election. The Supervisory Board supervises the management of the company's operations and is fully liable for the performance of its supervisory function.

TABLE 7: COMPOSITION OF INTEREUROPA, D. D.'S SUPERVISORY BOARD AND ITS COMMITTEES DURING THE 2018 FINANCIAL YEAR

Name and surname	Function (Chairman, deputy, member of the Supervisory Board)	Initial appointment to function	End of function/ term of office	Shareholder/employee representative	Attendance at sessions with respect to total no. of sessions (e.g. 5/7)	Gender	Nationality	Year of birth	Qualifications
Vojko Čok	Chairman of Supervisory Board	10 September 2017	9 September 2021	Shareholder representative	15/15	M	Slovene	1948	Bachelor's degree in economics
Matija Vojsk, MSc	Member of the Supervisory Board	30 June 2017	29 June 2021	Shareholder representative	15/15	M	Slovene	1963	MSc, MBA
Rok Rape, DSc	Member of the Supervisory Board	10 September 2017	9 September 2021	Shareholder representative	15/15	M	Slovene	1965	DSc, MBA
Jure Fišer	Member of the Supervisory Board	20 June 2015	19 June 2019	Shareholder representative	15/15	M	Slovene	1971	Bachelor's degree in economics
Tjaša Benčina	Deputy Chairwoman of the Supervisory Board	20 November 2017	19 November 2021	Employee representative	15/15	F	Slovene	1968	Degree in economics
Zlatka Čretnik	Member of the Supervisory Board	20 November 2017	19 November 2021	Employee representative	15/15	F	Slovene	1968	Degree in economics (higher education)
Barbara Nose	External member of the Audit Committee	25 August 2016	24 August 2020	/	/	F	Slovene	1964	Bachelor's degree in economics

The Supervisory Board met at a total of 15 sessions in 2018, while its Audit Committee and Nomination and Remuneration Committee met at 12 and four sessions, respectively.

The Supervisory Board had two functioning committees in 2018: the Audit Committee and the Nomination and Remuneration Committee.

1.7.2.2 Audit Committee

The Audit Committee functioned in the following composition in 2018:

- Matija Vojsk, MSc (chairman),
- Rok Rape, DSc (member and deputy chairman),
- Zlatka Čretnik (member), and
- Barbara Nose (independent expert and member).

The Audit Committee functioned in accordance with its competences, and in the manner set out in the ZGD-1, the Corporate Governance Policy of Intereuropa, d. d., the Internal Audit Department's charter and the Rules of Procedure of the Audit Committee. Details regarding the work of the Audit Committee are presented in the report of the Supervisory Board.

Professional profile	Independence according to Article 23 of the Code (YES/NO)	Existence of conflicts of interest during financial year (YES/NO)	Membership on supervisory bodies of other companies	Membership on committees (e.g. audit, human resource, or remuneration)	Chairman /member	Attendance at sessions of Audit Committee with respect to total no. of sessions (e.g. 5/7)	Attendance at sessions of the Nomination and Remuneration Committee with respect to total no. of sessions (e.g. 5/7)
Corporate governance, finance and management	Yes	No	Sanpaolo Intesa BIH, Sanpaolo Intesa Albania	Member of the Nomination and Remuneration Committee since 25 October 2017	Member	/	4/4
Corporate governance, performance management, procurement, marketing and sales	Yes	No	/	Member of the Audit Committee; chairman since 25 October 2017	Chairman	12/12	/
Management, restructuring and development of operations	Yes	No	/	Member of the Audit Committee; deputy chairman since 25 October 2017	Deputy chairman	12/12	/
Corporate governance and management	Yes	No	/	Chairman of the Nomination and Remuneration Committee since 25 October 2017	Chairman of the Nomination and Remuneration Committee	/	4/4
Finance and logistics	Yes	No	/	Member of the Nomination and Remuneration Committee since 21 November 2017	Member	/	4/4
Finance and logistics	Yes	No	/	Member of the Audit Committee since 21 November 2017	Member	12/12	/
Certified Auditor	Yes	No	Member of the Supervisory Board of Luka Koper, d. d.	Member of the Audit Committee since 25 August 2016	Member of the Audit Committee	12/12	/

1.7.2.3 Nomination and Remuneration Committee

The Nomination and Remuneration Committee met at four sessions in 2018, where it primarily discussed topics relating to the remuneration of the Management Board. The committee's work is presented in more detail in the report of the Supervisory Board. The committee functioned in the following composition:

- Jure Fišer (chairman),
- Vojko Čok, (member), and
- Tjaša Benčina (member).

1.7.2.4 Competences, work method and remuneration of the Supervisory Board

The Supervisory Board functions within the scope of its competences and in the manner set out in the ZGD-1, the Company's Articles of Association and the Rules of Procedure of the Supervisory Board. The Supervisory Board's commitments regarding corporate governance are set out in Intereuropa, d. d.'s Corporate Governance Policy, and include a system for identifying conflicts of interest and ensuring the independence of its members. All members of the Supervisory Board signed a statement underlining their positions on the criteria of independence set out in Annex B: Conflicts of interest in respect of the Slovenian Corporate Governance Code. Those statements are published on the Company's website at www.intereuropa.si.

Regular sessions of the Supervisory Board must be held at a minimum quarterly. The Rules of Procedure of the Supervisory Board define the areas of the aforementioned body's work. The Supervisory Board reports on its work at the General Meeting of Shareholders.

Information regarding the remuneration of members of the Supervisory Board and its committees during the 2018 financial year is disclosed in the financial report of Intereuropa, d. d., in note no. 28 Other explanations.

1.7.3 MANAGEMENT BOARD

The tasks and areas of responsibility of the Management Board are defined in the Company's Corporate Governance Policy, while the aforementioned body's work method is set out in the Rules of Procedure of the Management Board and the Company's Articles of Association. The latter states that the Management Board shall comprise a maximum of four members, while the Supervisory Board defines the number of members taking into account the principles of efficiency and economy. Intereuropa, d. d.'s Management Board comprised three members in 2018. The Company's Management Board thus comprised the President and two other members in 2018. The Management Board managed the Company's transactions independently and at its own risk. Individual members of the Management Board represented the Company independently and were responsible for specific work areas in accordance with the Rules of Procedure of the Management Board.

TABLE 8: COMPOSITION OF THE MANAGEMENT BOARD DURING THE 2018 FINANCIAL YEAR

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

1.7.3.1 Work of the Management Board in 2018

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

1.7.3.2 Remuneration of the Management Board

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

Information regarding the remuneration of members of the Management Board during the 2018 financial year is disclosed in the financial report of Intereuropa, d. d., in note no. 28 Other explanations.

Nationality	Year of birth	Qualifications	Professional profile	Membership in supervisory bodies of company/ unaffiliated companies
Slovene	1968	MSc	Corporate governance, financial and business restructuring, and development of operations	Not a member
Slovene	1973	Master's degree in management	Sales, marketing and logistics	Not a member
Slovene	1967	Bachelor's degree in economics	Corporate finance	Not a member

1.7.3.3 Members of the Management Board in 2018

Ernest Gortan, MSc,
President of the Management Board:

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

Marko Cegnar,
Member of the Management Board:

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

Marko Rems,
Member of the Management Board:

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

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

The Company's Corporate Governance Policy and Code of Ethics set out a clear commitment to preventing discrimination, which states that the Company guarantees equal opportunities to all employees regardless of gender, race, skin colour, age, state of health, religious, political or other beliefs, membership in unions, sexual orientation or other personal circumstance. The Company did not adopt an autonomous diversity policy in 2018. However, a diversity policy was included in the Corporate Governance Policy, which was revised during the first quarter of 2019.

1.7.5 MANAGEMENT AND GOVERNANCE OF GROUP COMPANIES

Governance of the Group is one of the four key pillars of the Strategic Plan of the Intereuropa Group for the period 2018 to 2022. The parent company Intereuropa, d. d. and its subsidiaries make up the Group, which is centrally managed by the Management Board of Intereuropa, d. d. The policy governing links between the parent company and its subsidiaries is set out in the Corporate Governance Policy of Intereuropa, d. d. An effective system for managing and governing subsidiaries is an important factor in the successful achievement of the business objectives of Group companies and in the transparency of their operations.

1.7.5.1 Governance principles for subsidiaries

The basic principles on which the governance of the Intereuropa Group is based are the financial stability of the Group, centralised information support, an effective system of control over subsidiaries and motivated employees.

At the forefront of the governance of subsidiaries are cooperation between subsidiaries and the sharing of know-how and best practices between Intereuropa Group companies.

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

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

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

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

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

1.7.5.2 Proactive monitoring and supervision of operations

Intereuropa, d. d. launched a project in 2018 with aim of updating the governance of subsidiaries. The main objectives of that update are the introduction of a matrix system for managing subsidiaries and the direct responsibility of functional managers for certain activities at subsidiaries, the appointment of specialists to the supervisory bodies of subsidiaries, the introduction of the four-eyes principle and other measures.

1.7.6 AUDITING

1.7.6.1 External auditing

Intereuropa, d. d.'s General Meeting of Shareholders appointed the audit firm KPMG Slovenija, podjetje za revidiranje, d. o. o., Ljubljana to audit the financial statements of Intereuropa, d. d. and the Intereuropa Group for the 2018 financial year.

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

1.7.6.2 Internal auditing

The Internal Audit Department functions as an autonomous and independent support service at the parent company, and reports organisationally to the Management Board and functionally to the Supervisory Board's Audit Committee. The core objective of the Internal Audit Department is to help the senior management of the Intereuropa Group improve corporate governance and risk management, and improve performance and the efficiency of operations in the scope of the Group's adopted development strategy, and business and financial plans. The Internal Audit Department reports regularly to the Management Board, Audit Committee and Supervisory Board regarding its work. Periodic reports on the work of the Internal Audit Department during the 2018 financial year were discussed by the Company's Management Board, Supervisory Board and the latter's Audit Committee.

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

Internal auditing is carried out in accordance with the Internal Audit Department's strategic and annual plan. During the 2018 financial year, the Internal Audit Department performed internal audit tasks in accordance with the plan for that year, and completed internal audits from the 2017 financial year. It also performed several advisory tasks at the parent company, and regularly monitored and verified the implementation of recommendations issued in internal audit reports. A total of eleven internal audits were performed at the parent company and four at subsidiaries of the Intereuropa Group. One internal audit was performed by an external IT contractor. The objectives of internal audits were to assess the risk management approach and the functioning of internal controls in connection with business and support processes, both in terms of the compliance of those processes with legal and internal regulations, and in terms of the success and effectiveness of processes with regard to the adopted policies, established objectives and criteria of the Company, and to issue recommendations for the improvement thereof.

Employees of the Internal Audit Department received professional training in accordance with the work plan, while internal assessments of the quality of work were carried out in accordance with the programme to ensure and improve the quality of the aforementioned department's work. Based on an external assessment performed in 2015 in connection with the quality of internal audit work, the Internal Audit Department received an opinion that it functions in accordance with the International Standards for the Professional Practice of Internal Auditing.

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

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

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

When compiling the financial statements of the Group and the notes thereto, risks are mitigated primarily through:
- the transparent organisational structure of the parent company and its subsidiaries;
- the consistent application of accounting principles and policies; and
- the observation of the timetable for the compilation of the financial statements and the notes thereto.

The information system, with its built-in controls, also plays an important role. The authorisation system ensures that users only execute those transactions in the information system for which they are authorised.

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

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

The Company's share capital is divided into 27,488,803 shares broken down as follows: 16,830,838 ordinary registered freely transferable no-par-value shares and 10,657,965 freely transferable no-par-value preference shares. The holders of Intereuropa, d. d.'s ordinary shares are not subject to any restriction on voting rights. The Company has no voting rights arising from its treasury shares in accordance with Article 249 of the Companies Act (ZGD-1). Intereuropa, d. d. held 18,135 treasury shares (IEKG) with a carrying amount of EUR 180,000 as at 31 December 2018, representing 0.1077% of ordinary shares and 0.0660% of all shares. Intereuropa, d. d. did not purchase or sell treasury shares in 2018.

As at 31 December 2018, 115 ordinary shares were held on a special account of Kapitalska družba, d. d., which in accordance with Article 48a of the Book-Entry Securities Act (Official Gazette of the Republic of Slovenia, No. 5/17) is intended for securities waived by their holders and/or securities held by the Republic of Slovenia. Kapitalska družba may not exercise the voting rights attached to those securities.

The holders of Intereuropa, d. d.'s preference shares have not been paid preference amounts since 2013, and have thus held voting rights at the General Meeting of Shareholders since 2015 in accordance with the second paragraph of Article 315 of the ZGD-1. Accordingly, 27,470,553 shares out of a total of 27,488,803 shares had voting rights at the 31st General Meeting of Shareholders held 22 June 2018, representing 99.9336% of the Company's total shares.

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

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

Pursuant to Article 105 of the Financial Instruments Market Act, which sets the thresholds for a significant holding, direct holders who hold more than 5% of voting rights are presented in Table 9.

TABLE 9: SHAREHOLDERS WHO HELD MORE THAN 5% OF VOTING RIGHTS AS AT 31 DECEMBER 2018

Shareholder	No. of ordinary shares 31 December 2018	No. of preference shares 31 December 2018	No. of voting rights 31 December 2018*	Proportion of voting rights 31 December 2018
SID banka, d. d.	0	4,942,072	4,942,072	18.0%
NLB, d. d.	240,000	4,530,601	4,770,601	17.4%
Nova KBM, d. d.	2,850,752	1,185,292	4,036,044	14.7%
Gorenjska banka, d. d.	3,068,990	0	3,068,990	11.2%
SKB banka, d. d.	2,254,980	0	2,254,980	8.2%

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

1.7.8.3 Other explanations in connection with legislation governing mergers and acquisitions

The Company does not have a share scheme for employees.

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

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

1.7.9 STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Recommendation: The management board, together with the supervisory board, draws up and adopts a diversity policy that is implemented with respect to representation on a company's management and supervisory bodies (point 4 of the Code in its entirety).
Deviation: The Company did not adopt a diversity policy in 2018. At the beginning of 2019, the Management Board and Supervisory Board adopted the revised Corporate Governance Policy of Intereuropa, d. d., which includes a policy governing the diversity of management and supervisory bodies.

Recommendation: A company must ensure an external assessment of the adequacy of its corporate governance statement at least once every three years (point 5.7. of the Code)
Deviation: The Company did not carry out an external assessment of the adequacy of its corporate governance statement for 2018. It will carry out an external assessment of the adequacy of its corporate governance statement for 2019.

Recommendation: In addition to other matters, the rules of procedure of the supervisory board include a list of all transactions for which the management board requires the prior consent of the supervisory board based on a supervisory board resolution and the company's articles of association, as well as a system for ordering the services of external experts for the needs of the supervisory board (point 12.2 of the Code).
Deviation: The Supervisory Board reviewed and updated its Rules of Procedure in 2018. However, that revised document did not include a list of all transactions for which the Management Board requires the prior consent of the Supervisory Board or a system for ordering the services of external experts. With regard to the list of transactions for which the Management Board requires prior consent, the Supervisory Board actually believes that the aforementioned topic is appropriately governed by the resolutions of the Supervisory Board. The scope of services ordered from external experts is so small that there is no logical reason for the Supervisory Board's Rules of Procedure to govern a separate system for ordering services solely for the aforementioned body.

Recommendation: The company has in place separate processes for the ordering of services required for the work of the supervisory board, depending on whether the company is represented by the management board or the supervisory board (point 12.9 of the Code).
Deviation: The Company does not have in place separate processes for the ordering of services if it is represented by the Supervisory Board. Given the small scope of such services, there is no logical reason to define a special process.

Recommendation: Once a year, the supervisory board defines a training plan for its members and the members of its committees (point 13.1 of the Code).
Deviation: The Supervisory Board has not adopted a special training plan for its members. However, each member may define an individual training plan in the scope of the annual allotment for training purposes.

Recommendation: The deputy chairman of the supervisory board should be appointed from its members who are shareholder representatives (point 15.4 of the code).
Deviation: The Deputy Chairman of the Supervisory Board is a member appointed by employee representatives. The established practice at Intereuropa, d. d. is to always appoint the Deputy Chairman of the Supervisory Board from members appointed by employees.

Recommendation: The performance criteria defined by the supervisory board in connection with the variable component of remuneration of management board members must also promote sustainable development and include non-financial criteria, such as compliance with the company's valid rules and ethical standards (point 21.1 of the Code).
Deviation: The Supervisory Board includes non-financial criteria in the performance criteria that serve as the basis for the payment of the variable component of remuneration of Management Board members, but does not define separate elements, such as compliance with the Company's valid rules and ethical standards. It is the basic duty of Management Board members to comply with the Company's rules and follow the highest ethical standards. Thus, such conduct does not require additional remuneration. The Supervisory Board will, however, include other elements in performance criteria that are crucial for the sustainable development and creation of the long-term value of the Company.

Recommendation: The company provides continuous information about its financial position and legal status through the publication of assessments of its performance, potential deviations from forecasts and changed operating conditions (point 29.1 of the Code).
Deviation: The Company does not publish assessments of its performance, if that performance is in line with expectations. If major deviations were to occur, the Company would publish an appropriate announcement.

Recommendation: The company publishes the rules of procedure of management and supervisory bodies and the general meeting of shareholders on its website (point 29.9 of the Code).
Deviation: The Company has published the rules of procedure of the Supervisory Board, Audit Committee and General Meeting of Shareholders. The Rules of procedure of the Management Board are not published, as the Company deems them to be of an internal nature and they have no impact on the transparency of operations that would be of significance to investors or interested parties.

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

The statement of compliance with the Corporate Governance Code is an integral part of the 2018 annual report and is published on the Company's website at www.intereuropa.si).

Intereuropa, Globalni logistični servis, d. d.

Koper, 7 March 2019

Ernest Gortan, MSc President of the Management Board	Marko Cegnar Member of the Management Board	Marko Rems, Member of the Management Board

1.8 STATEMENT REGARDING NON-FINANCIAL OPERATIONS

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

1.8.1 BUSINESS MODEL

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

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

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

1.8.2 PERSONNEL AND SOCIAL MATTERS

1.8.2.1 Policy

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

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

1.8.2.2 Results of policies, due diligence, indicators and risks

The Intereuropa Group regularly monitors the results of policies covering personnel and social matters. Every quarter the parent company's Human Resource Department analyses data regarding the employees of subsidiaries, including the number of employees, employee turnover, organised education and training courses, absenteeism, the number of work accidents, etc. In the scope of regular occupational health and safety activities, it also performs environmental measurements of work conditions, inspects work equipment, and inspects building and fire protection equipment.

TABLE 10: NON-FINANCIAL INDICATORS REGARDING EMPLOYEES AT THE GROUP LEVEL

Indicator	2017	2018	2018 plan
No. of hours of functional training (seminars, courses, professional meetings, etc.) per employee per year	10	11	10
Absenteeism rate due to sick leave (large companies with more than 100 employees)			up to 4.5%
Intereuropa, d. d.	5.6%	6.2%	
Intereuropa, logističke usluge, d. o. o., Zagreb	4.7%	5.2%	
Intereuropa RTC, d. d., Sarajevo	3.2%	4.8%	
Zetatrans A.D., Podgorica	1.6%	3.0%	
Rate of workplace accidents*	1.3%	1.5%	less than 1.5%

* Calculation: number of accidents / number of employees + agency workers + students.

The increase in sick leave at the parent company can be attributed to several factors: an increase in the age structure of employees and the resulting longer recovery time, an increased number of 'serious' diagnoses of employees and longer waiting times at healthcare facilities. Primarily long-term sick leave absences (exceeding 30 days) are on the rise. Slovenian Group companies continue to implement activities in the scope of the plan to promote health with the aim of managing the aforementioned risks.

The focus of Slovenian Group companies in 2018 with regard to the promotion of occupational health and safety was on the implementation of measures to improve mental health (stress and depression), and prevent respiratory diseases and various forms of cancer. Similar preventive measures in line with local legislation governing occupational health and safety are also being implemented by larger subsidiaries.

The Intereuropa Group offers employees additional benefits aimed at strengthening affiliation and loyalty, and promoting healthy leisure time activities. Those benefits include the use of Intereuropa's holiday facilities (at spas, on the seaside, in the mountains, etc.), assistance in the giving of New Year's gifts to the youngest family members, the possibility of part-time work to facilitate the balancing of work and family life, solidarity assistance and attention to employees in the event of protracted sick leave or death in the family.

The proportion of accidents within the Group was down 0.4% in 2018. A great deal of time and commitment is invested in the continuous raising of awareness and training of employees with regard to correct and healthy work methods, with an emphasis on the risks associated with workplace accidents. A total of five thousand hours were earmarked for this type of training, representing 35% of total training hours. The Group earmarked 14,384 hours for the acquisition of new knowledge and competences in 2018, an increase of 751 hours relative to the previous year. Employees obtained knowledge and competences in the areas of occupational health and safety, logistics in technical areas, management, sales, foreign languages and IT.

HR-related risks include higher employee turnover and the appropriate replacement of workers, and ensuring succession, both at Slovenian Group companies and at companies abroad. It was determined that even more attention must be given to the systematic training and retention of the appropriate successors for key jobs within the Group.

1.8.2.3 Objectives for 2019

The Intereuropa Group's focus in 2019 with regard to employees will be on activities to ensure the optimal number of competent and motivated employees. The Group will continue to establish information support for management by objectives and the management of employees' work efficiency and to invest in the development of employees, and will implement a systematic plan of measures to ensure health and well-being within the Intereuropa Group.

1.8.3 ENVIRONMENTAL MATTERS AND ENERGY-EFFICIENCY

1.8.3.1 Policy

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

1.8.3.2 Results of policies, due diligence, indicators and risks

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

The energy efficiency of warehouses and business premises was improved in 2018, primarily in Slovenia and Croatia. In Slovenia, standard oil catchers or collectors, as prescribed by the law, are consistently installed in the warehouses and terminals where cars and trucks are held. In terms of separate waste collection, the Intereuropa Group pursues its long-term objectives to reduce waste and benefit from the expected effects.

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

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

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

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

1.8.3.3 Objectives for 2019

The Intereuropa Group will establish a system for monitoring and reviewing environmental matters and energy efficiency in 2019, and define indicators for the systematic management thereof. It will also continue to implement energy efficiency measures, and update existing energy management rules and supplement existing environmental management rules. It will follow a policy aimed at the gradual replacement of the existing fleet of trucks and cars, existing work machinery (forklifts), air conditioning units and heating systems, and exterior and interior lighting, all with the objective of reducing energy and maintenance costs, increasing the productivity of machinery and improving working conditions for employees. The investment plan for 2019 envisages EUR 1,385 thousand for those purposes.

1.8.4 CORPORATE INTEGRITY, HUMAN RIGHTS AND THE FIGHTS AGAINST CORRUPTION

1.8.4.1 Policy

The Intereuropa Group's corporate integrity is based on the following principles:
- integrity as one of the core values of the Intereuropa Group's operations;
- the expansion and development of corporate integrity from senior management on down; and
- the responsibility of every employee for corporate integrity.

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

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

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

The Intereuropa Group adopted its Code of Ethics back in 2012, while Intereuropa, d. d. is the Slovenian ambassador of corporate integrity since 2014. In 2017, Intereuropa, d. d. was one of the first companies in Slovenia to introduce an application for the anonymous reporting of suspected breaches, which is accessible on the Company's website at http://www.intereuropa.si/en/about-us/code-of-ethics. The application has been translated into English and into four other languages spoken in countries in which subsidiaries operate (Croatian, Bosnian, Serbian and Macedonian). This makes it easier for all employees of the Intereuropa Group and business partners to access the application and file reports.

1.8.4.2 Results of policies, due diligence, indicators and risks

The majority of activities in 2018 relating to the development of corporate integrity focused on ensuring compliance with the EU's General Data Protection Regulation (GDPR), harmonisation with regulations governing the prevention of money laundering and terrorist financing, and the establishment of a system for managing conflicts of interest.

An independent institution that assessed Intereuropa's social responsibility on behalf of the Company's customer found that Intereuropa achieves the second highest quality grade and has improved its operations by two quality grades since last year. The Company was assessed in terms of the environment, workers' rights, human rights, ethics and sustainable procurement.

In the scope of training regarding corporate integrity, three training courses were organised in the area of managing conflicts of interest and included around 60 management-level employees at Intereuropa, d. d. Possibilities for the anonymous reporting of suspected breaches of integrity were also presented as part of various employee training courses. The management of conflicts of interest was also presented to the senior management of subsidiaries at the annual conference in October 2018.

The Ethics Board met four times in 2018. It discussed the reporting of breaches of integrity and was briefed on suspected breaches of labour law. It was also briefed on a case reported at a subsidiary, where senior management adopted the appropriate measures and filed criminal charges.

The Company assesses the risks associated with breaches of human rights as low, as it primarily operates in an environment where human rights are governed at the national level and the respect of those rights is appropriately monitored by government institutions. All subsidiaries are located in areas that function under the aegis of the Council of Europe. The majority of the Intereuropa Group's transactions are executed in European counties where respect for human rights is at a high level. Notwithstanding the low level of risk that derives from the environment and sector in which the Company operates, certain risks do exist, primarily in transactions in the intercontinental transport segment. Indications of breaches include reports or proceedings in connection with the breach of human rights. There were no such reports or proceedings in 2018.

The Intereuropa Group operates on markets where there is an increased level of corruption and in a sector that is more exposed to acts of corruption. Risks associated with acts of corruption exist primarily on three levels. The first is the risk associated with a supplier or customer bribing employees to secure more favourable conditions. The second is the risk associated with the loss of significant transactions due to acts of corruption. The third are risks that employees might act contrary to the interest of the Company to their own benefit.

With regard to the first risk, the Intereuropa Group implements measures to raise awareness and educate employees. At the same time, the 'Interžvižgač' (Internal Whistleblower) application was established, and is accessible on the Company's website for the anonymous reporting of corrupt acts and other breaches. With regard to the second risk, Intereuropa cannot influence the actions of third parties. However, the Intereuropa Group's position in this regard is clear, and the Group will not support acts of corruption, even if this means the loss of a transaction. In connection with risks at the third level, additional training will be organised at subsidiaries and additional safeguards implemented as part of the upgrading of the subsidiary governance system.

Indicators of corruption comprise reports and other perceived breaches received by Intereuropa. Three reports were received in 2018. During the processing of reports and subsequent investigations, one report was deemed to be justified, while two were unjustified.

1.8.4.3 Objectives for 2019

With regard to the development of corporate integrity, Intereuropa will focus the majority of its attention in 2019 on the training and education of employees at subsidiaries, the introduction of the management of conflicts of interest at subsidiaries, and the upgrading of the system for verifying business partners.

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

Management Board of Intereuropa, d. d.

Koper, 7 March 2019

Ernest Gortan, MSc
President of the Management Board

Marko Cegnar
Member of the Management Board

Marko Rems,
Member of the Management Board

BUSINESS REPORT

02

BUILDING SUCCESS ON THE JOURNEY WITH YOU

02 BUSINESS REPORT

2.1 DEVELOPMENT STRATEGY OF THE INTEREUROPA GROUP

The Strategic Business Plan of the Intereuropa Group for the period 2018 to 2022, which outlines guidelines on the development of the Group, was drafted in 2018.

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

VISION

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

MISSION

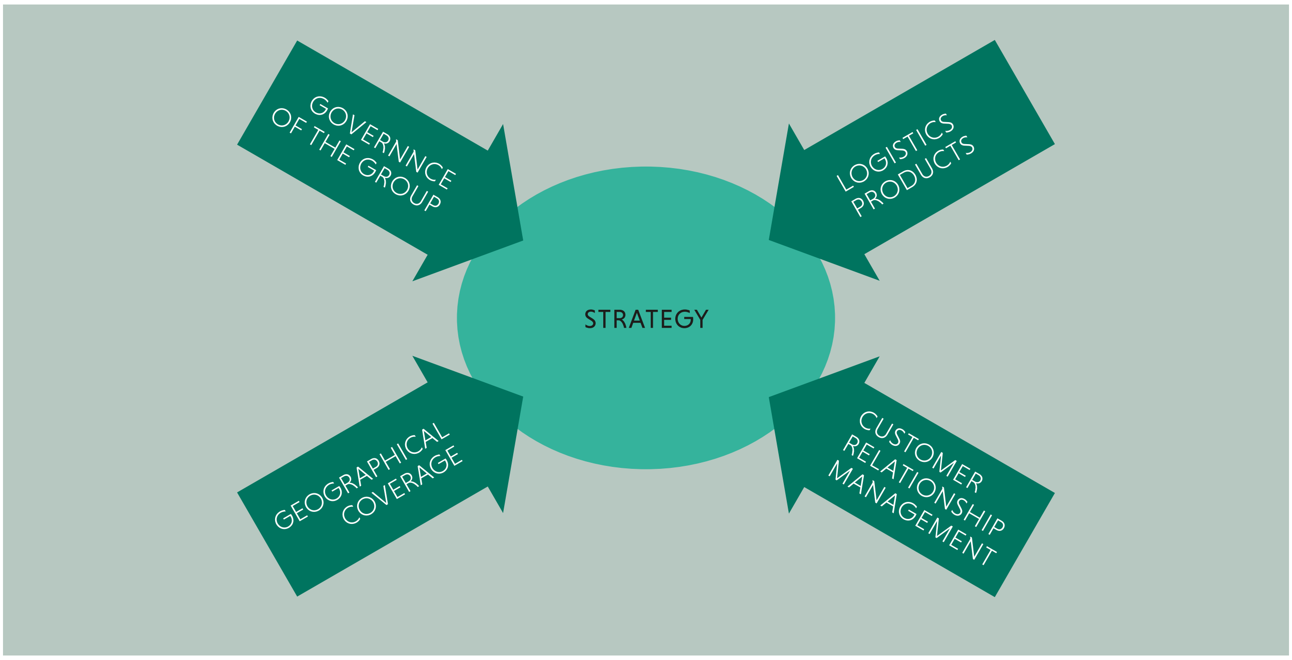
The Group's mission is to satisfy needs for logistics services and ensure the optimal functioning of supply chains to the complete satisfaction of customers, while creating added value for owners, employees and other stakeholders in a socially responsible manner.

VALUES

Integrity.	Respect for the highest ethical principles and best business practices. Operations in compliance with applicable legislation, guidelines, recommendations and the Company's internal rules.
Excellence.	The Group's services are geared towards the superior satisfaction of every customer's needs for logistics services, and are based on our advanced logistics know-how.
Adaptability and flexibility.	The Group's services are prompt and tailored to the needs of customers. This is achieved by applying innovative approaches and ensuring a lean organisation.
Responsibility.	The Group is distinguished by a high level of responsibility for the obligations we undertake, the agreements we conclude, and the social and natural environments in which we operate.
Teamwork and a respectful approach to employees.	The quality of the Group's services is the result of the work of individuals and top-notch expert teams. The diverse knowledge, experiences and views of our employees are highly valued.

The implementation of our vision is based on a strategy comprising four key pillars: the development of logistics products, customer relationship management, geographical coverage and effective Group governance.

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



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

Logistics products

The development of the Intereuropa Group's core activity of logistics services until 2022 will be based on the land transport, intercontinental transport and logistic solutions business lines, with the accompanying products. The focus of development in the land transport segment will be on groupage and express transport products, road and railway transport, and customs services. Within the intercontinental transport segment, focus will be placed on air and sea freight, car logistics and shipping agency services. Within logistics solutions, the warehousing and distribution of goods will be promoted for merchandise categories with higher value added. In terms of the implementation of market activities, the Intereuropa Group is developing complex 3PL logistics solutions, with an emphasis on the development of services along the entire logistics chain (E2E). The Group's primary focus is on products with higher value added (groupage and logistics solutions) and on those products with growth potential (road, air and sea freight).

Customer relationship management

The Group will increase its focus on satisfying the needs of customers in the logistics services segment. With the aim of continuously increasing customer satisfaction, the Group's approach to customers with various needs is individualised with regard to their expectations on a specific market or in a specific industry. The Intereuropa Group varies its approach to customer relationship management with regard to different segments. These include strategic customers, to whom the Group offers services on several markets, key customers by individual market and merchandise category, and other customers who are important to the Group, primarily in the land transport segment.

Geographical coverage

The Intereuropa Group sees growth potential through its subsidiaries on the majority of existing markets where it is present. The Group focuses on the markets of the in the western Balkan region. Further expansion to major markets in Southeast Europe is also possible. Other markets are covered by a partnership network for products carried over land, by air and by sea.

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

Governance of the Group

The key initiatives in this area are ensuring the financial stability of the Group, the development of centralised information support for the Group's operations, the development of an effective system for governing subsidiaries and ensuring motivated and qualified employees.

The Intereuropa Group will reduce its debt in the coming period and finance its operations through the optimal combination of equity and debt sources, which it will achieve by increasing cash flows from operating activities and through the effective management of working capital. The sale of non-essential assets will be another important source for reducing debt.

The optimisation and computerisation of business processes represent a precondition for the effective performance of the logistics activity. The Intereuropa Group will continue with activities in this area aimed at the centralisation and consolidation of IT systems to support the implementation of business processes at the Group level. With regard to the Group's core activity, this will primarily comprise the continued introduction of the integrated WexVS solution, a CRM system and a business notification system.

The Intereuropa Group sees potential in the improved exploitation of synergies in the governance of subsidiaries. Through the improved integration of the common processes of Group companies and the increased powers and responsibilities of the holders of individual functions within the Group, the latter will further improve the efficiency of its operations and appropriately manage the risks to which it is exposed.

The driver of the Intereuropa Group's development is its employees. The Group develops its relationship with employees through measures aimed at improving commitment and competences, which is crucial to achieving established strategic objectives.

TABLE 11: STRATEGIC OBJECTIVES OF THE INTEREUROPA GROUP IN 2022

Indicator	2022 strategy
Sales revenue	EUR 210.3 million
EBITDA	EUR 18.5 million
Operating profit (EBIT)	EUR 11.6 million
No. of employees at the end of the year	1,563

2.2 IMPLEMENTATION OF PLANS IN 2018

The following key objectives for 2018 were outlined in the business plan:

- To generate EUR 157.8 million in sales revenue through growth in revenues on all markets (except in North Macedonia) and through growth in all business lines of the core activity, to strengthen cooperation with customers that require integrated logistics solutions throughout the entire supply chain, and to attract new, major key customers that will cooperate with the Group on a regional level; and
- To establish an attractive work environment to ensure fully committed and efficient employees, to maintain flexible forms of employment, to begin establishing IT support for management by objectives and the management of employee's work efficiency for the effective development of their key competences, and to ensure the health and well-being of employees, with 1,406 employees at the end of the year;
- To actively manage costs in the context of an expected fall in sales margins through efforts to optimise the provision of services to the greatest extent possible, and to secure the most favourable purchasing terms, primarily on account of the increased scope of operations, the regular payment of services and the centralisation of certain procurement functions.
- To generate EBITDA of EUR 14.5 million and an operating profit (EBIT) of EUR 7.4 million, and to effectively manage working capital and meet the commitments set out in the financial restructuring agreement.
- To earmark EUR 7.9 million and to invest in projects that bring long-term strategic benefits, that are linked to growth in turnover with existing and new customers, that are urgent in terms of operations and maintaining the value of assets, or that are linked to ensuring the appropriate standards of operations and are conditional on the law.
- To intensify activities aimed at the sale of commercial real estate that is not required for the performance of the Group's core activity, and certain commercial real estate that is not of strategic importance and generates low returns.
- To reduce the net debt / EBITDA ratio for 2018 to 4.3.

The Intereuropa Group's 2018 sales results exceeded planned values by EUR 2.6 million or 2%, primarily as the result of enhanced sales activities at Group companies on the one hand and favourable economic conditions on the other.

Planned sales were exceeded most notably in Croatia in the domestic transport segment, and in Slovenia in the car logistics, sea freight and air freight segments. The most significant lag behind planned sales was recorded in the railway freight segment in the Ukraine and in the sea freight and road transport segments in Serbia.

In terms of business lines, the Group exceeds planned sales most notably in the intercontinental transport segment, where the drivers of growth were car logistics and air and sea freight, as the result of stable conditions in the sea and air freight industries, and the Group's structured and aggressive market approach.

In the context of growth in sales, the Group's sales margin also fell in 2018. A major factor in that trend was increased demand for transport and logistics services, which led to immense pressure from suppliers to raise the purchase prices of transport services and is reflected in the higher direct costs of those services, additional pressure from customers to reduce selling prices and intense growth in sales in the intercontinental transport business line, which is most effected by the aforementioned trends.

Please refer to section 2.5 Marketing and sales for a more detailed overview and analysis of sales results by business line and service category, and by individual market of the Intereuropa Group.

Despite growth in sales and controlled growth in costs, the operating profit and EBITDA generated by the majority of Group companies were lower than planned. A significant factor in that regard was the deteriorating operations of the subsidiary in Serbia as the result of the harmful conduct of the former executive staff of the aforementioned company.

In addition to the aforementioned events in Serbia, higher-than-planned expenses for employee participation in profits and unplanned revenues from the reversal of provisions also had a significant impact on the Group's operating profit in 2018. EBITDA and operating profit were EUR 1.7 million and EUR 1.0 million lower than planned, respectively. Net profit was 4% higher than planned to stand at EUR 4.8 million. The Group generated a loss from financing activities in the amount of EUR 2.0 million in 2018, which was EUR 0.2 million better than planned. The aforementioned deviation from the plan was primarily the result of lower interest expense on loans raised.

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

The Group reduced its debt in 2018, despite the fact that investments in property, plant and equipment and intangible assets in 2018 were the highest since the financial restructuring of the company began. The Group's net debt amounted to EUR 60.2 million at the end of 2018 and was EUR 2.6 million lower than planned. The net debt / EBITDA ratio was 4.7 in 2018.

The Intereuropa Group made investments in 2018 in the amount of EUR 5.4 million, representing 68.3% of the annual investment plan for 2018. A total of EUR 2.8 million was invested in real estate, while EUR 2.5 million was invested in equipment and intangible assets. The majority of funds at the Group level were earmarked for upgrades to, the expansion of and investment maintenance in warehouse capacities, and the development and upgrading of information technologies.

The Group had a total of 1,327 employees at the end of 2018, which is 5.6% less than planned and 3.1% less than the number of employees at the end 2017.

2.3 OBJECTIVES AND BUSINESS PLANS FOR 2019

2.3.1 POINTS OF DEPARTURE OF THE BUSINESS PLAN

While drafting the business plan for 2019, the Intereuropa Group took into account the starting position of the Group as a whole at the end of 2018 and the planned points of departure set out in the Strategic Plan of the Intereuropa Group for the period 2018 to 2022, as well as trends in the logistics sector and forecasts of economic trends on the Group's key markets.

TABLE 12: FORECASTS OF ECONOMIC TRENDS ON INTEREUROPA GROUP'S KEY MARKETS (IN %)

Country	GDP growth		Inflation		Growth in merchandise imports		Growth in merchandise exports	
	2018	2019	2018	2019	2018	2019	2018	2019
EU	2.2	2.0	2.0	1.9	4.7*	4.6*	4.1*	4.2*
Slovenia	4.4	3.7	2.1	2.3	8.5	7.4	8.3	6.8
Croatia	2.8	2.6	1.3	1.5	6.8	6.2	8.4	7.8
Bosnia and Herzegovina	3.2	3.5	1.7	1.8	6.2	5.1	6.7	5.1
Serbia	4.0	3.5	2.4	2.5	10.3	7.5	10.6	9.1
Kosovo	4.0	4.0	2.4	2.0	9.4	2.7	5.5	9.4
Montenegro	3.7	2.5	2.9	1.9	5.5	1.4	7.5	2.3
North Macedonia	1.6	2.6	2.0	2.0	4.4	9.0	8.5	10.0
Albania	4.0	3.7	2.5	2.9	4.4	2.8	10.9	6.4
Ukraine	3.5	2.7	9.0	6.2	7.6	7.3	7.3	6.4

* Data for the euro area.
Sources:
International Monetary Fund, World Economic Outlook Data, October 2018;
Institute of Macroeconomic Analysis and Development, Autumn forecast of economic trends in 2018, September 2018; and
Institute of Macroeconomic Analysis and Development, Slovenian Economic Mirror No 1/XXV, 2019, January 2019.

2.3.2 BUSINESS AND FINANCIAL OBJECTIVES

Taking into account the aforementioned points of departure, the following business and financial objectives were set for the Intereuropa Group for 2019:

- to generate EUR 168.5 million in sales revenue through growth in revenues on all markets and through growth in all business lines of the core activity in line with market potential, to strengthen cooperation with customers that require integrated logistics solutions through the entire supply chain in the region, and to attract new, profitable clients and key customers that will cooperate with the Group on a regional level;
- to develop products with higher value added in categories where the Group enjoys a competitive advantage and higher growth in products with significant growth potential;
- to control direct costs and sales margins in the context of growth in sales, through the active management of the costs of services via more favourable purchasing terms, in particular on account of an increase in the scope of operations and the centralisation of certain procurement functions;
- to generate EBITDA of EUR 13.2 million and an operating profit (EBIT) of EUR 7.1 million. Planned EBITDA and EBIT for 2019 are lower than the target values set for 2018 due to the planned sale of real estate at the beginning of 2019 and the associated drop in revenues and lower targets at the subsidiary in Serbia as the result of that company's poor performance in 2018 due to the harmful conduct of the former executive staff.
- to continue reducing debt, where the sale of real estate that is not used in the performance of the logistics activity represents the most important source for reducing debt.

The following will be necessary to achieve the above-stated objectives:

- the investment of EUR 5.9 million in property, plant and equipment and intangible assets, primarily in the upgrading and renovation of the warehousing infrastructure, and the refurbishment of warehousing and IT equipment;
- ensuring the optimal number of competent and motivated employees;
- investing in the effective development of employees, and the implementation of a systematic plan of measures to ensure health and well-being within the Intereuropa Group;
- maintaining the proportion of flexible forms of employment at a minimum of 10%;
- the establishment of information support for management by objectives and the management of employees' work efficiency;
- the centralisation of IT management at the Group level, and the upgrading and consolidation of IT systems to support business processes;

- the reduction of risks in connection with ensuring business continuity;
- ensuring the cost-effectiveness of support functions for the performance of logistics processes;
- the effective management of working capital; and
- the implementation of activities aimed at the sale of assets not required for business purposes.

TABLE 13: MAIN FINANCIAL OBJECTIVES OF THE INTEREUROPA GROUP IN 2019

Indicator	2019 plan
Sales revenue	EUR 168.5 million
EBITDA	EUR 13.2 million
Operating profit (EBIT)	EUR 7.1 million
Investments	EUR 5.9 million
No. of employees at the end of the year	1,380

2.4 ECONOMIC CONDITIONS IN 2018 AND FORECASTS FOR 2019*

The global economy is currently in the midst of a cycle of deteriorating growth and global uncertainty regarding the potential realisation of numerous risks. Weaker economic growth is present primarily in Europe and Asia, while trade tensions between China and the US due to the raising of import duties and uncertainty regarding the agreement on the UK's exit from the EU represent the greatest risks. According to estimates of the International Monetary Fund (IMF), global economic growth was 3.7% in 2018. Projections of global economic growth for 2019 and next year are 3.5% and 3.6%, respectively. Should some of the risk mentioned above be realised, global economic growth is expected to lower than forecast.

Economic growth continued to slow in the euro area during the final quarter of 2018, while economic sentiment deteriorated further. Relatively high growth in construction activity continued. Activity in the manufacturing sector continued to rise, but at a slower rate than the previous year in the context of lower growth in foreign trade and production bottlenecks in the car industry. Slowing growth in the German car industry is a reflection of the entry into force of new standards regarding engine emissions. Retail trade has stagnated. Slowing economic growth was also present in Italy due to weak domestic demand and higher costs of debt. According to estimates from the Slovenian Institute of Macroeconomic Analysis and Development, the European economy recorded growth of 2.2% in 2018, while slowing growth is expected to continue in the euro area this year, when economic growth is expected to be 2%. The main reason for slightly lower economic growth in the euro area this year is more moderate growth in exports, where the still-positive economic sentiment is deteriorating.

Economic conditions also continued to improve in Slovenia towards the end of 2018, but at a slower pace than in 2017. Economic growth reached 4.4% in 2018. Employment growth remained relatively high which, together with growth in wages and social transfers and continued growth in consumer loans, encouraged households to increase their consumption in several segments. At the same time, households continued to increase the proportion of income they place in savings. In addition to investment expenditure, the government recorded a slight increase in other primary expenditure items, while there was a notable increase in the general government surplus due to favourable economic trends and one-off inflows. Growth in exports also continued, but at a slower pace than the previous year. In addition to one-off domestic factors, lower growth in exports is the result of lower growth in economic activity in Slovenia's main trading partners. Activities in sectors that are more dependent on domestic demand has continued to rise rapidly in recent months. In the context of increased investments by the government, municipalities and infrastructure companies, growth in the construction sector primarily derived from the civil engineering sector. Growth in construction, disposable income, loans to households and spending by foreign tourists stimulated the continuation of relatively high growth in the retail sector and other services. The strengthening of the service sector is reflected in higher growth in the prices of services, while declining inflation is the result of falling oil prices.

Relatively high economic growth is expected to continue in the coming years, at 3.7% in 2019 and 3.4% in 2020. Contributing more to economic growth than last year will be continuing growth in private and government consumption, and investments by the private and government sectors, growth in which will be only slightly lower than last year. Growth in exports will also remain high, but will be slightly lower than last year in line with slowing growth in foreign demand. Lower growth in investments and exports will thus be the main factor in lower economic growth than last year. The slowing of economic growth will continue in the coming years, as the result both of gradually lower growth in foreign demand and, to an increasing extent, demographic factors that limit the size of the workforce in employment.

Croatia recorded solid economic growth in 2018, as the result of domestic demand, a sound labour market, low inflation and accelerated investments financed by EU funds. Only growth in exports slowed. Lower unemployment and higher wages are forecast, and are expected to keep private consumption at a high level. Growth in fixed investments is expected to accelerate due to higher inflows of EU funds and lower costs of debt. However, the risk of a drop in global trade would likely drive down exports, while the tourism industry will remain exposed to competition from other Mediterranean destinations.

Economic growth slowed in Serbia during the final quarter of 2018. However, the economy remains strong, with high growth in private consumption, rapidly growing imports and strong exports. Reasonable fiscal and effective monetary policies should lead to a strong economy in the future, as well. Serbia is expected to remain one of the fastest growing countries in the region in 2019. Nevertheless, economic growth will be sensitive to a possible slowdown in the euro area and the potential tightening of financial conditions.

The economy in Montenegro recorded growth in the final quarter of 2018, primarily due to growth in fixed investments, growth in private consumption and growth in the tourism sector. Economic growth is expected to slow in 2019. Growth will be driven primarily by the tourism and energy sectors.

Economic growth slowed in Bosnia and Herzegovina during the final quarter of 2018 due to slow growth in private consumption and weaker exports. Nevertheless, total investments and government consumption were up. Unemployment was down, while the tourism sector recorded growth. The forecast for 2019 is promising, with the following expected: the creation of new jobs, direct inflows of foreign investments and a growing tourism sector, which will lead to growth in private consumption.

The economy in North Macedonia continued to grow in the final quarter of 2018, while private and government consumption was up. Growth in imports slowed, while growth in exports was up and total investments were down. Economic growth is expected to strengthen in 2019 on the back of an improving labour market and an increase in direct foreign investments. There are, however, risks present in connection with these forecasts due to slowing economic growth in the euro area.

A sharp drop in exports and a contraction in government consumption slowed economic growth in Kosovo, although household consumption was up due to higher wages and growth in tourism. There was also notably high growth during the third quarter due to an increase in the scope of construction works. The economy is expected to be stable in 2019.

The Albanian economy recorded growth in the third quarter, driven by high electricity production (at hydroelectric power plants) on account of favourable weather conditions. Private consumption was also strong due to lower unemployment, while fixed investments were likewise high. There was also higher growth in merchandise exports during the final quarter. Growth is expected to be solid in the future due to strong private consumption, fixed investments and exports. There are, however, negative risks present in connection with an economic slowdown in the EU and a potential drought, which would hinder domestic electricity production.

There was notable growth in domestic demand in the Ukraine as the result of growth in household consumption. Exports are exceptionally low, while inflation is up. High domestic demand will remain solid this year, as will private consumption, while investment activity will be up and foreign demand will be lower.

* The section Economic conditions in 2018 and forecastsfor 2019 is summarisedfrom the following publications:
- Institute of Macroeconomic Analysis and Development, Autumn forecast of economic trends in 2018, September 2018;
- Institute of Macroeconomic Analysis and Development, Slovenian Economic Mirror No 1/XXV, 2019, January 2019.
- International Monetary Fund, World Economic Outlook Update, January 2019; and
- Focus Economics, "Economic Data by Region and Country", January 2019.

2.5 MARKETING AND SALES

The Intereuropa Group generated EUR 160.4 million in revenues from sales of its services in 2018, an increase of 7% on the results achieved in 2017. The majority of Group companies recorded an increase in sales revenue relative to the same period in 2017, most notably at the parent company Intereuropa, d. d., and the subsidiaries in Croatia and Bosnia and Herzegovina. The most significant drop in sales was recorded by the subsidiary in Serbia, primarily as the result of the harmful conduct of the former executive staff at the aforementioned subsidiary. That company's operations are being reorganised, which plays a key role in the further development of operations in the region. The Ukrainian subsidiary also recorded lower sales relative to the previous period.

The sharpest increase in sales revenue was recorded in the intercontinental transport segment, where sales revenue totalled EUR 46.0 million in 2018, an increase of 13% relative to the previous year. The turnover of the intercontinental transport segment accounted for 29% of total sales revenue. Growth in the sea freight segment is the result of a structured and more aggressive sales approach, primarily on the Group's main market in Slovenia, while a positive trend is present in the car logistics segment, primarily on account of exports of new cars produced in Europe. Growth in the air freight segment is the result of intensified sales activities, with an emphasis on the development of a global partner network and the provision of comprehensive logistics services.

At 53%, the highest proportion of the Intereuropa Group's sales revenue in 2018 was accounted for by the land transport segment, which generated EUR 84.3 million in sales revenue, an increase of 4% relative to 2017. Growth in sales revenue in the land transport segment was the result of growth in the number of physical transactions, despite pressure from customers to reduce selling prices. The highest growth was recorded in the domestic transport segment at the parent company and in Croatia, while the sharpest decline in sales was recorded in the road transport segment at the subsidiary in Serbia.

The logistics solutions segment also recorded high growth in 2018, when it generated EUR 23.4 million in sales revenue, an increase of 7% relative to 2017 and accounting for 15% of the Group's sales revenue. Primarily at companies in Slovenia and Croatia, this was the result of numerous activities to utilise warehouse capacities and secure new transactions with higher value added.

TABLE 14: SALES REVENUE OF THE INTEREUROPA GROUP IN 2018 BY BUSINESS LINE

Business line	2018 (in EUR thousand)	Structure	Index 2018/plan	Index 2018/2017
Land transport	84,264	53%	100	104
Logistics solutions	23,385	15%	101	107
Intercontinental transport	46,002	29%	106	113
Other services	6,731	4%	105	103
TOTAL SALES REVENUE	**160,382**	**100%**	**102**	**107**

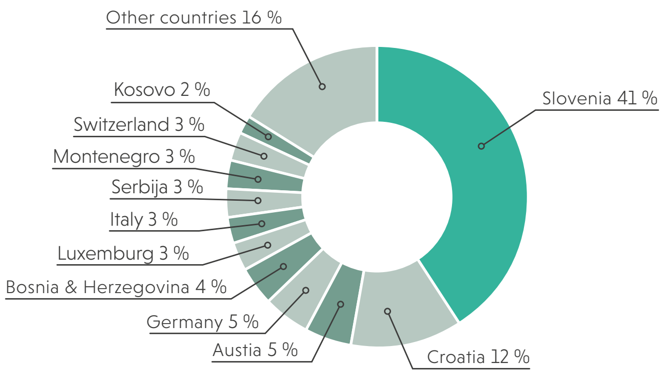
Companies in Slovenia generated more than two thirds of the Group's total sales revenue. The total revenues generated by companies in Slovenia were up by 7% relative to the previous year.

TABLE 15: SALES REVENUE OF THE INTEREUROPA GROUP IN 2018 BY COUNTRY (WITH RESPECT TO A COMPANY'S HEAD OFFICE)

Country	2018 (in EUR thousand)	Structure	Index 2018/2017
Slovenia*	108,832	68%	107
Croatia	23,649	15%	112
Bosnia and Herzegovina	7,351	5%	112
Serbia	5,400	3%	88
Montenegro	6,093	4%	101
Ukraine	3,155	2%	90
Kosovo	3,440	2%	120
North Macedonia	2,012	1%	101
Albania	448	0%	111
EU countries	132,481	83%	108
Non-EU countries	27,901	17%	102
TOTAL SALES REVENUE	**160,382**	**100%**	**107**

* Slovenia also includes adjustments with exclusions that are subject to consolidation procedures.

FIGURE 5: STRUCTURE OF SALES REVENUE OF THE INTEREUROPA GROUP BY COUNTRY IN 2018 (WITH RESPECT TO A CUSTOMER'S HEAD OFFICE)



In terms of size, sector and geographical coverage, the structure of customers is very diverse, particularly in the EU and the Balkans. A total of 78% of customers in 2018 were from EU countries, with the majority of those from Slovenia and Croatia. A total of 14% of customers were from other countries of the former Yugoslavia (excluding Slovenia and Croatia).

Given the extensive base of existing customers for whom the Intereuropa Group provides services, market activities focus on the expansion of cooperation in other product categories (cross-selling) and on other markets. The implementation of a new CRM system will facilitate a more focused market approach and the monitoring of customers' development. Another strategic focus is the provision of more complex logistics solutions with higher value added. This will allow us to exploit the competitive advantages of the Intereuropa Group, such as a comprehensive portfolio of products and services, the professional qualifications of employees and a broader regional presence.

2.5.1 LAND TRANSPORT

The land transport segment generates more than one half of the Intereuropa Group's sales revenue. That segment generated net sales revenue of EUR 84.3 million in 2018. The highest proportion or 61% of sales revenue was generated by the parent company in Slovenia.

Sales revenue in the land transport segment was up 4% on the sales revenue generated in 2017. Contributing most to the growth in this segment's revenues was an increase in revenues at the parent company in Slovenia, where 5% growth in sales revenue was achieved relative to 2017. In addition to Slovenia, the company in Croatia contributed significantly to growth in sales. The aforementioned subsidiary recorded 8% growth in revenues. In terms of products, the domestic and road transport segments recorded the highest growth in sales.

The land transport segment in Bosnia and Herzegovina, North Macedonia, Albania and Kosovo also exceeded last year's sales revenue. Sales revenue was down relative to 2017 at the companies in the Ukraine, Montenegro and Serbia.

The land transport segment exceeded the previous year's sales in the following sub-segments: groupage, domestic transport and road transport. The sales revenue generated by railway freight and customs services in 2018 was down on last year's results.

Growth in sales revenue in the land transport segment was primarily the result of growth in the number of physical transactions, despite pressure from customers to reduce selling prices and major challenges in the provision of services as the result of a sharp increase in demand for transport and logistics services in the region and beyond. The trend of falling selling prices eased slightly in 2018 due to increased market demand for land transport services.

Despite favourable macroeconomic indicators, the land transport segment still faces aggressive competition and immense pressure from suppliers to raise purchase prices. Due to the complex market situation, the land transport segment continued to face falling sales margins in 2018.

The land transport market will continue to be highly competitive in the future and faces continuous demand from customers to raise the quality of services. For this reason, investments in the knowledge of employees and the necessary equipment are crucial for ensuring the competitiveness of services and continued growth in sales. A lack of financial discipline is still present on certain markets where the Group operates and further affects decisions to secure new transactions, as well as operations with certain existing customers.

FIGURE 6: STRUCTURE OF SALES REVENUE OF THE INTEREUROPA GROUP BY COUNTRY IN THE LAND TRANSPORT SEGMENT (WITH RESPECT TO A COMPANY'S HEAD OFFICE)

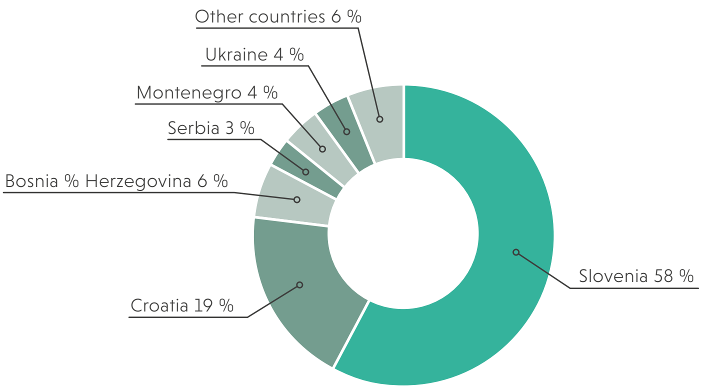
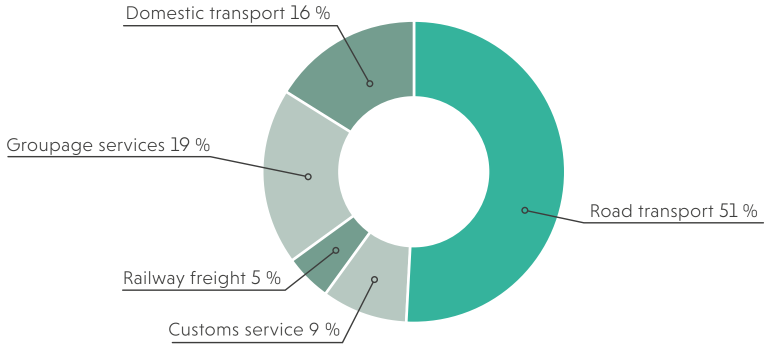


FIGURE 7: STRUCTURE OF SALES REVENUE OF THE INTEREUROPA GROUP BY INDIVIDUAL PRODUCT IN THE LAND TRANSPORT SEGMENT



The structure of revenues by individual product in the land transport segment changed slightly in 2018 relative to 2017. The proportions of sales accounted for by customs, groupage and railway freight services were down, while the proportion accounted for by the domestic transport segment was up.

Key development activities in the land transport segment primarily include the following:

- ensuring a focus on sales;
- ensuring broad market coverage through the Group's own network and the partner network;
- the effective management of transporters;
- the optimal provision of services with the help of effective IT support;
- the centralisation of processes in the land transport segment in Slovenia;
- the implementation of centralised reclamation management; and
- the establishment of the centralised management of tenders across the entire Group.

Intensified activities will continue in the land transport segment in 2019 to computerise operations, optimise processes and ensure the traceability that the Intereuropa Group's customers expect.

In addition to activities to implement the WexVS solution in Serbia, the following is also planned in 2019:

- the launch of a new web portal for use by transporters at certain subsidiaries of the Group; and
- the development of a mobile application for drivers to track shipments in the road transport segment.

2.5.1.1 Road transport

Of the services provided by the Intereuropa Group, the road transport segment accounts for the largest proportion (27%) of total sales revenue, and also accounts for 51% of sales of land transport services.

The sales revenue generated by the road transport segment in 2018 exceeded the previous year's results by 3%. The parent company generated 72% of all sales revenue in the road transport segment, and achieved 3% growth relative to the previous year.

The most significant growth in the road transport segment relative to 2017 was recorded in Bosnia and Herzegovina, where sales were up by 37%, and in Kosovo, where 30% growth was recorded. The most significant lag relative to the previous year was recorded in Serbia. The results of the companies in Montenegro, the Ukraine and North Macedonia were also down on the previous year.

The Intereuropa Group had a fleet of 38 heavy freight vehicles at its disposal at the end of 2018. The subsidiary Intereuropa, logističke usluge, d. o. o, Zagreb reduced its fleet by two vehicles in 2018 to 14 company-owned freight vehicles.

The sales revenue generated in the road transport segment by the subsidiary TOV TEK ZTS, Uzhhorod, which owns a fleet of 18 heavy freight vehicles, was down 2% relative to 2017.

Plans for 2019:

- a reduction in own capacities and the gradual transition to an asset-light model, that is based on the use of the capacities of transporters;
- the reorganisation of the procurement function at Group subsidiaries and the establishment of a centrally managed database of transporters;
- the implementation of intensified commercial activities in the international road transport segment at the Group level;
- the implementation of selected measures with the aim of improving control over the quality of suppliers' services and better control over input costs;
- the establishment of a more effective information link with the suppliers of road transport services and the expansion of the base of contracted transporters;
- internal employee training with the objective of managing risks associated with international road transport; and
- the transfer of knowledge and best practices within the Group.

2.5.1.2 Groupage services

Sales revenue from groupage services was up by 5% in 2018 relative to 2017. A total of 78% of all revenues from groupage services are generated by the company in Slovenia, where the number of shipments was up by 4% and sales revenue was up by 9%. Growth in sales was present at all companies, except the subsidiaries in Serbia and North Macedonia. The highest growth was recorded by the company in Bosnia and Herzegovina, which reversed a trend of declining sales. The WexVS IT solution was successfully implemented at the subsidiary in Bosnia and Herzegovina at the end of 2018. Having a significant impact on the positive growth in the groupage segment was growth in the number of shipments within the partner network, which brought positive results at the majority of Group companies. The operations of the company in Serbia had a negative impact on the operations of the groupage segment at the Group level in 2018.

Plans for 2019:

- to strengthen groupage lines between the Group's subsidiaries;
- to ensure the growth of the existing partner network;
- to introduce related commercial activities between subsidiaries;
- to ensure the development of new partner links abroad;
- to establish the electronic exchange of data (documents) with foreign partners; and
- to optimise processes with the aim of shortening transit times, increasing frequency and reducing the cost of groupage deliveries.

2.5.1.3 Domestic transport

The sales revenue generated by the domestic transport segment in 2018 was up by 14% relative to the previous financial year. Domestic transport services represent an important support service for the Group's other segments. As a stand-alone product, it faces significant price pressures on local markets. All Group companies carry out continuous activities aimed at the optimisation of processes, the control of costs and the search for the optimal implementation solutions that will preserve the quality of services at the highest level and reduce implementation costs. A comprehensive optimisation project was implemented in Croatia. Worthy of particular note were sales of domestic transport services at the parent company, where sales were up 13% relative to last year, and at the subsidiary in Croatia, where sales were up 18% on the sales generated the previous year.

Plans for 2019:

- optimisation of the system ('network optimisation') and the process in Slovenia;
- the benchmarking of domestic transport services in Slovenia and Croatia;
- the introduction of operational KPIs in Slovenia, Bosnia and Herzegovina and Croatia;
- the introduction of a standardised WEB application in Slovenia, Bosnia and Herzegovina and Croatia;
- an electronic solution for returnable packaging in Slovenia, Bosnia and Herzegovina and Croatia;
- containerisation for packages in Slovenia; and
- optimisation of the of the WexVS solution in Bosnia and Herzegovina.

2.5.1.4 Customs services

Customs services generated sales revenue of EUR 8 million in 2018, a decrease of 1% relative to 2017. One half of sales revenue from customs services was generated in Slovenia and Croatia. Montenegro, which generated 20% of sales revenue from customs services, also accounts for a significant proportion of the total. The company in Slovenia recorded the most significant lag in sales relative to the previous year. The company in Serbia recorded a sharp drop in sales due to the previously mentioned problems resulting in replacement of its senior management, and the company in Montenegro, which faces increasing competition in the areas of customs clearance and customs terminal transactions.

Plans for 2019:
- to improve the operations of the customs services segment at the company in Serbia;
- to educate and train employees with the aim of maintaining specific knowledge at the highest level;
- to make preparations for Brexit; and
- to make preparations for pending changes to customs regulations.

2.5.1.5 Railway freight

Sales revenue from railway freight services was down by 1% in 2018 relative to the previious year. The main factor in the sales revenue generated by this segment was still the situation at TOV TEK ZTS, Uzhhorod, which accounts for 54% of the revenues generated by the railway freight segment and where the negative trend of declining sales continues. Sales revenue at the subsidiary in the Ukraine was down by 12% relative to the previous year. The parent company in Slovenia generated 46% of the sales in this segment in 2018. That company recorded sales growth of 15% relative to 2017.

Plans for 2019:
- to ensure competitive conditions.

2.5.2 INTERCONTINENTAL TRANSPORT

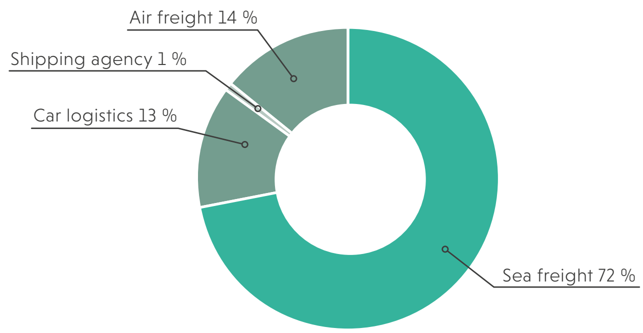
Sales revenue in the intercontinental transport segment totalled EUR 46 million in 2018, an increase of 13% relative to 2017. Sales growth was recorded in all products, most notably in the sea freight segment. Revenues generated by the intercontinental transport segment accounted for 29% of the Group's total revenues, an increase of 2 percentage points on the previous year.

Conditions in the sea and air freight industry were relatively stable in 2018, with both segments recording growth as the result of the positive global economic climate. Both segments recorded growth in shipped quantities, as well as increased capacities. Rates in both segments fluctuated in line with the market situation. Only in the final quarter was a slight decrease in the shipment of goods in the region noted. Shipping companies began activities in 2018 in connection with regulations reducing the sulphur content of fuel from 3.5% to 0.5% by the International Maritime Organisation (IMO). That change takes effect on 1 January 2020. Shipping companies are expecting a rise in costs, and are thus forecasting a general rise in rates as early as 2019.

Conditions on the air freight market were relatively favourable in 2018, particularly during the first half of the year. A decline in demand was noted in the final quarter, particularly in December, as the result of deteriorating global trade, falling consumer confidence and geopolitical unrest. In contrast to demand, airspace capacities were up slightly due to increased passenger traffic. This was also the reason that there was no excessive rise in air freight rates, which is otherwise typical at the end of the year.

The highest growth in sales relative to 2017 was recorded in the container transport segment.

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



2.5.2.1 Sea freight

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

The sea freight segment (including shipping agency services) generated total sales revenue of EUR 33.4 million in 2018, an increase of 12% on the previous year and representing 21% of the Group's sales revenue. The previous year's sales revenue target was exceeded by 10% on the key Slovenian market.

Revenues in the container transport segment amounted to EUR 20 million in 2018, meaning 2017 sales were exceeded by 24%. Significant growth was achieved in Slovenia, where quantities of transhipped goods in import and export were for the most part higher than the previous year. Good business results in the container transport segment are also reflected in the high utilisation rate of warehouse facilities in Koper and in the good performance of these warehouses. The high growth in quantities was also the result of a more structured and aggressive market approach, primarily on the Intereuropa Group's main markets in Slovenia and Croatia.

Revenues in the conventional sea freight segment amounted to EUR 11.8 million in 2018, meaning a 3% decrease in sales relative to the previous year. Lower sales revenue in the conventional freight segment was the result of the unrealised quantities of partners and the restructuring of the segment itself.

Sales revenue in the RO-RO segment totalled EUR 1.1 million, an increase of 13% relative to 2017 as the result of the implementation of major projects.

As expected, sales of shipping agency services recorded growth, primarily in Albania, while sales in Slovenia were stable. Sales revenue amounted to 0.5 million euros, an increase of 9% on the previous year.

The development of the sea freight segment also depends on IT support for key operational and commercial processes. Beginning at the end of 2018, the WexVS IT solution is in use in Slovenia for all sea freight products, except for shipping agency services, where that solution was introduced back in 2016.

2.5.2.2 Car logistics

In terms of new vehicle logistics, growth was recorded in 2018 in the physical volume of vehicles dispatched through the Port of Koper, and through Intereuropa's car terminals in Koper and Logatec. The positive trend in the automotive industry continued in 2018, in particular growth in exports of new vehicles produced in Europe.

Sales revenue totalled EUR 6 million in 2018, an increase of 23% relative to 2017 and representing 4% of the Group's total sales revenue. The highest proportion of sales revenue was generated by the parent company in Slovenia.

Growth in sales revenue was the result of an increased number of vehicles handled. Growth of 16% in the number of vehicles handled was achieved relative to the previous year. That growth was associated with the development of operations for a major customer.

The car logistics segment is one of the stable products of the intercontinental transport segment and the Group as a whole. Based on positive trends in the automotive industry, moderate growth in revenues in this segment is also expected in 2019. Key customers are planning a similar number of cars at the port and in Intereuropa's car terminals to the previous year.

2.5.2.3 Air freight

Sales revenue in the air freight segment totalled EUR 6.6 million in 2018, an increase of 11% relative to 2017. On the key Slovenian market, where 56% of sales revenue in the air freight segment was generated, the previous year's sales were exceeded by 14%. In Serbia, the second most important market in this segment, the sales revenue generated in 2017 was exceeded by 2% and by 26% on the Group's third most important market, Croatia.

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

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

Growth in the air freight segment is expected again in 2019 on all of the Group's key markets. Special attention will continue to be given to strengthening partnerships and ensuring an active sales presence at customers.

2.5.2.4 Plans for 2019

Key activities in the intercontinental transport segment focus on intensifying the Intereuropa Group's sales orientation through investments in the partner network. Also of importance in that respect are securing favourable purchasing terms from shipping companies and air carriers, and the exploitation of the Group's good market position at the Port of Koper. With the latter's help, the Group aims to expand activities at other ports on the Adriatic Sea.

Ambitious plans have been set for 2019, as significant growth in sales revenue from all intercontinental transport products is expected, particularly in the strategic container and air freight segments. Significant activities to achieve planned revenue targets include:

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

2.5.3 LOGISTICS SOLUTIONS

The Group generated revenues from the sale of logistics solutions in the amount of EUR 23.4 million in 2018, representing 15% of the Group's total sales. Sales in the logistics solutions segment in 2018 exceeded the results achieved in 2017 by 7%.

There was a significant improvement in the business climate in 2018 on the Slovenian and Croatian markets in terms of demand for warehouse capacities. Particularly in Bosnia and Herzegovina and on smaller markets, the scope of operations and the merchandise inventories of the Group's customers remain at relatively low levels. The Group also faces pressures on the prices of logistics services and the exchange of logistics concepts.

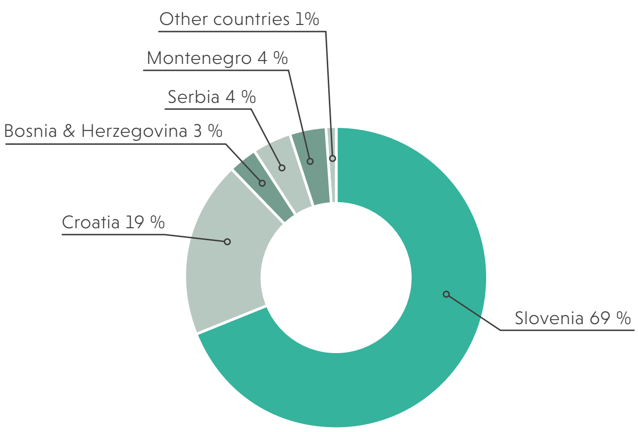
In Slovenia, as the largest key market accounting for 69% of sales of logistics solutions, the results achieved in 2017 were exceeded by 7%. Nearly all warehouse capacities in Slovenia are utilised.

The second largest market for logistics solutions is Croatia, which accounts for 19% of sales in this business line. The results achieved in 2017 were exceeded by 11% in that country.

In addition to the above-mentioned markets, the results achieved in the logistics solutions segment in 2017 were exceeded in Bosnia and Herzegovina (by 6%), North Macedonia (by 5%) and Kosovo (by 23%). Serbia and Montenegro lagged behind 2017's results by 7% and 2%, respectively.

Numerous activities were carried out, particularly at companies in Slovenia and Croatia, to utilise warehouse capacities and secure new transactions with higher value added, which increases the profitability of warehouses.

FIGURE 9: STRUCTURE OF SALES REVENUE OF THE INTEREUROPA GROUP BY COUNTRY IN THE LOGISTICS SOLUTIONS SEGMENT (WITH RESPECT TO A COMPANY'S HEAD OFFICE)



The Group continued to standardise and optimise logistics processes in 2018, particularly in the warehousing and storage segment, and to implement integrated IT support for warehousing operations in Slovenia and Croatia. The number of customers using an electronic data interchange (EDI) was up at the Group level.

A total of 21 forklifts were purchased in 2018. Of that amount, 15 were electric-powered and six were gas-powered forklifts. Investments were made in 2018 in the modernisation and expansion of warehouse capacities in Celje for the needs of a key customer, while lighting systems were replaced in several warehouses, in most cases using new, energy-saving LED technology.

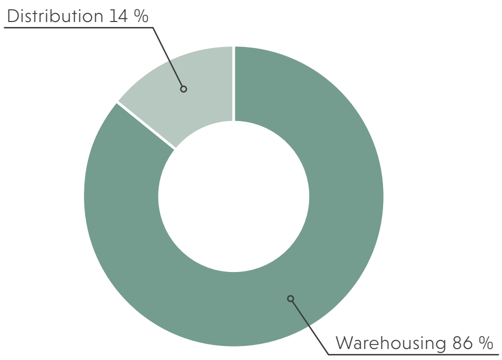
2.5.3.1 Warehousing

The Group generated sales revenue of EUR 20.2 million from warehousing and storage services in 2018, an increase of 3% on the previous year. Revenues from the sale of warehousing and storage services accounted for 13% of the Group's total sales and 86% of sales revenue from the logistics solutions segment. Growth in sales of 3% was achieved in Slovenia, while sales growth of 5% and 6% was achieved in Croatia and Bosnia and Herzegovina, respectively.

2.5.3.2 Distribution

The Group generated sales revenue of EUR 3.2 million from distribution services in 2018, which represents 2% of the Group's sales and 14% of sales revenue from logistics services. Sales were up by 47% relative to 2017 during the accounting period.

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



2.5.3.3 Plans for 2019

The Intereuropa Group sees the development focus of the logistics solutions segment on the specialisation of services by individual merchandise category and thus the establishment of long-term cooperation with partners. Most crucial in terms of development are recognising and meeting the demands of customers, and the optimal integration of the entire supply chain, with the help of IT support adapted for that purpose.

Key activities for the logistics solutions segment in 2019 include:
- the development of partnerships and enhanced cooperation with existing customers;
- the securing of new logistics projects, primarily aimed at utilising free storage capacities in Slovenia, Croatia and Serbia;
- the continued introduction of IT support for the needs of logistics solutions in the Group, primarily in Slovenia and Croatia, and an increased number of customers using an EDI;
- the improvement of energy efficiency (the introduction of LED lighting and the replacement of gas-powered forklifts with electric forklifts); and
- the continued specialisation and optimisation of logistic processes by product category.

2.6 ANALYSIS OF OPERATIONS

The performance of the Intereuropa Group in 2018 was characterised by growth in sales revenue and the highest net profit of the last 11 years. The Group's debt was down, despite the fact that investments in property, plant and equipment and intangible assets in 2018 were the highest since the financial restructuring of the Company began.

2.6.1 PERFORMANCE

2.6.1.1 Significant operating indicators in the period 2015 to 2018

TABLE 16: OPERATING INDICATORS OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA, D. D. FOR THE PERIOD 2015 TO 2018 (IN EUR THOUSAND)

	Intereuropa Group				Parent company			
	2015	2016	2017***	2018	2015	2016	2017***	2018
Sales revenue	134,613	135,596	149,889	160,382	91,492	91,052	103,976	111,890
EBITDA	10,759	13,338	12,739	12,753	7,578	8,722	8,530	9,446
proportion of sales (in %)	8.0	9.8	8.5	8.0	8.3	9.6	8.2	8.4
Adjusted EBITDA*	10,399	11,681	12,345	12,607	7,823	7,979	8,972	9,061
proportion of sales (in %)	7.7	8.6	8.2	7.9	8.6	8.8	8.6	8.1
EBIT	4,224	7,606	311	6,421	3,624	4,708	2,783	5,332
proportion of sales (in %)	3.1	5.6	0.2	4.0	4.0	5.2	2.7	4.8
Adjusted EBIT**	3,897	5,524	5,991	6,331	3,883	4,045	4,932	4,992
proportion of sales (in %)	2.9	4.1	4.0	3.9	4.2	4.4	4.7	4.5
Net profit or loss	288	-1,604	-1,979	4,765	1,229	-3,455	340	4,144
proportion of sales (in %)	0.2	-1.2	-1.3	3.0	1.3	-3.8	0.3	3.7
Assets	291,893	242,099	229,672	232,927	226,292	190,731	180,279	185,114
ROA (in %)	0.1	-0.6	-0.8	2,1	0.5	-1.7	0.2	2.3
Equity	147,137	124,341	117,049	121,643	97,976	87,118	80,797	85,005
ROE (in %)	0.2	-1.2	-1.6	4,1	1.3	-3.7	0.4	5.1
Net debt	80,391	73,490	67,114	60,197	80,160	74,412	69,670	64,631
Investments in fixed assets	3,962	3,741	2,690	5,374	2,153	2,325	1,578	4,198
No. of employees at the end of the year	1,417	1,374	1,369	1,327	623	606	589	599

* Group: excludes other operating revenues, other operating expenses from the creation of provisions, expenses for employee participation in profits and expenses associated with the correction of errors from previous years at subsidiaries.
Parent company: excludes other operating revenues, other operating expenses from the creation of provisions and expenses for employee participation in profits.

** Group: excludes other operating revenues, revaluation operating expenses for intangible assets, and property, plant and equipment, other operating expenses from the creation of provisions, expenses for employee participation in profits and expenses associated with the correction of errors from previous years at subsidiaries.
Parent company: excludes other operating revenues, revaluation operating expenses for intangible assets, and property, plant and equipment, other operating expenses from the creation of provisions and expenses for employee participation in profits.

*** Adjusted: adjustments in the Income statement relate to the reclassification of items due to amendments to IAS 1. Disclosures can be found in the Financial Report in point III – reclassification of items in comparable data. Adjustments in the statement of financial position can be found in the Financial Report in point IV - correction of errors.

TABLE 17: INCOME STATEMENT OF THE INTEREUROPA GROUP FOR 2017 AND 2018 (IN EUR THOUSAND)

	January–December 2018	January–December 2017 (adjusted*)	Index 2018/2017
Sales revenue	**160,382**	**149,889**	**107**
Gains and losses from the derecognition of operating receivables	-127	-29	438
Other operating revenues	2,032	2,596	78
Costs of goods, materials and services	-117,332	-107,293	109
Labour costs	-28,851	-27,173	106
Amortisation/depreciation	-6,276	-6,353	99
Loss due to the impairment of receivables	-523	-308	170
Other operating expenses	-2,884	-11,019	26
Operating profit	**6,421**	**311**	**2,065**
Interest income	134	205	65
Gains and losses from the derecognition of loans granted and deposits	0	0	-
Other finance income	9	157	6
Finance costs – costs of financing	-2,146	-2,316	93
Loss due to the impairment of loans granted and deposits	-2	0	-
Other finance costs	-39	-395	10
Loss from financing activities	**-2,044**	**-2,349**	**87**
Investment result recognised according to the equity method	8	10	78
Profit or loss from ordinary operations	**4,385**	**-2,028**	**-**
Corporate income tax (including deferred taxes)	380	49	776
Net profit or loss for the accounting period	**4,765**	**-1,979**	**-**
Net profit or loss pertaining to controlling interests	4,632	-1,002	-
Net profit or loss pertaining to non-controlling interests	133	-977	-

* Adjustments relate to the reclassification of items due to amendments to IAS 1. Disclosures can be found in the financial report in point III – reclassification of items in comparable data.

TABLE 18: INCOME STATEMENT OF THE PARENT COMPANY INTEREUROPA, D. D. FOR 2017 AND 2018 (IN EUR THOUSAND)

	January–December 2018	January–December 2017 (adjusted*)	Index 2018/2017
Sales revenue	**111,890**	**103,976**	**108**
Gains and losses from the derecognition of operating receivables	-37	5	-
Other operating revenues	1,444	526	275
Costs of goods, materials and services	-83,686	-76,529	109
Labour costs	-18,796	-17,459	108
Amortisation/depreciation	-4,070	-4,040	101
Loss due to the impairment of receivables	-288	-15	1,920
Other operating expenses	-1,125	-3,680	31
Operating profit	**5,332**	**2,783**	**192**
Interest income	146	184	79
Other finance income	904	678	133
Finance costs – costs of financing	-1,945	-2,116	92
Other finance costs	-129	-1,343	10
Loss from financing activities	**-1,024**	**-2,597**	**39**
Profit from ordinary operations	**4,308**	**186**	**2,311**
Corporate income tax (including deferred taxes)	-164	154	-
Net profit for the accounting period	**4,144**	**340**	**1,217**
Basic and diluted earnings per ordinary share (in EUR)	0.15	0.01	1,500

* Adjustments relate to the reclassification of items due to amendments to IAS 1. Disclosures can be found in the financial report in point III – reclassification of items in comparable data.

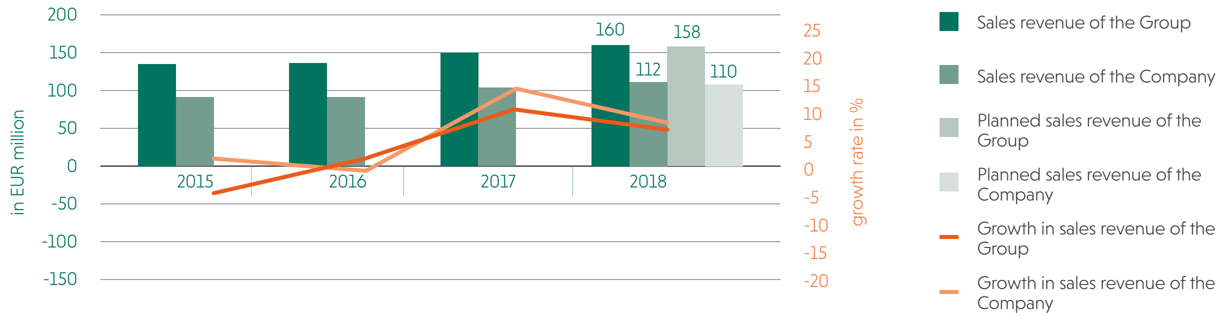
2.6.1.2 Operating revenues, operating expenses, operating profit and EBITDA

The Group achieved 7% growth in sales in 2018, primarily as the result of intensive sales activities. The highest growth relative to the previous year was recorded by the parent company Intereuropa, d. d. and the subsidiary in Croatia, which after years of stagnation and adaptations following the aforementioned country's entry to the European Union, successfully restructured its operations. The sharpest fall in sales was recorded by the subsidiary in Serbia due to the harmful conduct of the former executive staff.

Growth in sales was achieved in all three of the Group's business lines: land transport, logistics solutions and intercontinental transport. Within business lines, sea freight and domestic transport services recorded the highest growth.

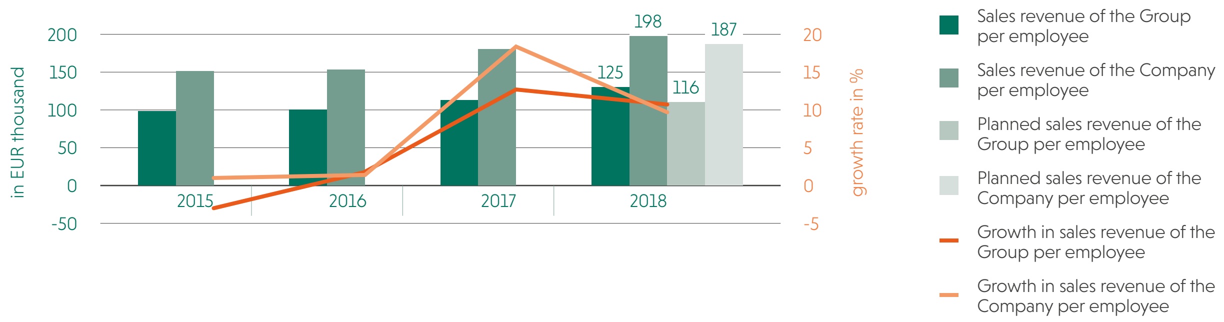
The sales margin fell by 1 percentage point in 2018, primarily as the result of higher costs of transport services and a change in the structure of sales on account of an increase in the proportion of sales accounted for by the intercontinental transport segment.

FIGURE 11: CHANGES IN THE SALES REVENUE OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA, D. D. IN THE PERIOD 2015 TO 2018



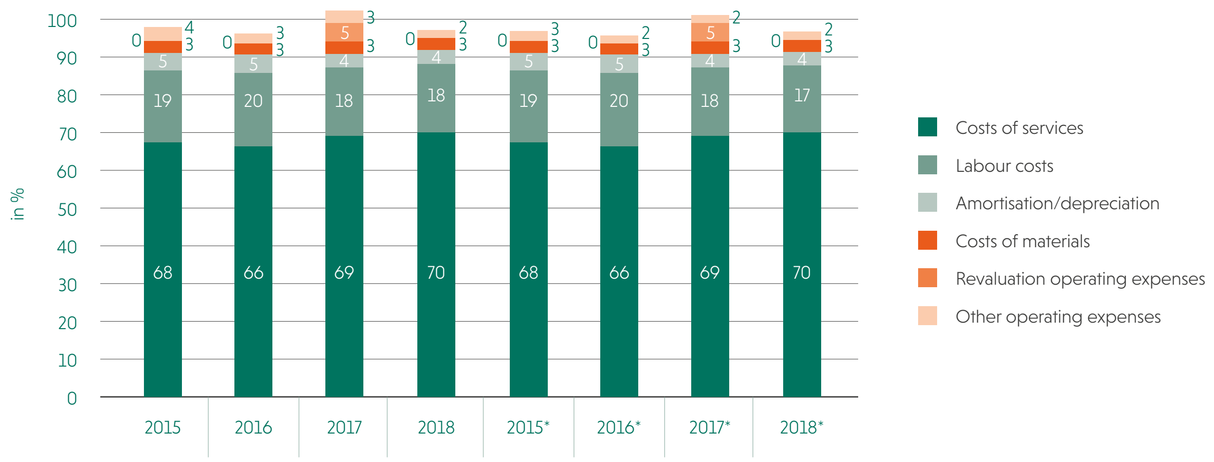
Labour productivity was up in the context of growth in sales revenue, at both the Group level and at the parent company.

FIGURE 12: CHANGES IN SALES REVENUE PER EMPLOYEE OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA, D. D. IN THE PERIOD 2015 TO 2018



The proportion of operating expenses accounted for by the costs of services was up in 2018 as the result of growth in direct costs and the costs of labour hired through employment agencies. The proportion of labour costs (excluding expenses for employee participation in profits) was down relative to the previous year, despite an increase in average labour costs per employee.

FIGURE 13: OPERATING EXPENSES AS A PROPORTION OF THE SALES REVENUE OF THE INTEREUROPA GROUP IN THE PERIOD 2015 TO 2018



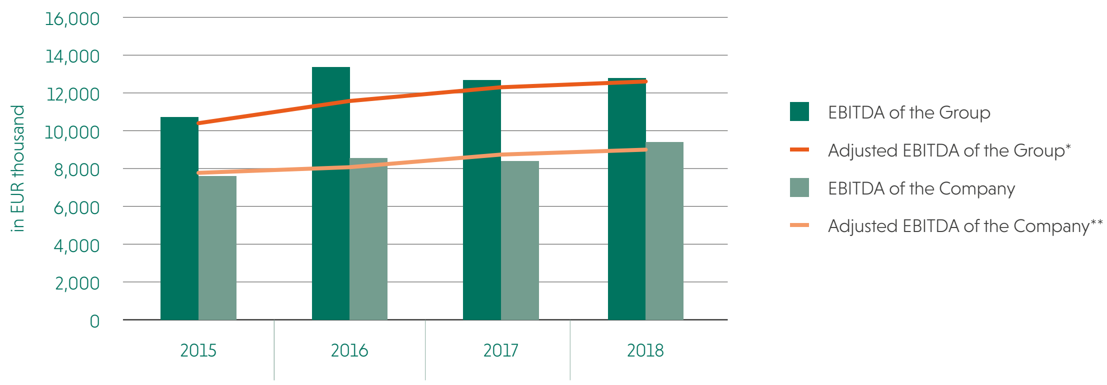
* Excluding other operating expenses from provisions for litigation and liabilities from past operations, and expenses for employee participation in profits.

The Intereuropa Group generated EBITDA of EUR 12.8 million in 2018, at the level generated during the previous financial year but 12% lower than planned. Having a significant effect on the EBITDA generated in 2018 were high employee participation in the profit of the parent company (disclosed in labour costs), expenses associated with the recognition of errors from previous years at subsidiaries and revenues from the reversal of provisions.

Adjusted EBITDA (see the explanation under Figure 14) amounted to EUR 12.6 million in 2018, an increase of 2% on the adjusted EBITDA generated the previous year.

Changes in the adjusted EBITDA and adjusted operating profit of the Group and the parent company (illustrated in Figures 14 and 15) indicate continuous growth in adjusted EBITDA and the adjusted operating profit of the Group. Adjusted EBITDA at the parent company Intereuropa, d. d. was up 1% relative to the previous year.

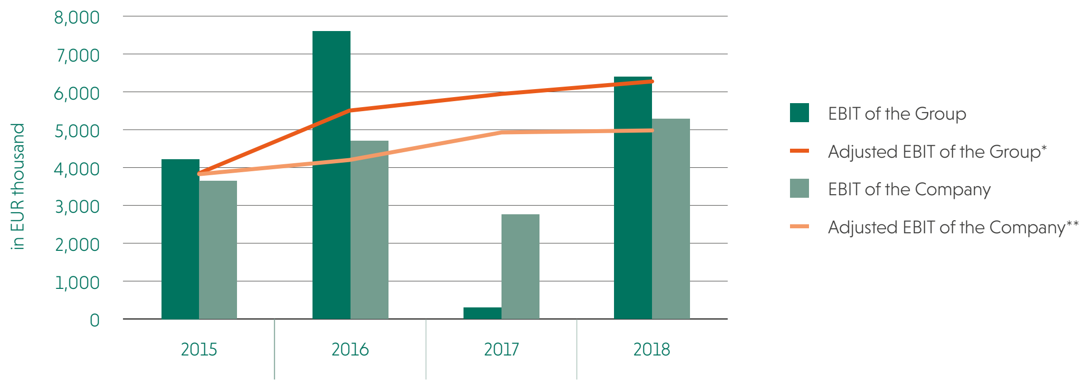
FIGURE 14: CHANGES IN EBITDA OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA, D. D. IN THE PERIOD 2015 TO 2018



* Group: excludes other operating revenues, other operating expenses from the creation of provisions, expenses for employee participation in profits and expenses associated with the correction of errors from previous years at subsidiaries.

** Parent company: excludes other operating revenues, other operating expenses from the creation of provisions and expenses for employee participation in profits.

FIGURE 15: CHANGES IN THE OPERATING PROFIT OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA, D. D. IN THE PERIOD 2015 TO 2018



* Group: excludes other operating revenues, revaluation operating expenses for intangible assets, and property, plant and equipment, other operating expenses from the creation of provisions, expenses for employee participation in profits and expenses associated with the correction of errors from previous years at subsidiaries.

** Parent company: excludes other operating revenues, revaluation operating expenses for intangible assets, and property, plant and equipment, other operating expenses from the creation of provisions and expenses for employee participation in profits.

2.6.1.3 Finance income and costs

The Group is successfully reducing its debt. Its net debt amounted to EUR 60.2 million at the end of 2018, a reduction of EUR 6.9 million during the year, which was seen in part in an improvement in the Group's net debt / EBITDA ratio, which stood at 4.7 in 2018, a decrease of 10.4% relative to the previous year when that ratio was 5.3.

FIGURE 16: CHANGES IN EBITDA AND THE NET DEBT / EBITDA RATIO OF THE INTEREUROPA GROUP BETWEEN 2015 AND 2018

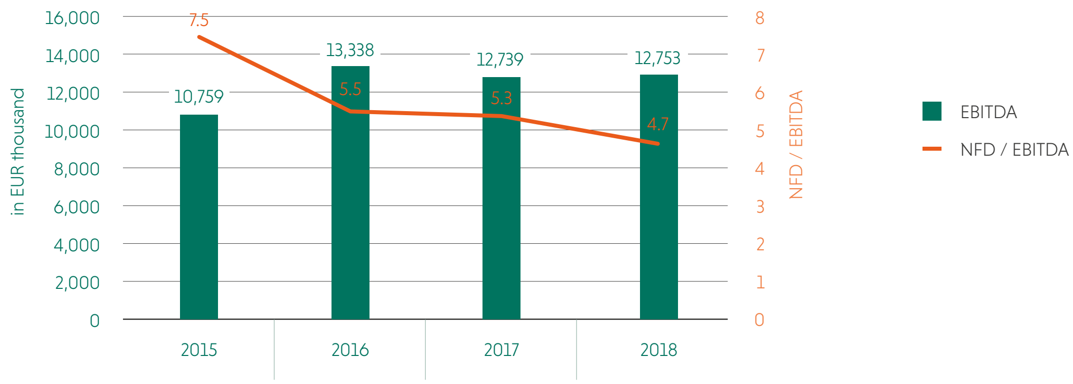
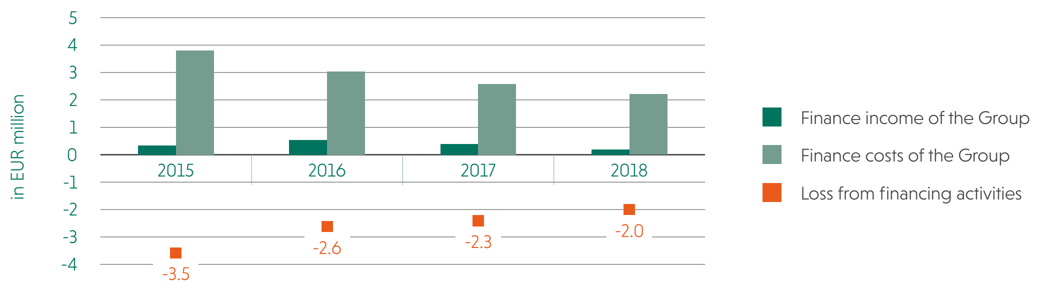


FIGURE 17: PROFIT OR LOSS FROM FINANCING ACTIVITIES OF THE INTEREUROPA GROUP IN THE PERIOD 2015 TO 2018



The Group generated a loss from financing activities of EUR 2.0 million, an improvement of EUR 0.3 million relative to the previous year. The most important category in that respect is interest expenses, which amounted to EUR 2.1 million, a decrease of EUR 0.2 million relative to the previous year, primarily due to the reduction of debt.

2.6.1.4 Net profit

The Intereuropa Group generated a net profit of EUR 4.8 million in 2018, while it generated a loss during the previous financial year. The Group thus exceeded last year's results by EUR 6.7 million and planned net profit by EUR 0.2 million.

The parent company's net profit amounted to EUR 4.1 million in 2018, an increase of 3.8 million relative to the previous year and EUR 1.3 million higher than planned.

2.6.1.5 Structure of the statement of financial position of the Group

After contracting for several years, total assets were up by EUR 3.3 million in 2018.

Non-current assets were down by EUR 5.3 million, most notably in the item property, plant and equipment (by EUR 7.3 million), as the result of the sale of commercially obsolete real estate and the associated reclassification of two major properties to current assets (assets held for sale) with a carrying amount of EUR 4.7 million and reclassification of investment property.

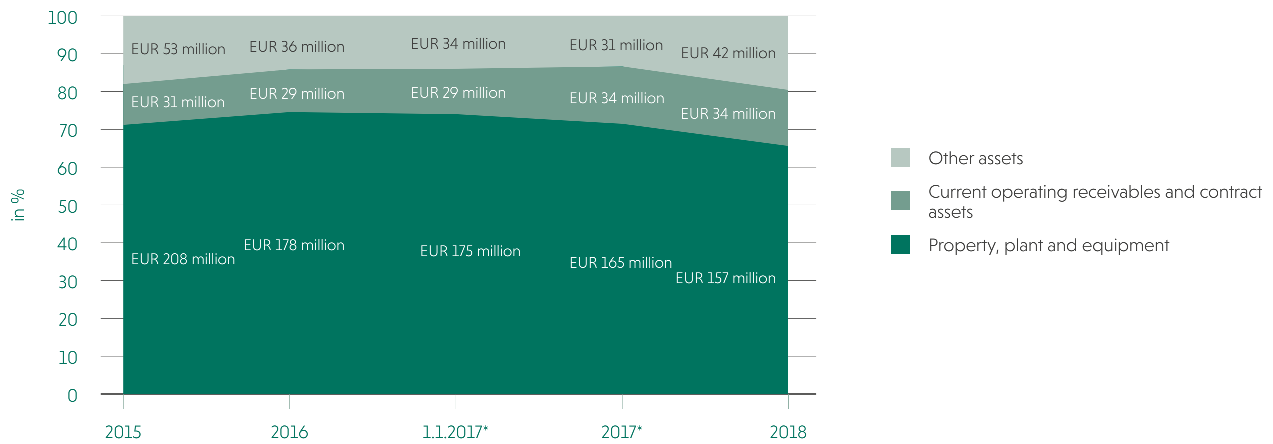
The most significant change on the liability side was in the structure of financial liabilities, where the proportion of current financial liabilities was up. The vast majority of the Group's financial liabilities are regulated by the financial restructuring agreement, which according to the situation as at 31 December 2018 should cease to be valid on 30 September 2019. Thus, all financial liabilities under the aforementioned agreement were reclassified to current on 30 September 2018. After the balance-sheet date, the Company and creditor banks concluded an annex to the financial restructuring agreement, thereby extending the maturity of principal until the end of January 2020. The parent company, which is currently in the process of selling a majority holding of its shares, intends to refinance the liabilities under the financial restructuring agreement following the completion of the sales process. If the sale is successfully completed, the Company will likely become part of a group with a better credit rating, which could lead to lower borrowing costs than it would have incurred had it pursued refinancing independently.

TABLE 19: ITEMS FROM THE STATEMENT OF FINANCIAL POSITION OF THE GROUP IN 2015 AND 2018 (IN EUR THOUSAND)

	2015	2016	1 January 2017*	2017*	2018	Index 2018/ 2017
ASSETS	**291,893**	**242,099**	**238,012**	**229,672**	**232,927**	**101**
A. NON-CURRENT ASSETS, of which:	**242,639**	**204,983**	**200,896**	**188,267**	**182,978**	**97**
Property, plant and equipment	208,066	177,594	175,151	164,669	157,404	96
Non-current financial assets	653	644	644	106	102	96
B) CURRENT ASSETS, of which:	**49,254**	**37,116**	**37,116**	**41,405**	**49,949**	**121**
Current operating receivables and contract assets	30,985	28,804	28,804	34,252	33,722	98
Cash and cash equivalents	11,107	5,294	5,294	3,618	9,578	265
EQUITY AND LIABILITIES	**291,893**	**242,099**	**238,012**	**229,672**	**232,927**	**101**
A. EQUITY	**147,137**	**124,341**	**120,254**	**117,049**	**121,643**	**104**
B. NON-CURRENT LIABILITIES, of which:	**112,878**	**89,065**	**89,065**	**81,758**	**15,470**	**19**
Non-current financial liabilities	92,499	74,736	74,736	66,995	511	1
C. CURRENT LIABILITIES, of which:	**31,878**	**28,693**	**28,693**	**30,865**	**95,814**	**310**
Current financial liabilities	5,648	6,201	6,201	5,786	70,551	1,219
Current operating liabilities and contract assets	26,115	21,885	21,885	24,838	24,892	100

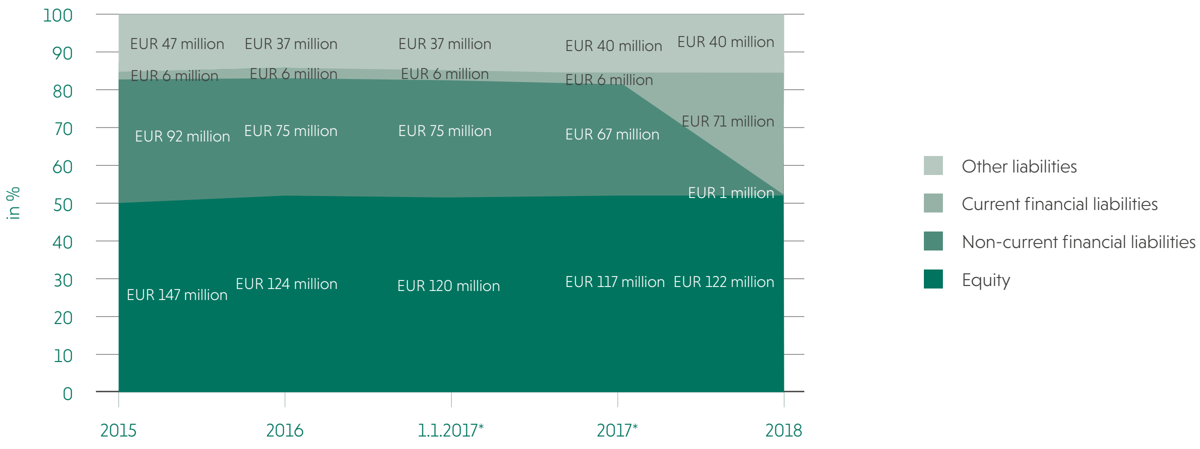
* Adjusted: adjustments are disclosed in the Financial Report in point IV - correction of errors.

FIGURE 18: STRUCTURE OF THE GROUP'S ASSETS IN THE PERIOD 2015 TO 2018



* Adjusted: adjustments are disclosed in the Financial Report in point IV - correction of errors.

FIGURE 19: STRUCTURE OF THE EQUITY AND LIABILITIES OF THE INTEREUROPA GROUP IN THE PERIOD 2015 TO 2018



* Adjusted: adjustments are disclosed in the Financial Report in point IV - correction of errors.

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

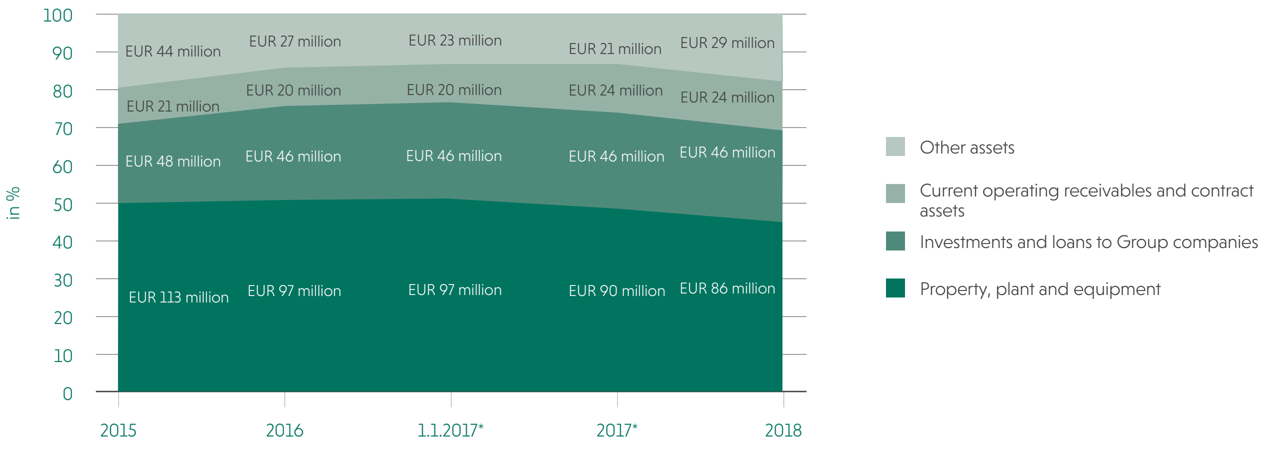
The most significant change on the asset side of the parent company's statement of financial position in 2018 was recorded in property, plant and equipment, as the result of the sale of commercially obsolete real estate and the reclassification of two properties to current assets (assets held for sale) and to investment property. The most significant change on the liability side was in the structure of financial liabilities, which is explained in more detail in section 2.6.1.5.

TABLE 20: ITEMS FROM THE STATEMENT OF FINANCIAL POSITION OF THE PARENT COMPANY INTEREUROPA, D. D. IN 2015 AND 2018 (IN EUR THOUSAND)

	2015	2016	1 January 2017*	2017*	2018	Index 2018/2017
ASSETS	**226,292**	**190,731**	**186,644**	**180,279**	**185,114**	**103**
A. NON-CURRENT ASSETS, of which:	**191,139**	**166,635**	**162,548**	**153,893**	**150,993**	**98**
Property, plant and equipment	112,747	96,812	96,812	89,848	85,752	95
Non-current financial assets, of which:	47,036	45,739	45,739	44,323	44,323	100
Investments in subsidiaries	46,453	45,169	45,169	44,257	44,257	100
B) CURRENT ASSETS, of which:	**35,153**	**24,096**	**24,096**	**26,386**	**34,121**	**129**
Current operating receivables and contract assets	21,406	20,290	20,290	23,814	24,210	102
Current financial assets	5,529	1,593	1,343	1,211	1,615	133
EQUITY AND LIABILITIES	**226,292**	**190,731**	**186,644**	**180,279**	**185,114**	**103**
A. EQUITY, of which:	**97,976**	**87,118**	**83,031**	**80,797**	**85,005**	**105**
Share capital	27,489	27,489	27,489	27,489	27,489	100
Share premium account	18,455	18,455	18,455	18,455	18,455	100
Fair value reserves	48,659	34,929	34,929	32,342	32,278	100
B. NON-CURRENT LIABILITIES, of which:	**106,270**	**82,855**	**82,855**	**76,364**	**10,122**	**13**
Non-current financial liabilities	90,109	73,175	73,175	66,327	0	0
C. CURRENT LIABILITIES, of which:	**22,046**	**20,758**	**20,758**	**23,118**	**89,987**	**389**
Current financial liabilities	3,752	4,412	4,412	5,196	71,778	1,381
Current operating liabilities and contract assets	18,294	15,849	15,849	17,875	18,073	101

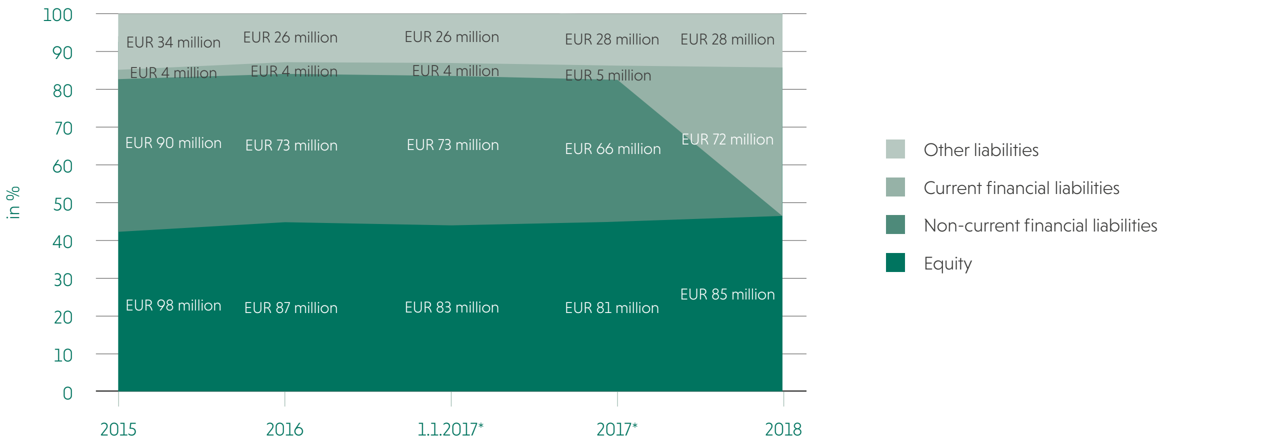
* Adjusted: adjustments are disclosed in the Financial Report in point IV - correction of errors.

FIGURE 20: STRUCTURE OF THE ASSETS OF THE PARENT COMPANY INTEREUROPA, D. D. IN THE PERIOD 2015 TO 2018



* Adjusted: adjustments are disclosed in the Financial Report in point IV - correction of errors.

FIGURE 21: STRUCTURE OF THE EQUITY AND LIABILITIES OF THE PARENT COMPANY INTEREUROPA, D. D. IN THE PERIOD 2015 TO 2018



* Adjusted: adjustments are disclosed in the Financial Report in point IV - correction of errors.

2.6.1.7 Cash flow analysis

The Group generated a positive net cash flow from operating activities of EUR 12.3 million in 2018, an increase of 26% or EUR 2.6 million relative to 2017. The net cash flow from investment activities was negative at the Group level in 2018, in the amount of EUR 2.9 million. Following the coverage of the negative net cash from financing activities in the amount of EUR 3.4 million, Group companies had cash and cash equivalents of EUR 9.6 million at the end of 2018, an increase of EUR 6.0 million on the balance at the end of 2017. Because the parent company is so much larger than other subsidiaries in relative terms, changes in the Group's cash flows generally track those of the parent company, as explained in the next paragraph.

The parent company generated a positive net cash flow from operating activities of EUR 9.1 million in 2018, an increase of 41% or EUR 2.6 million relative to 2017. That increase was nearly equally distributed to the items Operating profit before changes in net working capital and taxes, Changes in provisions and corporate income tax payments. After several years, the parent company's net cash flow from investment activities was negative last year, in the amount of EUR 2.9 million. The reason lies primarily in higher investments, which reached their highest level in recent years in 2018, but were still lower than the amount of amortisation and depreciation. Early repayments of loan principal in the amount of EUR 2.1 million were made to creditor banks in 2018. A negative net cash flow from financing activities was generated in the amount of EUR 1.2 million, an increase of EUR 7.1 million relative to 2017. The main reason for the aforementioned increase was a temporary increase in drawn revolving loans at the end of the year, which in turn resulted in an increased balance of cash and cash equivalents. The parent company had cash and cash equivalents of EUR 5.4 million at the end of the year, or EUR 5.0 million more than at the end of 2017.

TABLE 21: CASH FLOWS OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA, D. D. FOR THE PERIOD 2015 TO 2018 (IN EUR THOUSAND)

	Intereuropa Group				Parent company			
	2015	2016	2017	2018	2015	2016	2017	2018
Net cash flow from operating activities	13,055	5,550	9,743	12,317	8,981	2,102	6,469	9,112
Net cash flow from investing activities	295	9,401	-832	-2,886	2,304	10,932	425	-2,930
Net cash flow from financing activities	-8,985	-20,749	-10,570	-3,437	-7,710	-19,381	-8,303	-1,165
Exchange rate differences relating to cash	-15	-15	-16	-34	0	0	0	0
Net cash flow for the period	4,365	-5,798	-1,660	5,994	3,575	-6,347	-1,409	5,017

2.7 SHARES AND OWNERSHIP STRUCTURE

The volume of trading in shares on the Ljubljana Stock Exchange in 2018 was down by 2% relative to 2017, while the SBI TOP index was down by 0.2%. The volume of trading in ordinary Intereuropa shares (IEKG) was also down on the previous year, while the share price rose by 30% to end the year at EUR 2.60.

Shares of Intereuropa, d. d.

The Company's share capital comprised 7,902,413 ordinary shares until 2012. An additional 8,928,425 ordinary shares and a new class of 10,657,965 preference shares were issued at the end of 2012 in the scope of financial restructuring. At that time, creditor banks became the owners of all newly issued shares by converting a portion of their claims into equity. Today those banks rank amongst Intereuropa's largest owners. With the signing of a mandate agreement on the joint sale of 9,168,425 ordinary and 10,657,965 preference shares in April 2018, the aforementioned banks began the process of selling their 72.13% holding of all shares of Intereuropa, d.d.

The Company's share capital was unchanged in 2018, at EUR 27,488,803, and is divided into 16,830,838 ordinary registered freely transferable no-par-value shares (designated IEKG) and 10,657,965 freely transferable no-par-value preference shares (designated IEKN). Ordinary IEKG shares are listed on the prime market of the Ljubljana Stock Exchange, while preference shares are not traded on the regulated securities market. Shares of Intereuropa, d. d. (designated IEKG) were listed on the prime market in 2005, and have been traded on the Ljubljana Stock Exchange since 1998.

TABLE 22: KEY DATA REGARDING SHARES

	2015	2016	2017	2018
Total number of shares	27,488,803	27,488,803	27,488,803	27,488,803
No. of preference shares (IEKN)	10,657,965	10,657,965	10,657,965	10,657,965
No. of ordinary shares (IEKG)	16,830,838	16,830,838	16,830,838	16,830,838
- of which: treasury shares	18,135	18,135	18,135	18,135
Book value per share in EUR (as at 31 December)	3.57	3.17	2.94	3.09
Data regarding trading in IEKG shares				
Closing price in EUR (as at 31 December)	0.53	1.18	2.00	2.60
Weighted average price in EUR	1.17	1.08	2.26	2.50
Highest price in EUR	1.27	1.36	2.40	3.00
Lowest price in EUR	0.50	0.50	1.17	1.93
Market capitalisation in EUR thousand	8,920	19,860	33,679	43,760
Turnover in EUR thousand	538	783	2,558	2,010
Indicators				
Earnings/loss per ordinary share in EUR	0.04	-0.13	0.01	0.15
Cash flow per share in EUR	0.19	0.02	0.16	0.30
Gross dividends per share in EUR	0.00	0.00	0.00	0.00
P/BV	0.15	0.37	0.68	0.84
P/CF	2.79	67.81	12.37	8,70
P/E	13.25	-9.08	200.00	17.33
Capital yield	-55.2%	122.6%	69.6%	29.9%
Dividend yield	0.0%	0.0%	0.0%	0.0%
Total yield	-55.2%	122.6%	69.6%	29.9%

Notes:
Book value per share = equity / (number of total shares – number of treasury shares).
Market capitalisation = closing price at the end of year * number of shares listed on the stock exchange.
Earnings (loss) per ordinary share = earnings (loss) per ordinary share / (number of ordinary shares – number of treasury shares).
Cash flow per share = (net profit – dividends + amortisation/depreciation) / (number of total shares – number of treasury shares).
P/BV = closing price at the end of the year / book value per share.
P/CF = closing price at the end of the year / cash flow per share.
P/E = closing price at the end of the year / earnings per share.
Capital yield = growth in share price over a one year-period.
Dividend yield = gross dividend / closing price at the end of the year.

Trading in IEKG shares

Trading in IEKG shares in 2018 was somewhat more modest than in 2017. A total of 1,048 transactions were concluded in which owners exchanged 817,970 shares. Annual turnover in shares amounted to EUR 2.0 million, while average daily turnover was EUR 8.2 thousand. The market value of IEKG shares fluctuated between EUR 1.93 and EUR 3.00 per share and maintained a growth trend. The share price ended the year at EUR 2.60. IEKG shares were thus up 29.9% during the year, while the Slovenian SBI TOP index lost 0.2% of its value. The market capitalisation of ordinary IEKG shares amounted to EUR 43.8 million at the end of 2018, accounting for 0.8% of the market capitalisation of all shares on the Ljubljana Stock Exchange.

FIGURE 22: CHANGES IN THE CLOSING PRICE OF INTEREUROPA'S SHARES AND THE SBI TOP INDEX IN 2018

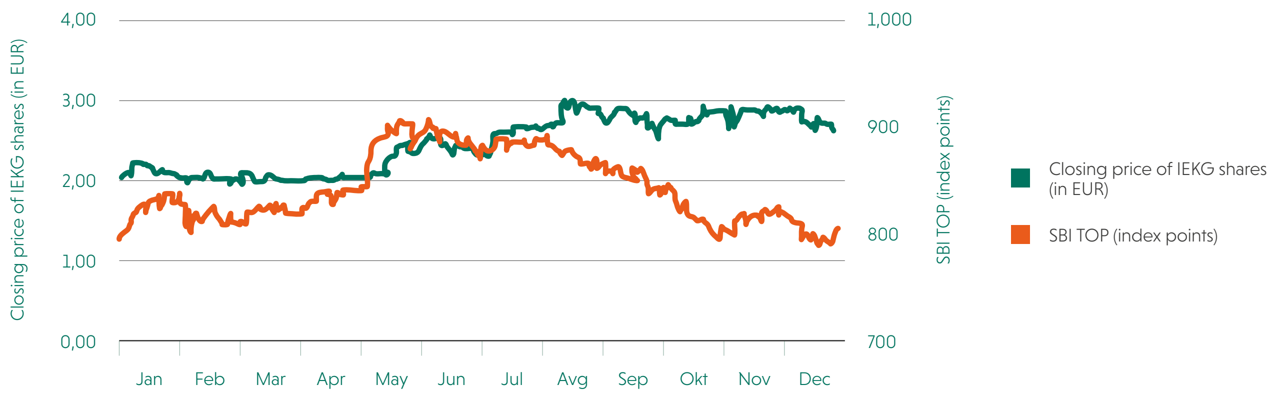
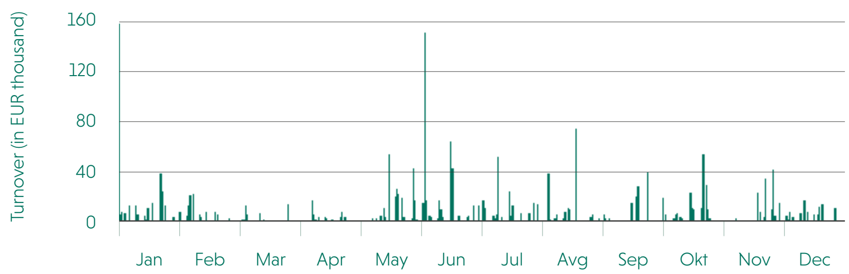


FIGURE 23: TURNOVER IN INTEREUROPA SHARES IN 2018



Ownership structure of the Company

The ownership structure (which comprises both ordinary and preference shares) has not changed significantly for several years now. There were 3,875 shareholders entered in the register of shareholders at the end of 2018, a decrease of 4% on the end of the previous year. As is typical, primarily the number of small shareholders (natural persons) declined last year, with their stake in equity amounting to 11.3% at the end of the year. The proportion of shares held by foreign investors was 0.6%.

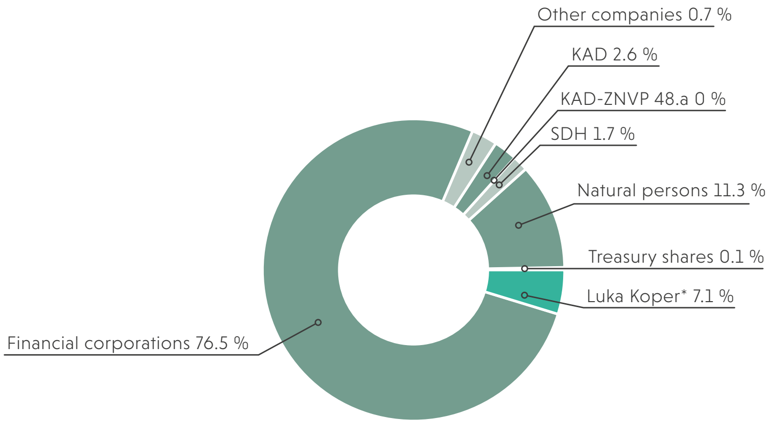
There were no changes in Intereuropa, d. d.'s top ten shareholders, whose total participating interest of 83.6% remained unchanged as at 31 December 2018.

TABLE 23: TOP TEN SHAREHOLDERS OF THE PARENT COMPANY INTEREUROPA, D. D. AS AT 31 DECEMBER 2018

Seq. no.	Shareholder	No. of shares 31 December 2018	Participating interest 31 December 2018
1.	SID banka, d. d.	4,942,072	18.0%
2.	NLB, d. d.	4,770,601	17.4%
3.	Nova KBM, d. d.	4,036,044	14.7%
4.	Gorenjska banka, d. d., Kranj	3,068,990	11.2%
5.	SKB banka, d. d.	2,254,980	8.2%
6.	Luka Koper, d. d.	1,344,783	4.9%
7.	Banka Intesa Sanpaolo, d. d.	753,703	2.7%
8.	Kapitalska družba, d. d.	719,797	2.6%
9.	Luka Koper INPO, d. o. o.	615,730	2.2%
10.	SDH, d. d.	474,926	1.7%

At the end of 2018, 115 ordinary shares were held on a special account of Kapitalska družba, d. d., which in accordance with Article 48a of the Book-Entry Securities Act (Official Gazette of the Republic of Slovenia, No. 5/17) is intended for securities waived by their holders and/or securities held by the Republic of Slovenia. Kapitalska družba may not exercise the voting rights attached to those securities.

FIGURE 24: OWNERSHIP STRUCTURE TAKING INTO ACCOUNT BOTH CLASSES OF SHARES OF THE PARENT COMPANY INTEREUROPA, D. D. AS AT 31 DECEMBER 2018



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

Shares held by members of the Management Board and Supervisory Board

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

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

TABLE 24: NUMBER OF IEKG SHARES HELD BY SUPERVISORY BOARD MEMBERS AS AT 31 DECEMBER 2018

Shareholder	No. of shares 31 December 2018	Participating interest 31 December 2018
Tjaša Benčina, member of the Supervisory Board	40	0.0001%

Authorised capital

Intereuropa, d. d. had no authorised capital as at 31 December 2018.

Dividend policy

The Company did not pay dividends in 2018.

Communication with the financial public

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

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

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

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

Financial calendar of publications for 2019

Date	Publication
6 February 2019 – 6 March 2019	No-communication period
7 March 2019 Thursday	Publication of information regarding the business results of the Intereuropa Group and the parent company Intereuropa, d. d. in 2018
18 April 2019 Thursday	Publication of the audited annual report for 2018
1 May 2019 – 21 May 2019	No-communication period
22 May 2019 Wednesday	Publication of the unaudited business report of the Intereuropa Group and the parent company Intereuropa, d. d. for the period January to March 2019
28 June 2019 Friday	Publication of the resolutions from the 32nd General Meeting of Shareholders
8 August 2019 – 28 August 2019	No-communication period
29 August 2019 Thursday	Publication of the unaudited business report of the Intereuropa Group and the parent company Intereuropa, d. d. for the period January to June 2019
2 November 2019 – 20 November 2019	No-communication period
21 November 2019 Thursday	Publication of the unaudited business report of the Intereuropa Group and the parent company Intereuropa, d. d. for the period January to September 2019
12 December 2019 Thursday	Presentation of the planning documents of the Intereuropa Group and the parent company Intereuropa, d. d. for 2020

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

Intereuropa, d. d. does not publish information regarding its operations during no-communication periods.

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

2.8 RISK MANAGEMENT

Risk is any uncertainty in connection with future business events that could reduce the probability and/or affect the achievement of business objectives, and thus have a negative impact on performance. Intereuropa Group companies therefore employ a risk management system as a tool to maintain their competitive advantage on the market, to reduce the probability of financial or other losses, and the loss of goodwill or damage to the Group's reputation, and to improve the performance of the Group as a whole.

The risk management policy of Intereuropa Group companies is defined in the Risk Management Rules of the Intereuropa Group, which were updated in 2018. Those rules define the risk management process at all Group companies, and include:
- the responsibilities and competences of key persons in risk management activities;
- the definition and types of risks;
- the definition of the risk management process;
- the methodology for the measurement of exposure to risks;
- the process of managing loss events and establishing a register of loss events;
- the method of establishing a risk register; and
- informing and reporting methods.

In accordance with those rules, risks are assessed using a four-level scale, where the effect on operations and the probability of a risk arising are measured on a scale of 1 to 4. Risks are assessed by risk holders, and also by the senior management of subsidiaries. The level of risk across the entire Group is calculated from the assessments of individual Group companies.

The overall assessment of risk falls into the following ranges:
- Assessments from 1 to 3 represent low-level and less significant risks;
- Assessments from 4 to 6 represent medium-level and moderate risks;
- Assessments from 8 to 9 represent high-level and significant risks; and
- Assessments from 12 to 16 represent very high-level and very significant risks.

Risks are addressed systematically by risk holders and the Risk Management Committee, which together implement activities in the risk management process. At sessions, risk holders brief the Risk Management Committee on identified risks. Acceptable risk levels are defined and proposed risk management measures, together with deadlines and responsible persons, are discussed. The implementation of risk management measures is also monitored. Committee members are also briefed on identified loss events at sessions.

The Intereuropa Group encounters various risks in its operations. Those risks are classified to the following five risk categories:
- strategic risks,
- operational risks,
- financial risks,
- regulatory compliance risks, and
- reputation risks.

At the end of 2018, a total of 39 risks were identified at the Group level, one assessed as very high, two assessed as high, 23 assessed as medium and 13 assessed as low.

Operational risks are predominant amongst identified risks. The aforementioned risks represent the possibility of loss due to the inadequate or failed implementation of internal procedures and processes, or due to external events. They include one risk assessed as high, i.e. the risk of the inappropriate technical and physical security of assets. The aforementioned risk was identified at two subsidiaries, where activities to manage that risk are being implemented.

Strategic risks comprise risks associated with losses as a result of incorrect business decisions, the inadequate implementation of adopted decisions and insufficient responsiveness to changes in the business environment. Those risks depend on compliance between the outlined strategic objectives and the business strategy employed to achieve those objectives, the funds invested to achieve those objectives, and on the quality of implementation. A total of eight strategic risks were identified at the Group level at the end of 2018, one assessed as very high and another assessed as high.

The identified strategic risk assessed as very high is the risk that managers at Group subsidiaries do not work to the benefit of owners and the company itself, but rather to their own benefit. A loss event in connection with that risk occurred in 2018 at the subsidiary in Serbia, and had a significant effect on the business results of the Intereuropa Group in 2018. A strategic risk assessed as high (i.e. the loss of customs terminal status) was identified at three subsidiaries.

Regulatory compliance risks comprise the risk of the failure of Group companies to operate in accordance with valid laws and implementing regulations, other regulations, policies and declarations to which companies are bound, and the internal acts of companies. They relate to corporate governance, relations with employees and industry standards, and are linked to internal control systems and the security policy, and to the personal accountability of senior management, the members of supervisory boards and the liability of legal entities. Three regulatory compliance risks were identified at the Intereuropa Group level at the end of 2018, none of which were assessed as high or very high.

Five financial risks were also identified at the Group level at the end of 2018. These are risks associated with the ability to generate finance income, to control finance costs and to preserve the value of financial assets. None of those identified risks were assessed as high or very high. Detailed information regarding exposure to financial risks is presented in the financial report in note no. 30.

The Group did not identify any reputation risks at the end of 2018. Those risks are defined as the risk of a loss due to the tarnished reputation of a company. The risks identified by the Group include other risks, whose realisation could have a negative effect on its reputation.

2.9 DEVELOPMENT AND INVESTMENTS

2.9.1 DEVELOPMENT OF THE COMPUTERISATION OF OPERATIONS

The parent company updated its information technology (IT) strategy in 2018, and defined the following key objectives: the reliability and security of IT systems, the increased efficiency of business processes, the prompt and high-quality implementation of information solutions, the effective organisation of the IT sector and the processes thereof, highly trained and professional IT personnel, and the transition from an IT asset manager to a business process manager.

Key activities implemented by the Intereuropa Group in 2018 with regard to the computerisation of business processes related to the standardisation of the information system across the Group, to the establishment of new information solutions, and to ensuring the security and reliability of the system.

Major projects thus included: the standardisation of IT solutions, implementation of the standard WexVS system to support business processes at the subsidiary Intereuropa RTC, d. d. in Bosnia and Herzegovina, the partial implementation of a system to support operational processes in the sea freight segment ('Wex Sea'), and the continued expansion of the Wex-WMS IT solution for warehousing operations in Slovenia and Croatia. The aim of introducing standardised information systems is to standardise business processes and the organisational structure of the Group.

The standardisation of IT solutions also included document management, as the EBA document information system was upgraded to an 'enterprise' version, which facilitates the support of several companies. The management of direct invoices was also introduced at Intereuropa, logističke usluge, d. o. o., Zagreb.

The conditions for the simplified introduction of a standardised business intelligence system were also established through projects aimed at the standardisation of operational/transaction information systems. The first phase of the implementation of the Qlik business intelligence system was completed. That system facilitates advanced reporting and data analysis.

An effective customer relationship management process and uniform overview of customers are crucial for success on the market. The new Salesforce CRM system was thus set up to support that process. The project was designed in three phases. The first phase was completed in 2018, while the other two phases will be implemented in 2019.

In terms of the IT infrastructure, the system for making security copies of data was upgraded with the automated transfer of security copies to a back-up location, with the aim of ensuring the security, reliability and effectiveness of the information system. Key systems were upgraded to newer versions of operating systems, while the key WexVS operational process support system has been optimised and is actively controlled. A licencing agreement was also concluded for Microsoft Office 365 products. This will facilitate the use of the newest office tools, and improve cooperation between employees and improve employee efficiency.

Another key strategic policy is the centralisation of IT management at the level of the entire Intereuropa Group to achieve synergies in that area. The first steps to integration were thus taken in Croatia and Serbia. The centralisation of IT management will be a primary objective in 2019. In order to carry out centralisation in practice, the common 'Service desk' information system was established. That system was implemented at Slovenian Group companies at the end of 2018 and will be expanded to the entire Intereuropa Group in 2019.

The following key projects and activities were planned for 2019 with the aim of achieving strategic IT objectives and implementing the Group's business plan:
- activities to introduce the standard WexVS operational process support system at the subsidiary AD Intereuropa logističke usluge, Belgrade;
- the continued introduction of the Wex-WMS solution in warehousing processes;
- the development of a solution for car logistics;
- the implementation of the SAP Financial Accounting solution at Intereuropa Kosova L.L.C.;
- the implementation of SAP HR solution for personnel records at all Group companies, and the establishment of centralised personnel records for the Intereuropa Group;
- the implementation of the SAP Salaries solution at Intereuropa, logističke usluge, d. o. o., Zagreb;
- the introduction new functionalities in the CRM system at Group companies;
- the further development of a business intelligence system at all Group companies;
- the consolidation of all Group companies in a central domain;
- the introduction of a back-up location for ensuring business continuity;
- the introduction of advanced control systems for the active monitoring of the functioning of the IT infrastructure and applications;
- the introduction of a 'Service desk' across the entire Intereuropa Group; and
- the centralisation and active management of IT at the Intereuropa Group level.

2.9.2 INVESTMENTS IN FIXED ASSETS

2.9.2.1 Intereuropa Group

The Intereuropa Group invested EUR 5.4 million in fixed assets in 2018. Of that amount, EUR 2.9 million was invested in real estate and EUR 2.5 million in equipment and intangible assets. Thus, 68.3% of the annual investment plan was realised.

The majority of funds were earmarked for the following purposes: EUR 1.6 million for the expansion and arrangement of warehouses in Celje; EUR 0.7 million for the development and upgrading of information technologies; EUR 0.7 million for the purchase of a warehouse in Celje, EUR 0.5 million for the renovation of warehouse roofs in Maribor and Zagreb; and EUR 0.4 million for the purchase of 21 forklifts.

TABLE 25: OVERVIEW OF THE REALISATION OF PLANNED INVESTMENTS BY THE INTEREUROPA GROUP AND PARENT COMPANY IN 2018 AND COMPARISON WITH 2017 (IN EUR THOUSAND)*

	Real estate			Intangible assets and property, plant and equipment			Total investments				
	2017	2018 plan	2018	2017	2018 plan	2018	2017	2018 plan	2018	Index 18/17	Index 2018 / 2018 plan
Intereuropa, d. d.	341	2,126	2,471	1,237	3,105	1,727	1,578	5,231	4,198	266.0	80.3
Subsidiaries	382	492	370	730	2,141	806	1,112	2,633	1,176	105.8	44.7
Total Group	**723**	**2,618**	**2,841**	**1,967**	**5,246**	**2,533**	**2,690**	**7,864**	**5,374**	**199.8**	**68.3**

* Breakdown by property, plant and equipment and intangible assets: of Group's total investments in 2018 in the amount of EUR 5,374 thousand, EUR 5,000 thousand was invested in property, plant and equipment and EUR 374 thousand was invested in intangible assets.

2.9.2.2 Investments by the parent company Intereuropa, d. d.

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

- the arrangement and expansion of warehouses with the construction of an ecological zone in Celje;
- the purchase of a warehouse in Celje;
- investments in the development of WexVS and CRM IT solutions, and a business intelligence system, and the replacement of computer equipment;
- the purchase of 17 forklifts and warehouse shelves in Dravograd, and two warehouse tents;
- the replacement of roof tiles on the covered warehouse in Maribor; and
- the arrangement of an anti-hail warehouse for the car park in Logatec.

2.9.2.3 Investments in subsidiaries

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

- the renovation of the roof in Zagreb and drainage channels in Samobor;
- the purchase of seven tractor units in Zagreb, and a delivery vehicle and two cars at the companies in Sarajevo and Kosovo;
- the purchase of four forklifts, a loading platform and warehouse shelves;
- the installation or upgrading of fire-protection, anti-burglary and video surveillance systems;
- the purchase of computer equipment; and
- the rearrangement of the warehousing and the asphalting of the car terminal in Belgrade.

2.9.2.4 Plans for 2019

Investments in the total amount of EUR 5.9 million are planned at the Group level, with the parent company Intereuropa, d. d. accounting for EUR 3.4 million of that amount. Major investments are planned in information technology, the purchase of forklifts, the arrangement of warehouse premises, and the purchase of transport and delivery vehicles.

2.10 DIVESTMENT OF COMMERCIALLY OBSOLETE ASSETS

In the scope of its strategic plan until 2022, the Intereuropa Group also defined a real estate management strategy for the Group. Real estate is the largest and most important item in the structure of Group's assets. All real estate was classified to the following three categories in the aforementioned strategy:
- strategic real estate for performing the core logistics activity;
- non-strategic real estate for performing the core logistics activity; and
- real estate that serves no purpose in the performance of the core logistics activity (non-core real estate).

In its strategy, the group envisaged the divestment of non-core real estate and certain non-strategic real estate. Inflows from divestment activities will serve as one of the basic sources for the continued reduction of the Company's debt.

The Intereuropa Group sold fixed assets with a carrying amount of EUR 0.8 million for EUR 1.2 million in 2018. Of the aforementioned assets, real estate with a carrying amount of EUR 0.5 million was sold for EUR 0.8 million. The remainder was accounted for by commercially obsolete equipment. The carrying amount of real estate sold in 2017 was EUR 0.6 million.

The following real estate was sold in 2018:
- business premises in Sežana;
- the right to use the warehouse and business premises in Most na Soči;
- two holiday apartments in Podčetrtek (Terme Olimia); and
- undeveloped building land in Sarajevo.

In addition to the above-stated real estate, two sales agreements were concluded in 2018 for warehouse premises in Slovenia and Croatia. The first of those agreements was implemented in January 2019, while the second is expected to be implemented by the end of the first half of 2019. The carrying amount of those two properties was EUR 4.7 million at the end of 2018.

SUSTAINABLE DEVELOPMENT

03

WITH AN EYE FOR THE ENVIRONMENT

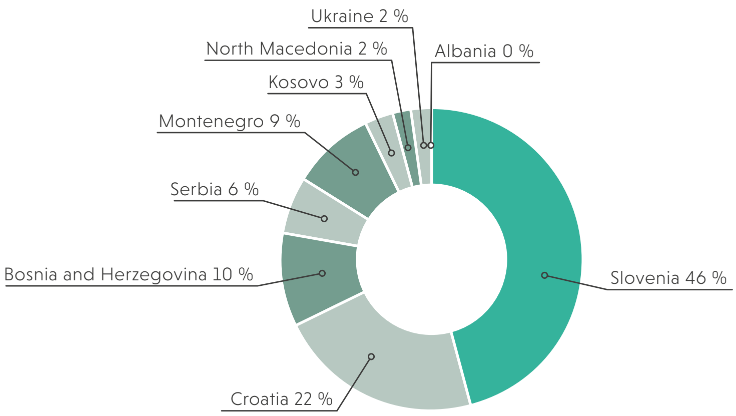
03 SUSTAINABLE DEVELOPMENT

3.1 PERSONNEL AND SOCIAL MATTERS

3.1.1 NUMBER OF EMPLOYEES

The Intereuropa Group had 1,327 employees at the end of 2018, with Slovenian Group companies accounting for 46% of that number and foreign subsidiaries the remainder. The total number of Group employees was down by 42 or 3% relative to the end of 2017.

FIGURE 25: PROPORTION OF EMPLOYEES BY COUNTRY IN WHICH INTEREUROPA GROUP COMPANIES ARE BASED



3.1.2 CHANGES IN THE NUMBER OF EMPLOYEES

The number of employees was down at the majority of foreign subsidiaries. The number of employees was up at the parent company and at the subsidiary in Bosnia and Herzegovina, each by 10.

The Group hired 185 new workers in 2018. The first step in replacing employees who left the Company is to exploit opportunities for internal procedural optimisation and reorganisation. Based on that approach, 62 employees changed their job or work area at the parent company alone.

Additional staffing needs are met by hiring the appropriate personnel from outside the Group. The basic guideline in hiring was to employ people in entry positions, while the filling of higher positions is ensured through the development and advancement of existing employees. Exceptionally, candidates with specific expertise or management skills lacking within the Group were hired to fill senior positions.

TABLE 26: NUMBER OF EMPLOYEES BY INTEREUROPA GROUP COMPANY

Company	31 December 2017	31 December 2018	Difference 18-17	Index 18/17
Intereuropa, d. d., Koper	589	599	10	102
Interagent, d. o. o., Koper	10	9	-1	90
Interzav, d. o. o., Koper	3	3	0	100
Slovenia	**602**	**611**	**9**	**101**
Intereuropa, logističke usluge, d. o. o., Zagreb	295	289	-6	98
Intereuropa Sajam, d. o. o., Zagreb	8	9	1	113
Intereuropa RTC, d. d. Sarajevo	124	134	10	108
AD Intereuropa logističke usluge, Belgrade	115	74	-41	64
Intereuropa Kosova L.L.C., Prishtina	41	34	-7	83
Zetatrans A.D., Podgorica	115	113	-2	98
Intereuropa Skopje DOO, Skopje	33	32	-1	97
TOV TEK ZTS, Uzhhorod	34	29	-5	85
Intereuropa Global Logistics Service Albania shpk, Durres	2	2	0	100
Other countries	**767**	**716**	**-51**	**93**
TOTAL	**1,369**	**1,327**	**-42**	**97**

3.1.2.1 Flexible forms of employment

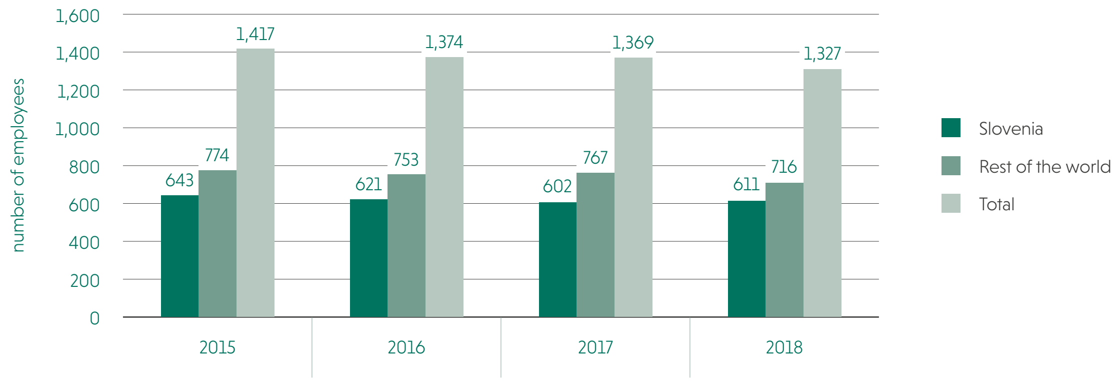
One of the guiding principles in hiring is to maintain a specific proportion of flexible forms of employment, including the hiring of workers via employment agencies and student services, and part-time work. Group companies used such forms of employment primarily for jobs with lower value added, such as warehouse work, and in entry positions. The Group hired 134 new workers via employment agencies in 2018, while 102 employees stopped working. Of those, 16 were hired by the parent company. As at 31 December 2018, a total of 201 individuals performed work in the Group via employment agencies. The average number of workers via employment agencies was 192 throughout 2018. Temporary staffing needs were also met through temporary work via student services. An average of 47 students, recalculated as FTEs, performed work for the Group.

At the end of the year, a total of 1,216 of the Intereuropa Group's employees were employed on a permanent basis while 111 were employed on a temporary basis.

3.1.2.2 Challenges in the recruitment of new workers

The Group faced challenges in the recruitment of new workers in 2018, as there is an increasing lack of candidates with specific profiles on the market. The Intereuropa Group primarily hired sales staff, logistics organisers, customs agents and warehouse workers from outside. Needs for the latter at the parent company were also covered by candidates from abroad.

FIGURE 26: CHANGE IN THE NUMBER OF EMPLOYEES AT THE INTEREUROPA GROUP IN THE PERIOD 2015 TO 2018



3.1.3 STRUCTURE OF EMPLOYEES

3.1.3.1 Employee structure by gender, age and management position

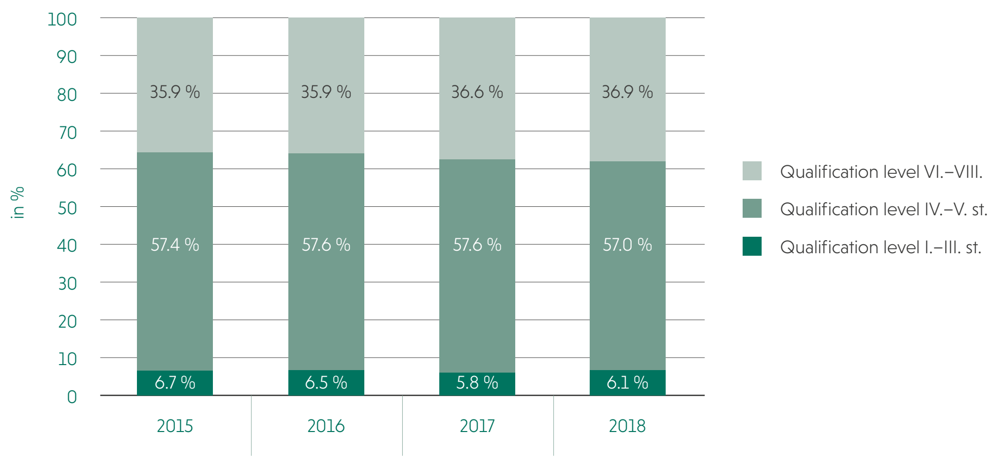
TABLE 27: EMPLOYEE STRUCTURE BY GENDER, AGE AND MANAGEMENT POSITION

	2018
Proportion of employees by gender within the Group	62.8% men, 37.2% women
Slovenian Group companies	54.8% men, 45.2% women
Total foreign subsidiaries	69.7% men, 30.3% women
Average age at parent company	48 years (men: 47.1 years; women: 49.1 years)
Average age at other large Group subsidiaries (with more than 100 employees)	from 43 to 49 years
Proportion of management staff (on individual contract)	5%
Proportion of management staff (on individual contract) by gender	62% men, 38% women

3.1.3.2 Qualification structure of employees

Given the Intereuropa's core activity, the majority of employees (or 57%) have a secondary school or vocational education. The proportion of Group employees with level VI qualifications or higher was up by 0.3 percentage points in 2018, as was the proportion of employees with lower qualifications, by the same amount.

FIGURE 27: QUALIFICATION STRUCTURE OF EMPLOYEES AT THE INTEREUROPA GROUP IN THE PERIOD 2015 TO 2018



3.1.4 SICK LEAVE RATE

The long-term objective is to reduce or maintain the sick leave rate due to disease and workplace injuries to below 4.5%. The sick leave rate was 4.8% at the Group level in 2018, while there was no sick leave due to workplace injuries at the majority of companies, except the Intereuropa subsidiaries in Zagreb and Sarajevo.

3.1.5 EMPLOYEE TRAINING AND DEVELOPMENT

A total of 14,384 hours were earmarked for employee training at the Group level in 2018, an increase of 751 hours relative to the previous year. Group employees received an average of 11 hours of training, with Slovenian Group companies receiving eight hours and foreign subsidiaries receiving 13 hours.

At 35.4%, the highest proportion of training was organised in the area of occupational health and safety, followed by logistics (27.6%) and specific technical knowledge and skills in support of the core logistics activity (18.8%), while the remaining 18.2% of training was accounted for by management skills, foreign languages and sales.

A total of 33% of training within the Group was carried out by internal experts, who primarily trained employees in the use of WexVS information solutions at the subsidiary in Bosnia and Herzegovina and the sea freight organisational unit in Slovenia. The majority of occupational health and safety training is carried out by internal instructors. Internal mentors with specific knowledge conducted various workshops, such as training for warehouse managers, training in the areas of insurance, customs clearance, MS Office (Excel), accounting, etc.

In addition to obtaining knowledge regarding the new information system, the focus at Slovenian Group companies was on the latest developments in the customs clearance of goods, warehousing, changes to and new knowledge regarding work with hazardous materials and goods, and insurance in the logistics sector. A great deal of attention was also dedicated to the development of soft skills, such as business communication and team work. In the area of management, younger managers participated in management school and received individual coaching, while experienced managers attended expert workshops on motivating co-workers of different ages, and workshops aimed at improving employee commitment and regarding management by objectives.

In addition to comprehensive IT training in the area of logistics in Bosnia and Herzegovina, the focus at foreign subsidiaries was on occupational health and safety training. Besides the aforementioned areas, 792 hours were earmarked for the development of management skills at the subsidiary in Zagreb.

FIGURE 28: BREAKDOWN OF EDUCATION AND TRAINING AT THE INTEREUROPA GROUP IN 2018 BY CONTENT

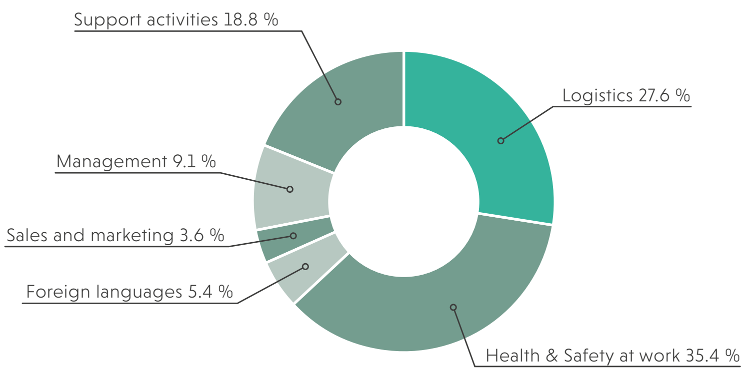


TABLE 28: COMPARISON OF EDUCATION AND TRAINING AT THE INTEREUROPA GROUP LEVEL IN THE PERIOD 2015 TO 2018

	2015	2016	2017	2018
No. of hours of functional training (seminars, workshops, courses, professional meetings, etc.)	13,417	10,486	13,633	14,384
No. of hours of internal transfer of knowledge	6,774	4,429	4,695	4,727
No. of training participants (seminars, workshops, courses, professional meetings, etc.)	1,406	1,540	1,483	1,479
Total funds used for training in EUR*	79,103	55,369	99,657	100,249
Funds used for training per employee in EUR*	56	40	73	75

* Amount only includes tuition and participant fees.

3.1.5.1 Motivation and communication

Management skills at Intereuropa include conducting annual and periodic interviews between managers and employees. Guiding employees to pursue clearly defined and coordinated objectives at various levels is becoming a good practice in terms of motivation and two-way communication with the aim, of course, of achieving business objectives. All employees at the parent company and the subsidiary in Zagreb are included in periodic interviews, both employees covered by the collective agreement and managers on individual contracts. Periodic feedback provided to employees and a review of the achievement of objectives are crucial for the continued motivation and coordinated efforts of employees. They also provide a way to assess the development of the required competences of employees, and result in training plans, employees' proposals for improving the content of work, working conditions, relations with employees at all levels, etc.

3.1.5.2 Work with young, perspective employees and succession system

A system of work with young, perspective employees is being developed in the Intereuropa Group. These are Group employees who are not yet in key positions, but who have the potential to fill those positions in the future. The Company is aware that it is important to show employees and let them know beyond a shadow of a doubt that they are valued, that their efforts are noticed and that the Company relies on them. With the aim of promoting mobility and synergistic effects at the Intereuropa Group level, the Group will take time in 2019 to identify perspective employees who, under the leadership of internal experts (mentors), will participate in various projects and accelerate the development of the competences required to assume key managerial or professional positions at Group companies. In this way, a Group-level succession system is built that facilitates the transfer and preservation of knowledge. In accordance with previously prepared competence profiles, employee development is planned and implemented for those already in key positions. That process includes ensuring that employees' competences are in line with the Company's changing needs. The competences of perspective employees who will be prepared to fill key positions in the shortest time possible are also developed.

3.1.5.3 Competence centre for human resource development in logistics

From the spring of 2017 until the end of October 2018, the parent company was included in the European Competence Centre project for the development of employees in logistics (KOC Logins 2017/2018). Intereuropa participated as a partner in a consortium with 16 other Slovenian companies from the logistics sector.

The aim of the project was to improve the productivity, creativity and innovativeness of employees, and to strengthen the competitiveness of the Slovenian economy. The objective of the project was the development of employee competences, and thus their improved flexibility, employability and effectiveness, and ultimately the increased awareness of both employees and employers about the importance of lifelong learning. Other objectives of the project were the linking and networking of companies and the sharing of best practices in area of employee development and, last but not least, the promotion of the economic sectors and areas of use set out in the Slovenian smart specialisation strategy. A total of 77 training events, attended by 526 employees, were organised in the scope of the project.

The project was co-financed by the Ministry of Labour, Family, Social Affairs and Equal Opportunities and the European Union via the European Social Fund.

3.1.6 PARTICIPATION OF WORKERS IN MANAGEMENT

Works councils, through which employees are able to participate in the management of their respective companies, function at Slovenian Group companies and the subsidiary in Bosnia and Herzegovina. A total of 14 members from individual organisational units/companies have been appointed to the works councils of Slovenian Group companies. Those persons meet regularly with the Management Board and continuously inform employees about events via the minutes of those meetings, which are published on an internal website. The works councils of Slovenian Group companies met eight times in 2018.

Functioning at the parent company are two representative trade unions in which 31% of employees are members. Those trade unions have their own trustees. A total of 97% of employees are members of the trade union at the subsidiary in Montenegro. That figure is 52% at the subsidiary in the Ukraine and 19% at Intereuropa, logističke usluge, d. o. o., Zagreb. There are no trade unions at other companies.

3.1.7 CONCERN FOR EMPLOYEES AND THE BROADER SOCIAL ENVIRONMENT

In addition to promoting the career development of employees, the Company also focuses on the social security of employees, and recreational and social activities. Crucial to the successful and long-term achievement of business objectives is the well-being of employees, which includes their physical and mental health. The Group offers employees additional benefits with the aim of maintaining their loyalty and commitment.

Slovenian Group companies have financed employees' supplemental pension insurance for 12 years. That insurance includes all permanent employees, and temporary employees after they have been on the job for one year.

A portion of funds is earmarked every year to employees who due to poor health and extended sick leaves have low income and require financial assistance for additional healthcare services. The Group provided financial assistance to 42 employees in 2018 in the total amount of EUR 31 thousand.

To facilitate the balancing of work and family life, parents with young children have the right to take advantage of flexible part-time work. A total of nine Group employees took advantage of that opportunity in 2018.

Out of its awareness of the importance of quality family relationships, the Company also dedicates special attention to the youngest members of employees' families at Christmas time. Slovenian Group companies thus gave 147 children a gift certificate for EUR 30 for a children's shop.

The most loyal employees receive financial rewards and recognition to mark their 10th, 20th, 30th and 40th anniversaries with the Intereuropa Group. A total of 102 Group employees received recognition for major work anniversaries in 2018, four of them for 40 years of service at Intereuropa.

3.1.8 OCCUPATIONAL SAFETY AND HEALTH

Ensuring occupational health and safety is an important condition for the Company's competitiveness and the economic success of its operations. Achieving higher standards and the well-being of employees in terms of occupational health and safety are ensured: through the orderliness of work premises and work stations; through investments to improve working conditions (i.e. the updating of technological procedures); through the purchase of new, modern work equipment (PCs, forklifts, lifts, etc.); by providing and using prescribed personal protective equipment for its intended purpose; through measurements of the work environment; and through the regular inspection of work equipment and the appropriate employee training.

3.1.8.1 Disabled persons

The Group employs 39 people with a disability status. Through various preventive measures, such as concern for employees' health and the prevention of workplace accidents, the Group mitigates an increase in the number of disabled persons. In accordance with the relevant regulations, disabled persons are assigned to jobs that have been appropriately adapted to their abilities. One employee is included in retraining to obtain a higher level of qualification. Slovenian Group companies exceed the quota for the employment of disabled persons by 15, meaning that for those employees companies are entitled to compensation for exceeding the legally prescribed quota of disabled persons.

3.1.8.2 Promotion of occupational health

The aim of measures to promote occupational health is to ensure a healthy and safe work environment, to maintain employees' capacity to work and to reduce the sick leave rate. The parent company has been implementing a project to promote occupational health since 2014. Its focus in 2018 was on the implementation of measures to improve mental health (stress and depression), and to prevent respiratory diseases and various forms of cancer. In the scope of promoting health, employees are afforded the opportunity to take part in recreational activities in leased halls and fitness centres, as well as other recreational activities, all with the aim of maintaining and strengthening health (sporting competitions, marathons, etc.). Mountain hikes are organised and awareness raised about the importance of healthy eating (e.g. the supply of fruit in the workplace). Also organised are periodic 15-minute neck and shoulder massages in the workplace.

3.1.8.3 Employee healthcare

In cooperation with authorised physicians, 390 Intereuropa Group employees were referred to preventive, preliminary, specific-purpose and periodic medical examinations, an increase of 3.2% relative to 2017. The parent company organised flu vaccinations, with 58 employees taking part. That number was up by 11.5% relative to 2017.

3.1.8.4 Workplace injuries

A total of 15 employees suffered workplace injuries at the Group level, which is six less than in 2017, translating to 0.9% of the total number of employees. Twelve employees suffered workplace injuries at the parent company (three of whom were full-time employees, seven agency workers and two students), which is four more than in 2017, meaning an injury rate of 1.6% of the total number of employees, which exceeds the target rate of 1.5% by 0.1 percentage points. One workplace accident occurred at Intereuropa in Croatia, while two occurred at the company in Bosnia and Herzegovina.

An analysis of the sources, causes and factors involved in accidents indicated that injuries occurred primarily due to personal factors associated with individuals: slips, falls, blows from objects, cuts, improper lifting technique, etc. The main causes of accidents were carelessness, incorrect work methods, failure to abide by occupational safety rules, etc.

For this reason, a great deal of time and commitment is invested in the continuous raising of awareness and training of employees with regard to correct and healthy work methods, with an emphasis on the risks associated with workplace accidents. A total of 480 Intereuropa Group employees attended such training in 2018.

3.1.8.5 Inspections and testing of work equipment

Certain risks associated with injuries and health impairments arise in the use of work equipment (forklifts, cranes, gas, electrical and lightning conductor installations, etc.). All equipment that employees use in their work and that could cause injuries and health impairments must be appropriately inspected and tested. A total of 1,657 pieces of various work equipment were examined and tested at the Intereuropa Group level in 2018, a decrease of 10.8% relative to 2017.

3.1.8.6 Fire safety

Ensuring fire safety is of exceptional importance. The appropriate level of fire safety ensures the safety of people, property and the environment. In addition to fire safety training, the Intereuropa Group dedicates special attention to ensuring the management of fire risks and to fire-preventive measures. Periodic inspections were carried out of facilities, and active and passive fire-fighting equipment (fire extinguishers and hydrants, fire detectors, domed smoke and heat vents, automatic fire-proof doors, etc.). Persons qualified to extinguish initial fires and conduct evacuations are present in all organisational units at the parent company. Five evacuation drills were carried out in 2018, in Maribor, Celje, Logatec, Ljubljana and Jesenice.

Subsidiaries organise evacuation drills and train employees on how to extinguish initial fires and how to conduct themselves in the event of a fire in accordance with the legal requirements of individual countries.

3.2 ENVIRONMENTAL MATTERS AND ENERGY-EFFICIENCY

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

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

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

Energy efficiency and separate waste collection

Energy efficiency is ensured through the following measures:

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

Lighting systems were renovated in 2018 at certain warehouses and business premises in Ljubljana, Celje, Zagreb, Sarajevo and Podgorica. In the majority of cases, we used new, energy-saving LED lighting technology and thus complied with the guidelines set out in European environmental directives. Above all, we can expect to achieve savings in electricity consumption.

In the warehouse at the Maribor organisational unit, the worn-out gas furnace was replaced with a new, energy efficient gas furnace in the central heating and hot water supply system.

In line with the policy to reduce the costs of energy consumption associated with forklifts and to reduce maintenance costs, the parent company Intereuropa, d. d. purchased 13 electric-powered forklifts. Two electric-powered forklifts were purchased at the subsidiaries Intereuropa, d. o. o., Zagreb and Zetatrans A.D., Podgorica.

Legally prescribed standard oil catchers or collectors have been installed in the warehouses and terminals at all organisational units of Intereuropa, d. d. where cars and trucks are held.

The Group continued replacing worn-out air conditioning devices in 2018, when we purchased 37 new units, which contributed to a reduction in the consumption of fossil fuels and more efficient electricity consumption, as well as improved working conditions in business premises.

Seven solar power plants are installed on the roofs of the Intereuropa Group's warehouses, with a total power of 5,691 kWp, which is enough to supply electricity to 1,575 households. The Group's contribution to reducing CO_2 emissions is 3,870 tonnes per year. The utilisation rate and electricity output of the aforementioned solar power plants are in line with investors' business plans. Solar power plants functioned very well again in 2018, as there was a high number of sunny days during the year. As the owner of the buildings on which the solar power plants are installed, Intereuropa is entitled to the annual fee set out in easement agreements, which was EUR 124,500 in 2018.

In terms of separate waste collection, the Intereuropa Group pursues its long-term objectives to reduce waste and benefit from the expected effects. Special containers are used to separate non-hazardous waste (e.g. cardboard, paper, wood, metals, glass, rubber, plastic foils, etc.), while hazardous chemicals and waste oil are collected in dedicated warehouses. Organic waste of animal origin is removed by specialised contractors. Computer monitors, printer cartridges, batteries and other computer equipment are also collected separately. In agreement with an authorised waste collector and in accordance with legal requirements, waste computer equipment is transported at least once a year to an appropriate disposal site. A significant investment was also made in 2018 to set up an ecological zone at the Celje organisational unit. The introduction of the aforementioned ecological zone resulted in the elimination of returnable packaging from warehouse handling areas, while a covered outside area for sorting and compacting waste packaging arranged.

Reduction of environmental impacts in transport and business processes

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

The Intereuropa Group also followed energy efficiency guidelines in the purchase of forklifts in 2018. Existing natural gas-powered forklifts were replaced with 15 electric-powered units. A reduction in negative impacts on the environment, and savings in terms of energy consumption and maintenance costs are expected. In accordance with the Strategic Business Plan and investment plan, the Group will replace or purchase an additional 78 new forklifts in 2019. Of those new units, 48 are expected to be electric-powered forklifts.

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

The parent company consumed 7,590,344 kWh of electricity in 2018, a 3.3% increase relative to 2017, solely due to the increased scope of work in the warehousing and storage activity and the functioning of cold store facilities. An 11% increase was recorded in the consumption of heating oil due to the increased occupancy of business premises. On the other hand, the consumption of natural gas was down by 5% in 2018 relative to 2017.

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

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

Plans for 2019

The Intereuropa Group will continue to implement energy efficiency measures in 2019, update existing energy management rules and supplement current environmental management rules. It will follow a policy aimed at the gradual replacement of the existing fleet of trucks and cars, existing work machinery (forklifts), air conditioning units and heating systems, and exterior and interior lighting, all with the objective of reducing energy and maintenance costs, increasing the productivity of machinery and improving working conditions for employees. The investment plan for 2019 envisages EUR 1,380 thousand for those purposes.

3.3 SOCIAL RESPONSIBILITY

The Intereuropa Group understands social responsibility as a permanent commitment to work with stakeholders. As a leading provider of logistics services, Intereuropa would like to contribute to the environment in which it operates. The Intereuropa Group is aware that it operates in a co-dependent society where, in addition to generating positive operating results, it contributes to the development of the social and economic environment through its expertise, and the provision of logistics services and even financial resources. Despite the fact that we support objectives in the area of social responsibility, we are unfortunately unable to satisfy all requests for support due to a limited amount of funds for that purpose. The Group thus strives to ensure that the projects it supports through its services form a link between its core activity and the local environment. That principle applies to all Group companies, which contribute to a higher quality of life, promote and enhance Intereuropa's good reputation in the eyes of the general public, and strengthen the Intereuropa brand and positive relations with employees, customers, suppliers, investors and other stakeholders through sponsorship funds and donations.

Intereuropa, d. d. remains associated with various educational institutions in the local and broader environment. To that end, it provided 25 secondary school and tertiary level students the opportunity to perform their mandatory internships in 2018.

The Group earmarked EUR 15 thousand in 2018 for sponsorships and donations, the same amount earmarked for those purposes in 2017. Intereuropa, d. d. supported certain socially beneficial projects and strove for the equal treatment of all areas of society to the best of its operational abilities. Major activities included sponsorship of the business-logistics conference 'Supply Chains in Science and Practice 2018' and the Ski Association of Slovenia (Planica organisational committee), support for the 'Izvozniki.si' (Slovenian exporters) project, and sponsorship of the 18th International Conference on Transport Science, ICTS 2018 Maritime, Transport and Logistics Science.

3.4 QUALITY MANAGEMENT SYSTEM

Implementation of the quality strategy

With regard to ensuring the quality of services, certified Intereuropa Group companies carried out activities in 2018 in connection with the transition to the new quality standard. The year was marked by the successful completion of external assessments at all three certified companies and by the transition to the new ISO 9001:2015 standard. The parent company adopted basic guidelines regarding the transition to the new standard. A new quality policy was proposed and training organised for internal assessors according to the new standard. A total of 77% of all Group employees currently work at companies certified according to the ISO 9001:2015 quality management standard (Intereuropa, d. d., Intereuropa, logističke usluge, d. o. o., Zagreb and Intereuropa RTC, d. d., Sarajevo), which is nearly four percentage points more than the previous year.

Quality indicators

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

The number of reclamations received by Intereuropa was up by 76% in 2018, while the value of reclamations was down by 54% relative to 2017. The number of reclamations was up following the centralisation of reclamation resolution function in the land transport segment and the more consistent documentation of cases of non-compliance that resulted. The drop in the value of reclamations does not reflect a reduction in claims for damages, which were up, but is rather a reflection of two major reclamations in terms of value in 2017 in connection with damage to cars caused by hail, the risk of which was borne in full by both customers. The Company hedges against risks associated with ensuring the quality of logistics services.

The proportion of on-time deliveries in the domestic transport segment was down slightly at Intereuropa in 2018 relative to the previous year, from 95.73% to 95.43%.

The proportion of credit notes, which serves as a measure of the accuracy of documentation, was down in the previous four years, but was up slightly in 2018, from 1.23% to 1.26%.

Internal verification of the HACCP food safety management system

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

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

In accordance with the employee training and qualification programme for food and the HACCP system verification programme, which includes verification of the fulfilment of best-practice requirements regarding food and fodder safety, assessments were carried out in the warehouses in Koper, Logatec, Vrtojba and Jesenice. Four case of non-compliance were identified during those assessments and four recommendations issued. In conjunction with verification of the HACCP system, training was organised at the aforementioned locations for employees who come into contact with food. A total of 32 employees were included in that training.

Transactions with food and fodder at subsidiaries in Kosovo, North Macedonia, Montenegro and Croatia are carried out in accordance with valid local legislation. Warehouses hold the requisite authorisations, while employees who come into contact with food and fodder are qualified for that work. Food and fodder are not warehoused in Bosnia and Herzegovina and Serbia.

Handling of hazardous materials

The parent company Intereuropa, d. d. is registered with the Chemical Office of the Republic of Slovenia to store hazardous chemicals in warehouses located in Maribor, Celje, Vrtojba, Ljubljana and Jesenice. Major quantities of hazardous materials are stored in Maribor and Celje, while only minor quantities are stored at other locations. Due to the types and quantities of hazardous materials stored at the warehouse in Maribor, the latter is also bound by the Decree on the prevention of major accidents and mitigation of their consequences (Seveso) and holds the requisite environmental permit.

A regular inspection was carried out in June at the Maribor organisational unit by the Slovenian Inspectorate for the Environment and Spatial Planning. No irregularities were identified during that inspection.

All employees who work with hazardous materials in warehouses and who are involved in organising the transport of hazardous materials must be properly qualified. Regular employee training is carried out by the prescribed deadlines. A total of 20 employees at the parent company (11 from the Maribor organisational unit and nine from the Jesenice organisational unit) received training on safe work with chemicals in 2018.

Hazardous materials are also stored at subsidiaries in Kosovo, Croatia, Serbia and North Macedonia, taking into account national regulations. Employees in warehouses where hazardous materials are stored are appropriately qualified in accordance with the requirements of national legislation. The transport of hazardous materials (ADR) is carried out at subsidiaries in Kosovo, Bosnia and Herzegovina, Croatia and Serbia in accordance with valid national and international regulations (ADR). Employees involved in organising the transport of hazardous materials are appropriately trained.

TABLE 29: NO. OF PERSONS QUALIFIED IN THE TRANSPORT OF HAZARDOUS MATERIALS

Subsidiary	No. of persons qualified to work with hazardous materials	No. of qualified persons involved in the transport of hazardous materials	Safety consultants for the transport of hazardous materials
Intereuropa Kosova L.L.C., Prishtina	2	1	0
Intereuropa Skopje, d. o. o.	1	0	0
AD Zetatrans, Podgorica	0	2	0
Intereuropa RTC, d. d., Sarajevo	2	6	0
Intereuropa, logističke usluge, d. o. o., Zagreb	3	30	2
A.D. Intereuropa, Belgrade	9	14	1 (external contractor)

Two employees in Croatia have passed the exam for safety consultant for the transport of hazardous materials, while in Serbia an external contractor performs those tasks. Other subsidiaries do not have safety consultants for the transport of hazardous materials.

External verification of the quality of services

TABLE 30: OVERVIEW OF EXTERNAL VERIFICATIONS OF QUALITY WITHIN THE INTEREUROPA GROUP IN 2018

Company	Standard	Certification body	Month of external assessment	Non-compliance	Recommenda-tions
Intereuropa, d. d., Koper	ISO 9001:2015	SIQ	April	0	21
Intereuropa, logističke usluge, d. o. o., Zagreb	ISO 9001:2015	SIQ	August	0	5
Intereuropa RTC, d. d., Sarajevo	ISO 9001:2015	SIQ	August	0	10

Three external assessments were carried out within the Intereuropa Group in 2018. No cases of non-compliance were identified by external assessors, who issued several recommendations for improvement.

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

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

Plans for 2019

Following the successful transition to the new ISO 9001:2015 quality standard in 2018, certified companies will focus on gradually improving their quality management systems in accordance with the guidelines set out in quality policy. Improvements will have to be made to measurements of the quality of logistics services, with quality indicators that demonstrate the reliability of those services. The documentation of reclamations (and subsequently offers) will be standardised on a single platform across the entire Group.

3.5 RESPONSIBILITY TO SUPPLIERS

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

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

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

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

Plans for 2019

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

3.6 COMMUNICATION WITH KEY PUBLICS

The Intereuropa Group's communication strategy derives from the Group's established strategic objectives. Communication activities are predicated on the adopted Corporate Governance Policy of Intereuropa, d. d. Through open dialogue with key publics, the Intereuropa Group aims to achieve certain important objectives: to strengthen its reputation, increase recognition and position the brand appropriately on all markets where it is present.

Communication with the financial public

Details regarding communication with the financial public are given in section 2.7 Share trading and ownership structure.

Communication with the general public

By building high-quality and long-term relations with various publics, the Intereuropa Group ensures it enjoys a positive image in the eyes of the general public. Communication with the general public takes the form of periodic press releases, while the Company regularly responds to journalists' questions. To that end, we consistently comply with the information disclosure rules to which we are bound as a public limited company listed on the prime market of the Ljubljana Stock Exchange.

Communication with employees

The Intereuropa Group is aware that effective and successful internal communication forms the basis for achieving positive operating results, strengthening affiliation with the Company and successfully integrating new employees into the organisational culture. The Group communicates with employees via various communication channels. Key communication tools include internal websites (intranet), email and personal communication. The Group strive to actively include employees in its operations. This is achieved by providing regular information regarding the latest developments and through employees' participation in management via the Works Council, trade union representatives and employee representatives on the parent company's Supervisory Board. The Works Council regularly invites the Company's senior management to its sessions, and thus provides current information and ensures mutual dialogue about open issues.

Communication with customers

The Intereuropa Group cultivates relations with customers with the aim of maintaining and enhancing the reputation of Intereuropa-brand services and the reputation of the Group as a whole. It is aware that only in-depth knowledge of the customers of logistics services, and their wishes, expectations and needs leads to their satisfaction. The Group therefore ensures systematic communication with the users of logistics services. In its customer relations, the Group advocates for two-way communication and long-term relations that form through regular and successful cooperation. It therefore strengthens relations through regular personal visits. These relations are the fruit of long-term cooperation, and the result of the loyalty and trust of customers. The Group maintained and strengthened customer relations in 2018 through regular participation in expert consultations, and at trade fairs, conferences and other events. The Group consolidated the position of the brand and its own position in the eyes of customers in 2018 through the use of a standard corporate identity on business gifts and promotional materials, and through the continued use of a standard website identity by all Group companies.

FINANCIAL REPORT

04

QUALITY IS OUR GUIDE

04 FINANCIAL REPORT

OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA D.D. FOR THE 2018 FINANCIAL YEAR

INTRODUCTORY NOTES

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

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

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

1.1 FINANCIAL REPORT OF THE INTEREUROPA GROUP

Financial statements of the Intereuropa Group with explanatory notes

TABLE 1: CONSOLIDATED INCOME STATEMENT OF THE INTEREUROPA GROUP FOR 2018 IN EUR THOUSAND

	Notes	January–December 2017	January–December 2016 (adjusted*)
Sales revenue	**1**	**160,382**	**149,889**
Losses from the derecognition of operating receivables		-127	-29
Other operating revenues	2	2,032	2,596
Costs of goods, materials and services	3	-117,332	-107,293
Labour costs	4	-28,851	-27,173
Amortisation and depreciation	5	-6,276	-6,353
Loss due to the impairment of receivables		-523	-308
Other operating expenses	6	-2,884	-11,019
Operating profit		**6,421**	**311**
Interest income		134	205
Gains and losses from the derecognition of loans granted and deposits		0	0
Other finance income		9	157
Finance costs – costs of financing		-2,146	-2,316
Loss due to the impairment of loans granted and deposits		-2	0
Other finance costs		-39	-395
Loss from financing activities	**7**	**-2,044**	**-2,349**
Investment result recognised according to the equity method	8	8	10
Profit or loss from ordinary operations		**4,385**	**-2,028**
Corporate income tax (including deferred taxes)	9	380	49
Net profit or loss for the accounting period		**4,765**	**-1,979**
Net profit or loss pertaining to controlling interests		4,632	-1,002
Net profit or loss pertaining to non-controlling interests	23	133	-977
Basic and diluted earnings / loss per ordinary share (in EUR)		0.27	-0.07

* Adjustments relate to the reclassification of items due to amendments to IAS 1. Disclosures are presented in Point III Reclassification of items of comparable data.

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

TABLE 2: CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE INTEREUROPA GROUP FOR 2018

in EUR thousand	Note	January–December 2018	January–December 2017
Net profit or loss for the accounting period		**4,765**	**-1,979**
Other comprehensive income or loss		**120**	**-1,167**
Items that will be reclassified to profit or loss		**185**	**905**
Change in the fair value of available-for-sale financial assets	16	-1	0
Transfer of revaluation surplus for available-for-sale financial assets to profit or loss		0	-104
Change in deferred taxes in the revaluation surplus for available-for-sale financial assets		0	19
Attributable changes in equity of associate and joint venture		0	0
Foreign currency translation differences		186	990
Items that will not be reclassified to profit or loss		**-65**	**-2,072**
Change in fair value of land	10	-22	-2,528
Transfer of revaluation surplus for land to net profit or loss brought forward		-184	-138
Change in deferred taxes	9	16	506
Change in net profit or loss brought forward from the transfer of the revaluation surplus for land		184	138
Corporate income tax on net profit or loss brought forward	9	-14	0
Actuarial net gains and losses for severance pay at retirement		-45	-50
Total comprehensive income or loss		**4,885**	**-3,146**
Total comprehensive income or loss pertaining to controlling interests		4,751	-2,319
Total comprehensive income or loss pertaining to non-controlling interests		134	-827

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

TABLE 3: CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE INTEREUROPA GROUP AS AT 31 DECEMBER 2018

in EUR thousand	Notes	31 December 2018	31 December 2017 (adjusted*)	1 January 2017 (adjusted*)
ASSETS				
Property, plant and equipment	10	157,404	164,669	175,151
Investment property	11	12,174	10,773	11,867
Intangible assets	12	3,662	3,816	4,253
Other non-current assets	13	24	29	49
Non-current operating receivables		55	16	0
Deferred tax assets	9	9,542	8,801	8,902
Long-term loans granted and deposits	14	15	57	30
Investment in associate company	15	71	73	102
Other non-current financial assets	16	31	33	542
TOTAL NON-CURRENT ASSETS		**182,978**	**188,267**	**200,896**
Available-for-sale assets		4,715	272	323
Inventories		70	122	134
Short-term loans granted and deposits	14	1,272	1,992	2,124
Assets from contracts with customers		762	0	0
Current operating receivables	19	32,960	34,252	28,804
Current receivables for corporate income tax		129	635	60
Other current assets	20	463	514	377
Cash and cash equivalents	21	9,578	3,618	5,294
TOTAL CURRENT ASSETS		**49,949**	**41,405**	**37,116**
TOTAL ASSETS		**232,927**	**229,672**	**238,012**
EQUITY				
Equity pertaining to controlling interests		**113,984**	**109,308**	**111,629**
Share capital		27,489	27,489	27,489
Share premium account		18,455	18,455	18,455
Profit reserves		5,589	5,584	5,277
Fair value reserves		47,185	47,371	49,679
Foreign currency translation differences		-6,488	-6,669	-7,570
Net profit or loss brought forward		17,232	18,420	16,551
Net profit or loss		4,522	-1,342	1,748
Equity pertaining to non-controlling interests	23	**7,659**	**7,741**	**8,625**
TOTAL EQUITY	22	**121,643**	**117,049**	**120,254**
LIABILITIES				
Provisions	24	2,347	3,230	1,847
Non-current deferred income		82	92	104
Non-current financial liabilities	25	511	66,995	74,736
Non-current operating liabilities	26	1,414	377	329
Deferred tax liabilities	9	11,116	11,064	12,049
TOTAL NON-CURRENT LIABILITIES		**15,470**	**81,758**	**89,065**
Current financial liabilities	25	70,551	5,786	6,201
Liabilities from contracts with customers		543	0	0
Current operating liabilities	27	24,349	24,838	21,885
Current corporate income tax liabilities		352	236	602
Current deferred income		19	5	5
TOTAL CURRENT LIABILITIES		**95,814**	**30,865**	**28,693**
TOTAL LIABILITIES		**111,284**	**112,623**	**117,758**
TOTAL EQUITY AND LIABILITIES		**232,927**	**229,672**	**238,012**

* Adjustments are disclosed in Point IV Correction of error.

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

TABLE 4: CONSOLIDATED STATEMENT OF CASH FLOWS OF THE INTEREUROPA GROUP FOR 2018 IN EUR THOUSAND

	Notes	January–December 2018	January–December 2017 (adjusted*)
Cash flows from operating activities			
Net profit or loss for the accounting period		**4,765**	**-1,979**
Adjustments for:			
- amortisation and depreciation	5	6,276	6,353
- impairments and write-offs of property, plant and equipment, and investment property	6, 10	56	7,342
- write-offs of intangible assets	12	1	0
- gains on the sale of property, plant and equipment, and investment property		-399	-306
- revenues from the reversal of impairments of property, plant and equipment, and investment property	10	0	-1,269
- losses from the sale of property, plant and equipment, and investment property		6	1
- gains and losses from the derecognition of operating receivables		-127	14
- losses due to the impairment of receivables	30	523	323
- impairments and write-offs of inventories		52	28
- other non-cash revenues		0	-40
- finance income from interest	7	-134	-205
- other finance income	7	-9	-157
- finance costs – costs of financing	7	2,146	2,316
- other finance costs	7	39	395
- loss due to the impairment of loans granted and deposits	7	2	0
- recognised result for joint venture according to the equity method		-8	-10
- corporate income tax (including deferred taxes)	9	-380	-49
Operating profit before changes in net working capital and taxes		**12,810**	**12,758**
Changes in net working capital and provisions			
Changes in assets from contracts with customers		529	0
Changes in receivables	19	-1,136	-5,770
Changes in inventories		1	-16
Changes in other current assets		47	-138
Changes in liabilities from contracts with customers		-49	0
Changes in operating liabilities	26, 27	744	2,843
Changes in provisions	24	-915	1,322
Changes in non-current deferred income		-11	-11
Income tax paid		297	-1,245
Net cash flow from operating activities		**12,317**	**9,743**

IN EUR THOUSAND

	Notes	January–December 2018	January–December 2017 (adjusted*)
Cash flows from investing activities			
Interest received		168	245
Dividends received and shares in profit		10	10
Inflows from the sale of property, plant and equipment	10	1,196	891
Inflows from long-term loans granted		32	0
Net cash flow from short-term loans granted		78	0
Net cash flow from short-term deposits placed	14	633	141
Inflows from the sale of other financial assets		9	491
Outflows for the acquisition of property, plant and equipment	10	-4,682	-2,455
Outflows for the acquisition of intangible assets	12	-330	-116
Outflows for long-term deposits placed	14	0	-40
Net cash flow from investing activities		**-2,886**	**-833**
Cash flows from financing activities			
Net cash flow from short-term loans and finance leases		5,524	194
Interest paid	7	-2,082	-2,343
Outflows for the repayment of long-term loans and finance leases	25	-6,712	-8,354
Dividends paid		-167	-67
Net cash flow from financing activities		**-3,437**	**-10,570**
Opening balance of cash and cash equivalents		**3,618**	**5,294**
Exchange rate differences relating to cash		-34	-16
Net cash flow for the period from ordinary operations		**5,994**	**-1,661**
Closing balance of cash and cash equivalents	21	**9,578**	**3,618**

* Adjustments relate to the reclassification of items due to amendments to IAS 1. Disclosures are presented in Point III Reclassification of items of comparable data.

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

TABLE 5: CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE INTEREUROPA GROUP FOR 2018

in EUR thousand	Note	Share capital	Share premium account	PROFIT RESERVES					Fair value reserves	Foreign currency translation differences	RETAINED EARNINGS		Equity pertaining to controlling interests	Equity pertaining to non-controlling interests	Total equity
				Legal reserves	Reserves for treasury shares	Treasury shares (as deduction item)	Reserves under the Articles of Association	Other reserves			Net profit or loss brought forward	Net profit or loss for the accounting period			
Reported as at 31 December 2017		**27,489**	**18,455**	**4,653**	**180**	**-180**	**15**	**916**	**47,371**	**-6,669**	**22,167**	**-1,002**	**113,395**	**7,741**	**121,136**
Correction of error*		0	0	0	0	0	0	0	0	0	-4,087	0	-4,087	0	-4,087
Adjusted balance at 31 December 2017		**27,489**	**18,455**	**4,653**	**180**	**-180**	**15**	**916**	**47,371**	**-6,669**	**18,080**	**-1,002**	**109,308**	**7,741**	**117,049**
Adjustment for the initial application of IFRS 9**		0	0	0	0	0	0	0	0	0	-607	0	-607	-41	-648
Adjusted balance as at 1 January 2018		**27,489**	**18,455**	**4,653**	**180**	**-180**	**15**	**916**	**47,371**	**-6,669**	**17,473**	**-1,002**	**108,701**	**7,700**	**116,401**
Total comprehensive income		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-186**	**181**	**124**	**4,632**	**4,751**	**134**	**4,885**
Net profit for the financial year		0	0	0	0	0	0	0	0	0	0	4,632	4,632	133	4,765
Other comprehensive income		0	0	0	0	0	0	0	-186	181	124	0	119	1	120
Transactions with owners															
Transfer of net profit or loss from the previous year to net profit or loss brought forward		0	0	0	0	0	0	0	0	0	-1,002	1,002	0	0	0
Dividends and shares in profit		0	0	0	0	0	0	0	0	0	0	0	0	-175	-175
Transfer of retained earnings to reserves		0	0	5	0	0		0	0	0	-5	0	0	0	0
Settlement of loss brought forward		0	0	0	0	0	0	0	0	0	110	-110	0	0	0
Write-off of liabilities for preferred dividends		0	0	0	0	0	0		0	0	532	0	532	0	532
Closing balance as at 31 December 2018	**22**	**27,489**	**18,455**	**4,658**	**180**	**-180**	**15**	**916**	**47,185**	**-6,488**	**17,232**	**4,522**	**113,984**	**7,659**	**121,643**

* Adjustments are disclosed in Point IV Correction of error.
** Adjustments are disclosed in Point II Changes in significant accounting policies.

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

TABLE 6: CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE INTEREUROPA GROUP FOR 2017

in EUR thousand	Note	Share capital	Share premium account	PROFIT RESERVES					Fair value reserves	Foreign currency translation differences	RETAINED EARNINGS		Equity pertaining to controlling interests	Equity pertaining to non-controlling interests	Total equity
				Legal reserves	Reserves for treasury shares	Treasury shares (as deduction item)	Reserves under the Articles of Association	Other reserves			Net profit or loss brought forward	Net profit or loss for the accounting period			
Reported as at 1 January 2017		**27,489**	**18,455**	**4,653**	**180**	**-180**	**15**	**609**	**49,679**	**-7,570**	**20,638**	**1,748**	**115,716**	**8,625**	**124,341**
Correction of error*		0	0	0	0	0	0	0	0	0	-4,087	0	-4,087	0	-4,087
Adjusted balance at 1 January 2017		**27,489**	**18,455**	**4,653**	**180**	**-180**	**15**	**609**	**49,679**	**-7,570**	**16,551**	**1,748**	**111,629**	**8,625**	**120,254**
Total comprehensive income		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-2,308**	**901**	**88**	**-1,002**	**-2,320**	**-827**	**-3,147**
Net profit for the financial year		0	0	0	0	0	0	0	0	0	0	-1,002	-1,002	-977	-1,979
Other comprehensive income		0	0	0	0	0	0	0	-2,308	901	88	0	-1,318	150	-1,168
Transactions with owners															
Transfer of net profit or loss from the previous year to net profit or loss brought forward		0	0	0	0	0	0	0	0	0	1,748	-1,748	0	0	0
Dividends and shares in profit		0	0	0	0	0	0	0	0	0	0	0	0	-57	-57
Transfer of retained earnings to reserves		0	0	0	0	0	0	307	0	0	-307	0	0	0	0
Adjusted balance at 31 December 2017	**22**	**27,489**	**18,455**	**4,653**	**180**	**-180**	**15**	**916**	**47,371**	**-6,669**	**18,080**	**-1,002**	**109,308**	**7,740**	**117,049**

* Adjustments are disclosed in Point IV Correction of error.

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

Notes to the consolidated financial statements of the Intereuropa Group

I. BASIS FOR COMPILATION OF THE FINANCIAL STATEMENTS

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

The Management Board approved the consolidated financial statements on 29 March 2019.

Basis of measurement
The consolidated financial statements have been compiled on a historical cost basis, except for land and financial assets measured at fair value, for which fair value is applied. The methods used for measurement are described in Point V.

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

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

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

Significant estimates, judgements and assumptions

The Group's financial statements are compiled on a going concern basis.
The coverage of current liabilities by current assets was down at the end of 2018 due to the reclassification of financial liabilities from the financial restructuring agreement to current liabilities. Current liabilities exceeded current assets by EUR 46,011 thousand as at 31 December 2018. As described in Note 34 Events after the balance-sheet date, the parent company concluded an annex to the financial restructuring agreement on 1 March 2019, thereby extending the maturity of principal in the amount of EUR 57,044 thousand until 31 January 2020. The parent company intends to refinance the financial liabilities from the financial restructuring agreement in 2019, as described in Note 30 Financial risks.

The recoverable amount of assets for the sake of comparison with the carrying amount to test for asset impairment (Notes 10, 11, 12 and 16).
In performing the asset impairment test, the senior management compared the recoverable amount of assets with their carrying amount, and recognised impairments if the carrying amount of those assets exceeded their recoverable amount.

The useful life of depreciable assets (Notes 10, 11 and 12).
By no later than the end of the financial year, the senior management verifies the useful life of depreciable assets, taking into account the technical and economic obsolescence thereof.

The value of doubtful receivables (Note 30).
The Group creates adjustments to the value of receivables based on the expected credit loss model using the simplified approach in accordance with IFRS 9.

Land and equity instruments measured at fair value (Notes 10, 16 and 29).

When measuring the fair value of land, the Group takes into account the ability of a market participant to generate economic benefits through the best use of an asset or its sale to another market participant. The most recent appraisal of the fair value of land was carried out in 2017, except for the land owned by the subsidiary TOV Intereuropa–Kiev, Ukraine, which was appraised in 2018. The fair value of equity instruments is assessed taking into account the bid price at the end of the reporting period or based on other available information.

All assets measured at fair value are classified to the fair value hierarchy based on the level of input data that are required for the measurement of fair value:

- level 1: market prices from an active market for similar assets;
- level 2: a valuation method that is directly or indirectly based on market inputs; and
- level 3: a valuation model that is not based on market inputs.

The fair value hierarchy is presented in Note 29.

The creation of deferred tax assets and liabilities, and the potential use thereof (Note 9).

The senior management assesses the creation of deferred taxes from tax losses based on past experiences and data from projections of operations for a seven-year period and in countries where the legal possibility to apply tax losses is shorter than the aforementioned period until the year of limitation, and assuming a stable tax environment in which Group companies operate. Deferred tax assets are reversed to the extent that it is no longer probable that the related tax benefit will be realised.

Creation of provisions and contingent liabilities (Notes 24 and 28).

The Group has created provisions for severance pay at retirement and jubilee benefits, and for lawsuits. Provisions are recognised if, as a result of a past event, Group companies have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources yielding economic benefits will be required to settle the obligation. The senior management of companies regularly verifies whether it is likely that there will be an outflow of resources yielding economic benefits in the settlement of a liability. The present value of severance pay and jubilee benefits is recorded in defined-benefit post-employment commitments. The basis for recognition comprises actuarial calculations that take into account assumptions and estimates at the time of the calculation (e.g. discount rate, estimated employee turnover rate, the mortality rate and wage growth). Defined-benefit commitments are sensitive to changes in the aforementioned estimates. When assessing the probability of an outflow of the Group's resources embodying economic benefits for the settlement of contingent liabilities for lawsuits, the senior management also uses the expert opinions of external lawyers who represent the Group in disputes.

The Group treats as contingent liabilities any potential liabilities for which the senior management assesses that an outflow of resources embodying economic benefits is unlikely for the settlement of the liability or the amount of the liability cannot be measured reliably. Such liabilities are not recognised in the financial statements, but are disclosed in the financial report. If an outflow of benefits is likely, the Group reclassifies the potential liability to provisions in the financial statements when a change in probability occurs.

Judgement regarding the transfer of real estate to investment property (Notes 10 and 11).

The Group assesses that elements of real estate made available in part for operating leasing and used in part by the Group cannot be sold separately (or made available separately for leasing). Such real estate is therefore classified as property, plant and equipment used in the provision of services. Only real estate that is made available for leasing in its entirety is recognised as investment property.

Judgement regarding the transfer of non-current assets to assets held for sale (Notes 10 and 17).

The Group classifies the portion of non-current assets that are very likely to be sold in the twelve months following the balance-sheet date to assets held for sale within current assets (based on an incomplete sale or a decision adopted by the senior management on the sale of assets on the reporting date). This applies to investment property, intangible assets and non-current financial assets, but only to land and buildings within property, plant and equipment on grounds of materiality.

The assessment of assumptions of control over subsidiaries and an associate (Notes 15 and 32).

The Group regularly verifies whether a change in influence has occurred. The following are deemed evidence of investors' significant influence:

- representation on the management board or other decision-making body of a company in which the Group invests; and
- participation in significant decisions, including decisions regarding dividends and profit-sharing.

Changes in accounting estimates, judgements and assumptions

The senior management of companies 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 2017 were compiled, except for assessments and judgements that relate to the initial application of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers (the Group began applying the aforementioned standards on 1 January 2018), as described in Point II.

Changes in accounting policies

All newly adopted or amended standards and interpretations that entered into force on 1 January 2018 were taken into account in the compilation of the Group's financial statements for the financial year ending 31 December 2018. The effects of new or amended standards and interpretations are explained in Point II.

II. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

(A) TRANSITION TO IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 Financial Instruments, adopted by the EU on 22 November 2016 (applicable to annual periods beginning on or after 1 January 2018). The Group began applying the aforementioned standard on 1 January 2018. In doing so, it complied with the provision of the aforementioned standard that requires the recognition of any difference between the previous carrying amount of an asset and the carrying amount of that asset at the beginning of the annual reporting period that includes the date of initial application in net profit or loss brought forward (or another component of equity, if appropriate) in the annual reporting period that includes the date of initial application. Comparable data have thus not been recalculated.

IFRS 9 includes requirements regarding recognition and measurement, the impairment and derecognition of financial instruments, and general hedge accounting associated with financial instruments. The trade receivables recorded by the Group also include receivables from leasing. The Group accounts for an investment in an associate in accordance with IAS 28 Investments in Associates and Joint Ventures. That investment is therefore exempt from the treatment prescribed by IFRS 9.

Classification and measurement of financial assets and financial liabilities

IFRS 9 replaces the previous classification of financial assets held by the Group as at 31 December 2017 and that was defined in IAS 39 Financial Instruments: Recognition and Measurement (loans and receivables, and available-for-sale financial assets), and introduces the following new categories of financial assets:

- financial assets measured at amortised cost;
- financial assets measured at fair value through other comprehensive income; and
- financial assets measured at fair value through profit or loss.

IFRS 9 largely maintains the previous classification and measurement of financial liabilities. There are thus no differences relative to IAS 39 for those liabilities at the Group level.

In accordance with IFRS 9, financial assets are classified to the above-mentioned categories based on the business model used to manage financial assets, and on the contractual cash flow characteristics of financial assets. Moreover, the Group may make an irrevocable decision at initial recognition to measure certain equity instruments that are not held for trading and that would otherwise be measured at fair value through profit or loss at fair value through other comprehensive income, and likewise present subsequent changes in fair value in other comprehensive income (the Group adopted such a decision for certain financial assets, as disclosed in Table 7).

Classification of financial assets based on the business model used to manage financial assets, and on the contractual cash flow characteristics of financial assets and accounting policies on the subsequent measurement of financial assets based on the requirements of IFRS 9 are presented in Point V. c.

Effect of the transition to IFRS 9 on the carrying amount of the Group's financial assets as at 1 January 2018

The effect of the transition to the IFRS on the carrying amount of the Group's financial assets as at 1 January 2018 relates to the additional impairment of trade receivables, other receivables and deposits. IFRS 9 replaces the 'incurred loss' model defined in IAS 39 with an 'expected loss' model, and requires the earlier recognition of expected credit losses. The accounting policy on the impairment of financial assets is described in Point V. i.

TABLE 7: CARRYING AMOUNT OF FINANCIAL ASSETS IN ACCORDANCE WITH IAS 39 AND NEW VALUES IN ACCORDANCE WITH THE IFRS BY TYPE OF ASSET

IN EUR THOUSAND

	Classification in accordance with IAS 39	New classification in accordance with IFRS 9	Carrying amount in accordance with IAS 39	Carrying amount in accordance with IFRS 9
Investments in shares and participating interests	Available-for-sale financial assets	Financial assets measured at fair value through profit or loss	32	32
Deposits placed	Loans and receivables	Financial assets measured at amortised cost	1,966	1,963
Non-current operating receivables	Loans and receivables	Financial assets measured at amortised cost	16	16
Current operating receivables	Loans and receivables	Financial assets measured at amortised cost	32,961	32,316
Cash and cash equivalents	Loans and receivables	Financial assets measured at amortised cost	3,618	3,618

As at 1 January 2018, the Group determined the need for the additional impairment of financial assets covered by IFRS 9, as shown in the table below.

TABLE 8: EFFECT OF ADDITIONAL IMPAIRMENTS OF FINANCIAL ASSETS USING THE NEW MODEL IN ACCORDANCE WITH IFRS 9

IN EUR THOUSAND

	Additional value adjustment as at 1 January 2018
Trade receivables	560
Other current receivables	85
Short-term deposits placed	3
Total	**648**

Additional impairments resulted in a reduction of the value of the financial assets presented in the table.

TABLE 9: EXPOSURE TO CREDIT RISK AND EXPECTED CREDIT LOSSES IN CONNECTION WITH CURRENT TRADE RECEIVABLES

IN EUR THOUSAND

	Gross value as at 1 January 2018	Average percentage of value adjustment created	Value adjustment as at 1 January 2018
Non-past-due	21,929	0.51%	111
1 to 30 days past due	5,157	0.42%	21
31 to 90 days past due	2,235	2.66%	59
91 to 180 days past due	787	15.03%	118
More than 180 days past due	4,823	99.91%	4,818
Exchange rate differences	0		5
Total	**34,929**		**5,134**

Effect of the transition to IFRS 9 on the Group's equity as at 1 January 2018

Due to the additional impairment of assets, the transition to IFRS 9 resulted in changes in the Group's equity, as disclosed in the following table.

TABLE 10: SUMMARY OF CHANGES IN THE GROUP'S EQUITY AS AT 1 JANUARY 2018 — IN EUR THOUSAND

in EUR thousand	Reported as at 31 December 2017	Correction of error*	Adjusted balance as at 1 January 2018	Adjustment for the initial application of IFRS 9 due to the impairment of receivables and deposits	Adjusted balance as at 1 January 2018
Net profit or loss brought forward – majority shareholder	22,167	-3,747	18,420	-607	17,813
Equity pertaining to non-controlling interests	7,741	0	7,741	-41	7,700

* See Point IV. Correction of error.

(B) TRANSITION TO IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 superseded IAS 18 Revenues and IAS 11 Construction Contracts, and numerous other interpretations relating to revenues. The Group began applying the aforementioned standard on 1 January 2018. For that purpose, it used a simple retrospective method with the cumulative effect of the initial application of the aforementioned standard, recognised on the date of initial application. Comparable data have thus not been recalculated.

The core principle of the new standard is that the recognition of revenues depicts the transfer of goods or services to a customer in an amount that reflects the consideration (i.e. payment) that the Group expects in exchange for those goods or services.

The Group analysed valid contracts with customers in terms of the presence of significant performance obligations, and assessed that the introduction of the new IFRS 15 on 1 January 2018 will not have an effect on its equity. Given the nature of the Group's operations and the types of revenues it generates, the timing of recognition and the measurement of its revenues did not change with the application of the new standard.

When approving contracts with customers, the Group assesses the consideration that it expects in exchange for goods or services that it has transferred to customers. A transaction is deemed completed when all activities under an order have been implemented. An order may contain different services. Consideration received represents the transaction price. The transaction price represents the fixed agreed consideration in exchange for promised goods and/or the provision of services to a customer.

Policies regarding the recognition of revenues from services rendered, assets from contracts with customers and liabilities from contracts with customers are described in point V. n.

TABLE 11: EFFECT OF THE TRANSITION TO IFRS 15 ON THE STATEMENT OF FINANCIAL POSITION — IN EUR THOUSAND

	Reported as at 31 December 2017	Adjustment for the initial application of IFRS 15	Adjusted balance as at 1 January 2018
Current operating receivables	34,252	-1,291	32,961
Contract assets	0	1,291	1,291
Current operating liabilities	24,838	-591	24,247
Contract liabilities	0	591	591

III. RECLASSIFICATION OF ITEMS OF COMPARABLE DATA

The adoption of IFRS 9 also resulted in amendments to IAS 1 Presentation of Financial Statements, which requires the following special items to be included in the income statement: 'loss due to the impairment of receivables', 'finance income from interest' and 'finance costs – costs of financing'. The Group therefore made the following reclassifications in the comparable data:

- the amount disclosed in the item 'other operating revenues' (EUR 581 thousand) and the amount disclosed in the item 'other operating expenses' (-EUR 918 thousand) were classified by the Group in the net amount to the item 'loss due to the impairment of receivables' (-EUR 308 thousand), and the difference to the item 'gains and losses from the derecognition of operating receivables' (-EUR 29 thousand);
- the Group split the item 'finance income' (EUR 362 thousand) into two items: 'finance income from interest' (EUR 205 thousand) and 'other finance income' (EUR 157 thousand), which relates to income from participating interests (EUR 10 thousand) and gains from the disposal of financial assets (EUR 147 thousand); and
- the Group split the item 'finance costs' (EUR -2,711 thousand) to the items 'finance costs – costs of financing' (EUR -2,316 thousand) and 'other finance costs' (EUR -395 thousand), which includes expenses from the disposal of financial assets (-EUR 30 thousand), finance costs from the impairment of financial assets (-EUR 37 thousand) and negative exchange rate differences (-EUR 328 thousand).

Those reclassifications also affected the Group's statement of cash flows.

IV. CORRECTION OF ERRORS

The Group identified the following errors when compiling the financial statements for 2018:

- in the assessment of the application of tax losses as at 1 January 2017, deferred tax assets created for tax losses were overstated by EUR 4,087 thousand due to a mathematical error; and
- the erroneous disclosure of real estate leased to others because that real estate was not recognised as investment property (the error was corrected by transferring real estate leased to others from the item property, plant and equipment to the item investment property; relating to data reported as at 1 January 2017 in the amount of EUR 2,443 thousand and to data reported as at 31 December 2017 in the amount of EUR 1,594 thousand).

TABLE 12: EFFECT OF THE CORRECTION OF THE ERROR ON THE STATEMENT OF FINANCIAL POSITION AS AT 1 JANUARY 2017

IN EUR THOUSAND

	Reported as at 1 January 2017	Correction of error	Adjusted balance as at 1 January 2017
Property, plant and equipment	177,594	-2,443	175,151
Investment property	9,424	2,443	11,867
Deferred tax assets	12,989	-4,087	8,902
Total assets	**242,099**	**-4,087**	**238,012**
Net profit or loss brought forward	20,638	-4,087	16,551
Total equity	124,341	-4,087	120,254
Total equity and liabilities	**242,099**	**-4,087**	**238,012**

TABLE 13: EFFECT OF THE CORRECTION OF THE ERROR ON THE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

IN EUR THOUSAND

	Reported as at 31 December 2017	Correction of error	Adjusted balance as at 31 December 2017
Property, plant and equipment	166,263	-1,594	164,669
Investment property	9,179	1,594	10,773
Deferred tax assets	12,888	-4,087	8,801
Total assets	**233,759**	**-4,087**	**229,672**
Net profit or loss brought forward	22,167	-4,087	18,080
Total equity	121,136	-4,087	117,049
Total equity and liabilities	**233,759**	**-4,087**	**229,672**

The correction of the error did not affect the value of basic and diluted earnings per share, nor did it affect the statement of cash flows or income statement.

V. SIGNIFICANT ACCOUNTING POLICIES

The Group consistently applies the same accounting policies from period to period. Those policies are presented in the enclosed financial statements. The Group only amends accounting policies if:
a) a change is mandatory under a standard or interpretation; or
b) as the result of a change, the financial statements present more reliable and relevant information regarding the effects of transactions, other business events and balances on the financial position, results expressed in monetary terms and the financial flows of the Group.

Comparative information is harmonised with the presentation of information for the financial year in question. Amendments to policies are disclosed.

(A) BASIS FOR CONSOLIDATION

Subsidiaries

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

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

The parent company's senior management assesses that indicators of control exist. Voting rights are equivalent to shares of control.

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

Associate

The Group values its investment in an associate according to the equity method (Point V. c.).

Transactions eliminated on consolidation

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

(B) FOREIGN CURRENCY

Transactions in foreign currencies

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

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

Financial statements of companies abroad

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

(C) FINANCIAL ASSETS

The Group initially recognises financial assets at fair value, except an investment in an associate, which it recognises at historical cost, and trade receivables, which it recognises at the transaction price.

The Group recognises ordinary purchases and sales of financial assets on the transaction date, i.e. the date on which an individual Group company undertakes to purchase or sell an asset. Any gain or loss resulting from the disposal of financial assets is also recognised on that date.

Cash and cash equivalents comprise sight deposits and cash in hand. Cash equivalents are short-term, readily redeemable investments that can be immediately converted into a specific amount of cash, where the risk of a change in value is negligible. The Group defines short-term call deposits as such. The Group's statement of cash flows presents changes in inflows and outflows of cash and cash equivalents during the accounting period, using the indirect method, and explains changes in the balance thereof. The statement of cash flows was compiled using data from the Group's income statement for 2018, items from its statements of financial position as at 31 December 2018 and 31 December 2017, and additional data.

The Group values an investment in an associate according to the equity method, by increasing or decreasing the carrying amount of that investment by its share in the profit or loss of that associate. Payments received in connection with the accompanying participating interest reduce the carrying amount of the investment. In the event of changes in the associate's other comprehensive income, the Group adjusts the carrying amount of the investment by its corresponding share of those changes.

The Group classifies other financial assets to the categories presented in the following table based on the business model used to manage financial assets, and on the contractual cash flow characteristics of financial assets:

TABLE 14: CLASSIFICATION OF FINANCIAL ASSETS BASED ON THE BUSINESS MODEL USED BY THE GROUP TO MANAGE FINANCIAL ASSETS, AND ON THE CONTRACTUAL CASH FLOW CHARACTERISTICS OF FINANCIAL ASSETS

Group of financial assets	**Financial asset**
Financial assets measured at amortised cost	Trade receivables, including receivables from leasing and other operating receivables, contract assets,* loans and deposits.
Financial assets measured at fair value through other comprehensive income	Equity instruments not held for trading, for which the Group makes an irrevocable decision at initial recognition to measure those instruments at fair value through other comprehensive income.
Financial assets measured at fair value through profit or loss	Equity instruments for which the Group does not make a decision at initial recognition to measure those instruments at fair value through other comprehensive income.

* Contract assets represent the Group's right to consideration for the exchange of goods or services that it has transferred to its customers (current accrued revenues). They also comprise receivables from uncharged customs and other duties that arise in customs clearance procedures that are charged to customers and treated as suspense items.

Significant characteristics of the financial assets stated in the above table

Financial assets measured at amortised cost

The Group measures financial assets upon initial recognition at amortised cost if they meet both of the following conditions:

- the financial asset is held within the framework of a business model whose objective is achieved by collecting contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows, on certain dates, that are exclusively payments of principal and interest on the outstanding amount of principal.

The Group calculates interest income from the aforementioned assets using the effective interest rate method and recognises it in profit or loss.

Financial assets measured at fair value through other comprehensive income

Interest and exchange rate differences associated with these assets are recognised in the income statement, while other gains and losses are recognised in other comprehensive income. When an asset is derecognised, gains and losses recognised in other comprehensive income (revaluation surplus) are transferred to net profit or loss brought forward.

Financial assets measured at fair value through profit or loss

The Group measures financial assets that it does not measure at amortised cost and that do not represent an investment in an associate at fair value through profit or loss. Gains and losses are recognised in the income statement.

(D) FINANCIAL LIABILITIES

A financial liability is any liability that is a contractual obligation:

- to deliver to another company cash or some other financial asset (e.g. trade payables, liabilities from loans received, etc.); or
- to exchange financial assets or financial liabilities with another company under conditions that are potentially unfavourable to the Group.

The Group recognises financial liabilities on the day they arise. Financial liabilities are initially recognised on the transaction date, i.e. when an individual Group company becomes a contractual party in connection with the instrument in question. The Group derecognises a financial liability when the obligations specified in the contract have been discharged, have been cancelled or have expired. Upon initial recognition, it measures financial liabilities at fair value, including transactions costs. If the fair value of a financial liability at initial recognition differs from the transaction price, that liability is recognised at amortised cost. Following initial recognition, non-derivative financial liabilities are measured at amortised cost using the effective interest rate method.

(E) LIABILITIES FROM CONTRACTS WITH CUSTOMERS

Liabilities from contracts with customers represent obligations to transfer goods or services to customers for which consideration was received from those customers (liabilities for advances received).

(F) EQUITY

Share capital

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

Share premium account

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

Legal reserves

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

Reserves under the Articles of Association and other reserves

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

Treasury shares

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

Fair value reserves

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

Foreign currency translation differences

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

Liabilities for dividends and other shares in profit

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

(G) PROPERTY, PLANT AND EQUIPMENT

The Group initially recognises property, plant and equipment at historical cost, which includes amounts directly related to the purchase of an asset, as well as capitalised borrowing costs. Following the initial recognition of property, plant and equipment, the Group measures buildings and equipment using the historical cost model, while a revaluation model is used for land. According to the historical cost model, property, plant and equipment are disclosed at historical cost, less accumulated depreciation and any accumulated impairment loss. According to the applied revaluation model, land is disclosed at fair value on the revaluation date, less accumulated impairment loss. The Group verifies the need for revaluation annually. The Group revalues land every five years or more frequently if indications of impairment point to a significant deviation in fair value.

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

Accounting for borrowing costs

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

Subsequent costs

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

Depreciation

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

- buildings 40–68 years;
- computer equipment 2–4 years; and
- other plant and equipment 3–10 years.

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

(H) INTANGIBLE ASSETS

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

Subsequent costs

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

Amortisation

The Group calculates the amortisation of intangible assets with a finite useful life on a straight-line basis over the estimated useful life of each individual asset. That method most precisely expresses the expected pattern of use of an asset. The estimated useful lives for the current and comparative years are 3, 5, 10, 15 and 23 years. Amortisation methods, useful lives and residual values are verified at the end of each financial year and adjusted as required.

Goodwill

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

Acquisition of non-controlling interests

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

(I) INVESTMENT PROPERTY

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

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

(J) INVENTORIES

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

(K) IMPAIRMENT OF ASSETS

k.1. Impairment of financial assets

Impairment of operating receivables

The Group impairs operating receivables in the form of a value adjustment for expected credit losses over the life of those assets. Losses due to the impairment of trade receivables and other operating receivables (including the reversal of impairment losses) are disclosed in the income statement in the item 'loss due to the impairment of receivables'.

The Group impairs trade receivables (including receivables from leases) that are not subject to legal actions, enforcement or bankruptcy proceedings, registered in compulsory composition proceedings prior to publication of confirmation thereof or in recovery proceedings via specialised institutions, or are not deemed doubtful based on other objective reasons, by creating a value adjustment using impairment percentages with regard to the age of the receivables.

When measuring expected credit losses associated with such assets, the Group applies a simplified approach using a 'provision matrix' that is based on past experiences regarding written-off receivables and estimates for the future.

The Group impairs receivables that are subject to legal actions, enforcement or bankruptcy proceedings, registered in compulsory composition proceedings prior to publication of confirmation thereof or in recovery proceedings via specialised institutions, or that are deemed doubtful based on other objective reasons, in 100% of their value, except in cases where the law permits a reduction in liabilities for calculated and unpaid valued-added tax. Impairments are reduced for that amount.

The Group impairs receivables for interest on loans granted and deposits placed when it impairs loans and deposits. It does not impair other operating receivables until they are more than 30 days past due, depending on the composition of and past experience with those receivables. After that time, the Group individually assesses the probability of future cash flows from such receivables and impairs them accordingly.

Impairment of assets from contracts with customers

Given the substance of such assets (a transitional form of asset that quickly transforms into ordinary trade receivables), the Group does not impair them.

Impairment of loans granted and deposits

The Group impairs loans granted and deposits based on senior management's assessment of their irrecoverability. In accordance with IFRS 9, the Group transitioned from the incurred loss model to the expected loss model, according to which the Group recognises both incurred losses and losses that it expects to incur in the future.

When assessing the impairment of loans granted, the Group assesses evidence of impairment for each loan separately. If it assesses that the carrying amount of a loan exceeds its fair value (i.e. its realisable value), the Group impairs that loan. The assessment of impairment is based on expected credit losses in connection with the probability of loan default over the next 12 months, unless credit risk has risen significantly since initial recognition. In such cases, the assessment of impairment is based on the probability of default over the entire life of the financial asset in question. Expected credit losses comprise the difference between contractual cash flows that have fallen due and all cash flows that the Group expects to receive. Expected cash flows will also include cash flows from the sale of a collateralised asset.

Impairments for expected credit losses are assessed in two phases. For credit exposures for which there has been no significant increase in credit risk since initial recognition, impairments for expected losses are recognised for credit losses resulting from potential defaults over the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, the Group recognises an adjustment for losses that it expects over the remaining life of an exposure, regardless of the default period.

The Group deems obligations in connection with a financial asset not to be fulfilled when contractual payments are 90 days past due. In certain cases, the Group may deem credit risk to have increased, even when it is probable, based on the relevant information, that it will not receive unpaid contractual amounts in full. The Group recognises the write-off of a financial asset when it justifiably expects not to collect contractual cash flows. Losses due to the impairment of these assets are disclosed in the income statement in the item 'other finance costs'.

k.2. Impairment of non-financial assets

The Group reviews the carrying amount of property, plant and equipment, investment property and intangible assets at each reporting date to determine whether there are any indications of impairment. If such indications exist, the recoverable amount of an asset is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use or its fair value less selling costs. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to an asset. For impairment testing, assets that cannot be tested individually are grouped into the smallest possible groups of assets that generate cash flows from continued use and that are largely independent of cash generated by other assets or groups of assets (cash-generating unit).

The Group recognises the impairment of an asset or a cash-generating unit when its carrying amount exceeds its recoverable amount. That impairment is disclosed as an expense in the income statement.

The Group reverses an impairment loss to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in previous years.

(L) NON-CURRENT ASSETS HELD FOR SALE

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

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

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

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

(M) EMPLOYEE BENEFITS

Short-term employee benefits

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

(N) PROVISIONS

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

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

Provisions for severance pay and jubilee benefits

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

Interest expense and any increase during the current year are recognised in the income statement as labour costs, while interest is disclosed as a finance cost. Actuarial gains and losses from jubilee benefits are recognised in the income statement as labour costs, while actuarial gains and losses from severance pay at retirement are recognised in other comprehensive income in the revaluation surplus and transferred immediately following recognition to profit or loss brought forward. Provisions are used in an amount equal to the actual costs incurred for accrued severance pay at retirement and jubilee benefits.

(O) NON-CURRENT DEFERRED INCOME

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

(P) REVENUES FROM SERVICES RENDERED

Contracts with customers are only accounted for when the relevant conditions have been met. When approving contracts with customers, the consideration that is expected in exchange for goods or services is assessed. Consideration received represents the transaction price. The transaction price represents the fixed agreed consideration in exchange for promised goods and/or the provision of services to a customer.

Revenues from services rendered are recognised by the Group in the income statement taking into account the stage of completion of a transaction at the end of the reporting period or when performance obligations are fulfilled. The stage of completion is assessed on the basis of a review of costs incurred (review of work performed – measurement of the progress of a transaction).

Revenues from services rendered are measured at the transaction prices of completed services stated in invoices (fulfilment of performance obligations at a given moment) or other documents, or at the prices of incomplete services taking into account the stage of completion thereof (performance obligations are fulfilled over time).

In cases when a particular transaction (performance obligation) is not completed (fulfilled) as at the balance-sheet date, the Group believes that no reliable assessment can be made as to the outcome of such a transaction, but that the progress of that transaction can be reasonably measured. Thus the Group only recognises revenues up to the amount of direct costs incurred, and for which it can be expected that they will be covered (contribution method).

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

TABLE 15: FULFILMENT OF PERFORMANCE OBLIGATIONS

Business line	Nature of and time required to fulfil performance obligations to customers	Payment terms
LAND TRANSPORT **LOGISTICS SERVICES** **INTERCONTINENTAL TRANSPORT** **OTHER SERVICES**	A customer sends an order for the execution of forwarding transactions. The order must include all essential data for the correct and timely execution of an order. A transaction is deemed completed when all activities under an order have been implemented. An order may contain different services. A transaction is deemed completed: - for services in connection with organising the transport of goods: when transport is completed (i.e. shipment is received or delivered); - for customs clearance transactions: when goods are released to the declaring party; - for the warehousing of goods: when goods are placed in or removed from a warehouse, or other warehouse work is performed (e.g. paletting, labelling, etc.); - for other transactions: when the agreed service is rendered. An invoice is issued to the customer after a service has been rendered.	In general, a customer must pay for our services and associated costs before a service is rendered (advance). Taking into account a customer's credit rating, past experience with a customer and commercial agreements, an invoice for services is payable within 30 days following the rendering thereof.

(Q) COSTS – EXPENSES

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

(R) LEASES

Leases granted

Revenues from operating leasing are recognised over the lease term.

Leases received

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

(S) FINANCE INCOME AND FINANCE COSTS

Finance income primarily comprises interest income, income from dividends and other shares in profit, revenues from the disposal of financial assets measured at fair value through profit or loss, positive exchange rate differences and revenues from the reversal of the impairment of financial assets. Interest income is recognised as it accrues, using the effective interest method. Dividend income and income from other shares in profit are recognised in the income statement on the day a shareholder's or owner's right to payment was exercised.

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

(T) CORPORATE INCOME TAX

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

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

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

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

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

(U) NET EARNINGS PER SHARE

The Group discloses basic earnings per share and diluted earnings per share. Basic earnings per share are calculated by dividing the profit or loss pertaining to ordinary shareholders during the financial year with the weighted average number of ordinary shares (excluding treasury shares).

Diluted earnings per share are calculated by adjusting the profit or loss pertaining to ordinary shareholders and the weighted average number of ordinary shares during the financial year for the effect of all dilutive potential ordinary shares. The Group does not hold dilutive potential shares. Basic earnings per share and diluted earnings per share are thus equal.

(V) AMENDED AND NEW STANDARDS, AND INTERPRETATIONS

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

IFRS 9 Financial Instruments, adopted by the EU on 22 November 2016 (applicable to annual periods beginning on or after 1 January 2018).
IFRS 9 includes requirements regarding recognition and measurement, impairment, derecognition and general hedge accounting.

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

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

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

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

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

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

The impact of the initial application of the new IFRS 9 and IFRS 15 on 1 January 2018 is explained in Point II Changes in significant accounting policies.

Amendments to IFRS 4 Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, adopted by the EU on 3 November 2017 (applicable to annual periods beginning on or after 1 January 2018 or when IFRS 9 Financial Instruments is applied for the first time).
The Group does not operate as an insurance company. It will thus not be affected by the amendments to the aforementioned standard.

Amendments to IFRS 2 Share-Based Payments – Classification and Measurement of Share-Based Payment Transactions (applicable to annual periods beginning on or after 1 January 2018).
Amendments to the aforementioned standard did not affect the Group.

Amendments to IAS 40 Investment Property – Transfers of Investment Property (applicable to annual periods beginning on or after 1 January 2018).
The amendments to the date of initial application did not have a significant impact on the Group's financial statements on the date of first application, as it only transfers real estate to and from investment property when an actual change in the use of real estate occurs.

Amendments to various standards (Improvements to the IFRS, 2014–2016 cycle) proceeding from the project of annual improvements to the IFRS (IFRS 1, IFRS 12 and IAS 28), primarily to eliminate discrepancies and to provide interpretations (the amendments to IFRS 12 apply to annual periods beginning on or after 1 January 2017, while the amendments to IFRS 1 and IAS 28 apply to annual periods beginning on or after 1 January 2018).
The aforementioned amendments did not have a significant impact on the Group's financial statements, as it does not hold participating interests in subsidiaries, joint ventures, associates or unconsolidated structured entities that are classified as assets held for sale or discontinued operations.

IFRIC 22 Foreign Currency Transactions and Advance Consideration (applicable to annual periods beginning on or after 1 January 2018).
This interpretation did not have a significant impact on the Group's financial statements on the date of first application, as it applies the exchange rate applicable on the date of a transaction upon the initial recognition of non-monetary prepayment assets or deferred income liabilities.

New standards and interpretations, and amendments to existing standards, adopted by the European Union (EU) but not yet applicable to annual periods beginning on or after 1 January 2018

IFRS 16 Leases, adopted by the EU on 31 October 2017 (applicable to annual periods beginning on or after 1 January 2019).
IFRS 16 replaces IAS 17 Leases and related clarifications. The standard eliminates the previous dual lease accounting model and instead requires companies to disclose the majority of leases in the statement of financial position using a single model and thus eliminate the distinction between operating and finance leases.

In accordance with IFRS 16, a contract is or contains a lease if it conveys the right to control of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires lessees to recognise assets (representing the right to use) and liabilities arising from leases. An asset that represents the right to use is depreciated, while a lease liability accrues interest. For this reason, initial costs will arise for the majority of leases, although the lessee will pay the same annual rental fee.
The new standard introduces limited exemptions for lessees (if the latter opt to apply them), including:
- leases with a lease term of 12 months or less and containing no purchase options; and
- leases where the underlying asset has a low value.

Notwithstanding the above, accounting by lessors remains substantially unchanged, as the distinction between operating and finance leases is maintained.

The Group expects the new standard to affect its financial statements on the date of first application, as it must recognise assets and liabilities arising from operating leases in which it is the lessee in the statement of financial position.

The Group expects to recognise new assets and liabilities for its operating leases in connection with cars, forklifts and other equipment. The nature of and costs associated with these leases will thus change, as the Group will recognise the cost of amortisation of the right to use assets and interest expenses in connection with lease liabilities. In the past, the Group recognised the costs of operating leases equally over the lease term. No major impact is expected on the Group's finance leases.
Based on currently available information, the Group assesses the effect of the transition to IFRS 16 as at 1 January 2019 as presented in the following table:

TABLE 16: EFFECT OF THE TRANSITION TO IFRS 16 IN EUR THOUSAND

	Right to use assets under lease (discounted value)	Amortisation and depreciation					Interest			Total amortisation and depreciation, and interest
Asset type / Date or year	1 January 2019	2019	2020	2021	2022	2023	2019	2020	2021	
Equipment	800	288	266	162	77	7	19	11	5	835

For the purpose of that transition, the Group intends to take a practical approach to IFRS 16, by recognising the right to use underlying assets and lease liabilities on 1 January 2019, without recalculating comparable data. By applying IFRS 16, the Group intends to exclude those leases:
- that are short-term in nature; and/or
- in which the underlying asset has a low value.

The Group has reassessed the classification of leases in which it acts as the lessor. Based on currently available information, no major effect is expected on leases in which the Group acts as the lessor.

IFRIC 23 Uncertainty over Income Tax Treatments (applicable to annual periods beginning on or after 1 January 2019). Early adoption is permitted.

IFRIC 23 clarifies accounting for income tax (which must still be confirmed by tax authorities) and attempts to increase transparency. One crucial test is whether the tax authority will accept the accounting treatment selected by the Group. If it is probable that the tax authority will accept uncertain treatment, the tax amounts disclosed in the financial statements are consistent with the tax filing, and there is no uncertainty in connection with current and deferred taxes. Otherwise, taxable profit (or tax loss), the tax base and unused tax losses are determined in a way that better reflects the outcome in connection with uncertainty, by using the most likely amount or the expected value of the treatment (sums with the probability of weighted amounts). The Group must assume that the tax authority will study the situation and fully understand all relevant information.

The Group does not expect any significant changes with the application of the interpretation.

Amendments to IFRS 9: Prepayment Features with Negative Compensation (applicable to annual periods beginning on or after 1 January 2019).

These amendments address the question of accounting for financial assets that include special contractual prepayment options. Questions related in particular to how a company should classify and measure debt instruments if a debtor was permitted to make an early repayment in an amount less than unpaid principal and accrued interest. Such early repayments are frequently described as including 'negative compensation'. A company that applies IFRS 9 measures financial assets with negative compensation at fair value through profit or loss. The amendments allow companies to measure certain financial assets with a prepayment option with negative compensation at amortised cost.

The Group does not expect the amendments to have a significant impact on its financial statements on the date of first application, as it does not hold financial assets with the possibility of prepayment with negative compensation.
Standards and interpretations that were not yet confirmed by the European Union (EU) as at 31 December 2018

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the European Commission has decided to defer the adoption of these amendments indefinitely).

The amendments clarify that the extent of recognition of gains and losses in a transaction with an associate or joint venture depends on whether the sold or contributed assets represent a business entity:

- gains or losses are recognised in full if a transaction between an investor and subsidiary or joint venture relates to the transfer of assets or assets that represent a business entity (whether owned by a subsidiary or not), while
- gains or losses are recognised in part if a transaction between an investor and subsidiary or joint venture relates to assets that do not represent a business entity, even if they are owned by a subsidiary.

The Group does not expect the amendments to have a significant impact on its financial statements on the date of first application, as its only investment in an associate is immaterial.

IFRS 17 Insurance Contracts (applicable to annual periods beginning on or after 1 January 2021. To be applied prospectively; use before that date is permitted.) This provision has not yet been adopted by the EU.

IFRS 17 replaces IFRS 4, which was adopted in 2004 as an interim standard. IFRS 4 provided for an exemption that allowed companies to continue accounting for insurance contracts in accordance with national accounting standards, which resulted in several different approaches.

IFRS 17 resolved the problem of comparability caused by IFRS 4, as it requires all insurance contracts to be accounted for consistently, from which both investors and insurance companies benefit. Insurance liabilities are accounted for using current value instead of original value.

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

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017 and applicable to annual periods beginning on or after 1 January 2019). These amendments have not yet been adopted by the EU.

The amendments clarify that a company applies the provisions of IFRS 9 Financial Instruments if the equity method cannot be applied when accounting for investments in associates and joint ventures.

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

Annual improvements to the IFRS, 2015–2017 cycle (issued on 12 December 2017 and applicable to annual periods beginning on or after 1 January 2019). These annual improvements have not yet been adopted by the European Union.

The annual improvements to the IFRS, 2015–2017 cycle comprise four amendments to standards. The main amendments relate to the following:

- the amendments to IFRS 3 Business Combinations clarify that when a company obtains control of a business that is a joint operation, it remeasures previously held interests in that business;
- the amendments to IFRS 11 Joint Arrangements clarify that when a company obtains joint control of a business that is a joint operation, it does not remeasure previously held interests in that business;
- this amendment clarifies that a company must always account for the tax consequences of dividend payments in the income statement, other comprehensive income or equity, depending on where a past transaction or event that generated distributable profit was originally recognised; and
- this amendment clarifies that a company must generally exclude from loans those loans that it raises specifically for the purpose of acquiring a qualifying asset, until practically all activities required to prepare an asset for its intended use or sale are completed, as loans raised specifically for the purpose of acquiring a qualifying asset may not be used as loans initially raised specifically for the purpose of acquiring a qualifying asset that is already prepared for intended use or sale.

The Group does not expect any of the above-described amendments to have a significant impact on its financial statements.

Amendments to IAS 19: Employee Benefits (applicable to annual periods beginning on or after 1 January 2019). These amendments have not yet been adopted by the EU.

These amendments require a company to use current and updated assumptions in the event of an amendment to a plan, and amendments, curtailments or settlements with the purpose of determining current service costs and net interest for the remainder of the annual reporting period after a plan amendment.

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

Amendments to IFRS 3 Business Combinations (applicable to annual periods beginning on or after 1 January 2020). These amendments have not yet been adopted by the EU.

These amendments narrowed and explained the definition of a business. They also permit a simplified assessment as to whether an acquired set of activities and assets is treated as a group of assets and not a business.

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

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (applicable to annual periods beginning on or after 1 January 2020). These amendments have not yet been adopted by the EU.

These amendments explain and harmonise the definition of the concept of 'materiality' and provide guidance for improving consistency in the application of that concept whenever it is used in the scope of the IFRS.

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

VI. DETERMINATION OF FAIR VALUE

Given the Group's accounting policies and classification approach, the determination of the fair value of both financial and non-financial assets and liabilities is required in a number of cases. The Group determined the fair values of individual groups of assets for measurement and/or reporting purposes based on the methods described below. Where necessary, further clarifications regarding assumptions used to determine fair values are disclosed in the notes to individual groups of assets or liabilities.

Land

Following recognition, the Group measures land at a revalued amount equal to the fair value on the revaluation date (i.e. the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction, on the principal (or most advantageous) market, between market participants at the measurement date under current market terms, regardless of whether the price can be directly observed or estimated using another valuation technique). Depending on the circumstances or situation, the fair value of land is measured using one or more valuation techniques. They are the market approach, cost approach and income approach. The Group revalues land every five years or more frequently if indications of impairment point to a significant deviation in fair value. Based on an assessment of the effect of a change in indicators of impairment, the amount by which the fair value of land deviates from its carrying amount is assessed. An appraisal of land is performed for financial reporting purposes in the event of a significant deviation.

Investments in equities

The fair value of equities valued at fair value is determined taking into account the bid price at the end of the reporting period.

VII. FINANCIAL RISK MANAGEMENT

The Group is exposed to the following risks in the use of financial instruments:
- credit risk,
- liquidity risk,
- market risk,
- currency risk, and
- business risk.

This point discusses the Group's exposure to the individual risks stated above, and its objectives, policies and procedures for measuring and managing risks, as well as its management of capital. Other quantitative disclosures are included in Note 30.

Senior management has adopted risk management guidelines as part of risk management rules. The Group has a Risk Management Committee that is responsible for the development and supervision of risk management policies. Financial risks are a part of the Group's regular reporting on risks that the aforementioned committee regularly reports to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily in connection with Group's trade receivables.

The Group's exposure to credit risk depends primarily on the characteristics of each customer. However, senior management also takes into account the demographic customer base and the solvency risk associated with the sector and country in which a customer operates, as these factors may affect credit risk, particularly in the current adverse economic situation. The relevant policies require an analysis of the creditworthiness of each major new customer, before the Group offers its standard payment and delivery terms. The Group's review includes external assessments, if available.

The Group creates impairments that represent its estimated losses from operating and other receivables and investments. The main elements of such a value adjustment are the specific part of the loss relating to individual significant risks and the common part of the loss formed for groups of similar assets due to losses that have already been incurred but are not yet defined.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to settle its financial liabilities using cash or other financial assets. The Group ensures liquidity by always having sufficient liquid assets to settle liabilities at maturity, in both normal and high-stress situations, without incurring unacceptable losses or risking damage to its reputation.

The Group primarily provides guarantees for potential customs liabilities that might arise from transit procedures, the verification of origin, and various analyses and controls of goods that are required for the performance of operational business activities.

Market risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates and equity instruments, would affect the revenues of the Group or the value of financial instruments. The objectives of market risk management are to manage and control exposure to market risks within reasonable limits, while optimising returns.

Currency risk

Group companies operating outside the euro area are particularly exposed to currency risk, which primarily involves the risk of changes in the exchange rates of the Serbian dinar, Croatian kuna and Ukrainian hryvnia vis-à-vis the euro. With regard to cash flows from operating activities, the aforementioned companies use a natural hedge against the risk of changes in the exchange rate of their national currency vis-à-vis the euro, meaning that they match inflows with outflows in individual currencies in terms of timing and amount, and do not use foreign exchange futures. Subsidiaries that have raised loans in euros have open foreign exchange positions in their statements of financial position. It is highly likely that a change in the exchange rate of the national currency vis-à-vis the euro would have a significant impact on the operations of those companies. The companies in Ukraine are most exposed to currency risk.

On the contrary, exposure to currency risk is low for Group companies that operate in countries of the euro area, as cash flows at those companies are almost exclusively in euros. The effect on their operations is thus minor.

Business risk

Business risk is the risk of incurring a direct or indirect loss due to a wide range of reasons associated with processes within the Group, staff, technology and the infrastructure, and as the result of external factors not related to credit, market and liquidity risks. These include risks arising from legal and regulatory requirements, and generally accepted corporate standards. Business risks derive from the overall operations of the Group. The Group's objective is to manage business risks with the aim of establishing a balance between avoiding financial losses and damage to the Group's reputation and overall cost efficiency, and avoiding such control procedures that would hinder or limit self-initiative and creativity. Primary responsibility for developing and introducing controls for managing business risks is borne by the head of each organisational unit.

Compliance with the Group's standards is supported by a programme of regular audits by the Internal Audit Department. The Internal Audit Department discusses the results of internal audits with the heads of audited business units, while a summary is submitted to the senior management of the parent company and the Audit Committee.

VIII. BUSINESS SEGMENTS

A business segment is an integral part of the Group:

- that engages in business activities from which it generates revenues and incurs expenses (including revenues and expenses relating to transactions with other integral parts of the same group);
- whose operating results are reviewed regularly by an employee in a management position, who makes decisions regarding the allocation of resources to a specific segment and who assesses the latter's performance; and
- for which separate financial data are available.

Disclosures by geographic business segment are based on an internal reporting system used by senior management in the decision-making process.

TABLE 17: INFORMATION BY GEOGRAPHICAL SEGMENT

IN EUR THOUSAND

	Slovenia		Croatia		Bosnia and Herzegovina		Serbia		Montenegro	
	Jan–Dec 2018	Jan–Dec 2018	Jan–Dec 2018	Jan–Dec 2018	Jan–Dec 2018	Jan–Dec 2018	Jan–Dec 2018	Jan–Dec 2018	Jan–Dec 2018	Jan–Dec 2018
Revenues from external customers	108,839	101,259	23,649	21,169	7,351	6,542	5,400	6,104	6,093	6,027
Revenues from transactions with other segments	3,709	3,350	749	631	568	414	574	641	126	78
Total revenues	112,548	104,609	24,398	21,800	7,919	6,956	5,974	6,745	6,219	6,105
Amortisation and depreciation	4,074	4,044	1,286	1,343	263	246	191	181	347	431
Operating profit or loss	5,461	2,855	590	448	201	290	-998	644	967	-4,168
Interest income	148	188	7	28	1	2	1	5	66	38
Interest expense	1,946	2,117	57	71	31	9	60	62	1	2
Profit or loss from ordinary operations	4,421	237	528	-1,211	166	277	-542	608	1,032	-4,132
Investment result recognised according to the equity method	10	39	0	0	0	0	0	0	0	0
Corporate income tax	-184	-141	-176	403	336	44	-2	29	-99	535
Net profit or loss	4,236	97	704	796	501	320	-1,059	637	1,001	-3,597

	Slovenia		Croatia		Bosnia and Herzegovina		Serbia		Montenegro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Assets	186,035	185,931	50,226	49,865	13,457	12,932	10,101	10,536	17,545	17,296
Non-current assets	151,003	158,000	41,577	43,844	11,567	11,498	9,026	9,111	11,958	12,466
Operating liabilities	19,878	19,152	2,964	3,245	1,211	1,159	1,119	640	539	747
Financial liabilities	71,777	71,523	585	937	93	154	1,134	1,042	400	392
Investment in associate	39	39	0	0	0	0	0	0	0	0

IN EUR THOUSAND

	Ukraine		Other		Total		Adjustments (including eliminations*)		Group	
	Jan–Dec 2018	Jan–Dec 2018	Jan–Dec 2018	Jan–Dec 2018	Jan–Dec 2018	Jan–Dec 2018	Jan–Dec 2018	Jan–Dec 2018	Jan–Dec 2018	Jan–Dec 2018
Revenues from external customers	3,155	3,496	5,901	5,281	160,389	149,877	-7	12	160,382	149,889
Revenues from transactions with other segments	0	0	1,107	1,104	6,834	6,218	-6,834	-6,218	0	0
Total revenues	3,155	3,496	7,008	6,384	167,223	156,095	-6,841	-6,206	160,382	149,889
Amortisation and depreciation	43	40	73	69	6,276	6,353	0	0	6,276	6,353
Operating profit or loss	-44	-12	208	284	6,385	340	37	-30	6,421	311
Interest income	1	1	0	4	223	266	-89	-61	134	205
Interest expense	74	117	4	0	2,172	2,377	0	-61	2,146	2,316
Profit or loss from ordinary operations	-28	-434	201	277	5,777	-2,774	-1,392	746	4,385	-2,028
Investment result recognised according to the equity method	0	0	0	0	10	39	-2	-29	8	10
Corporate income tax	30	0	-25	40	-121	910	501	0	380	49
Net profit or loss	2	-434	176	317	5,562	-1,865	-797	-115	4,765	-1,979

	Ukraine		Other		Total		Adjustments (including eliminations*)		Group	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Assets	1,718	1,912	3,513	3,297	282,594	281,771	-49,667	-48,012	232,927	233,759
Non-current assets	1,229	1,228	1,049	1,045	227,409	237,192	-44,432	-44,838	182,977	192,354
Operating liabilities	641	910	1,100	788	27,453	26,641	-1,690	-1,425	25,763	25,215
Financial liabilities	1,358	1,538	0	0	75,347	75,587	-4,284	-2,805	71,063	77,781
Investment in associate	0	0	0	0	39	39	32	34	71	73

* All adjustments are subject to consolidation procedures.

NOTE 1: Sales revenue

TABLE 18: BREAKDOWN OF SALES REVENUE BY BUSINESS LINE AND COUNTRY

IN EUR THOUSAND

	Slovenia		Croatia		Bosnia and Herzegovina		Serbia		Montenegro	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenues by business line										
Land transport	51,294	48,833	16,976	15,612	5,563	4,916	2,822	3,409	3,834	3,891
Logistics solutions	16,022	14,979	4,498	4,059	698	659	945	1,021	950	966
Intercontinental transport	40,746	36,366	2,225	1,497	406	204	2,207	2,316	319	202
Other services	4,485	4,431	699	633	1,252	1,177	0	0	1,116	1,046
Total	**112,548**	**104,609**	**24,398**	**21,800**	**7,919**	**6,956**	**5,974**	**6,745**	**6,219**	**6,105**
Revenues generated by country (with respect to a customer's head office)										
Slovenia	63,229	61,064	1,048	879	363	349	444	491	241	374
Croatia	1,565	1,502	19,424	17,067	45	34	46	53	26	25
Bosnia and Herzegovina	1,258	1,095	329	297	5,962	5,700	72	93	93	59
Montenegro	332	324	41	57	1	12	61	74	4,796	4,785
Other countries	46,164	40,623	3,557	3,501	1,548	861	5,351	6,035	1,064	863
Total	**112,548**	**104,609**	**24,398**	**21,800**	**7,919**	**6,956**	**5,974**	**6,745**	**6,219**	**6,105**

	Ukraine		Other countries		Exclusions		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues by business line								
Land transport	3,155	3,496	5,662	5,159	5,043	4,370	84,264	80,945
Logistics solutions	0	0	316	276	44	118	23,385	21,842
Intercontinental transport	0	0	679	595	581	602	46,002	40,578
Other services	0	0	350	354	1,172	1,117	6,730	6,523
Total	**3,155**	**3,496**	**7,008**	**6,384**	**6,841**	**6,206**	**160,382**	**149,889**
Revenues generated by country (with respect to a customer's head office)								
Slovenia	1,093	1,169	1,141	1,607	2,131	2,204	65,429	63,728
Croatia	0	0	12	34	1,207	1,080	19,911	17,634
Bosnia and Herzegovina	0	0	0	1	1,303	1,021	6,410	6,223
Montenegro	0	0	1	0	378	360	4,855	4,892
Other countries	2,062	2,327	5,855	4,742	1,821	1,540	63,779	57,412
Total	**3,155**	**3,496**	**7,008**	**6,384**	**6,841**	**6,206**	**160,382**	**149,889**

TABLE 19: SALES REVENUE WITH RESPECT TO THE TIMING OF RECOGNITION

IN EUR THOUSAND

	Land transport		Logistics solutions		Intercontinental transport		Other services		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenues from completed services	83,963	80,385	23,332	21,812	45,707	40,006	6,703	6,523	159,705	148,726
Revenues from incomplete services	301	560	53	30	295	572	27	0	676	1,162
Total	**84,264**	**80,945**	**23,385**	**21,842**	**46,002**	**40,578**	**6,730**	**6,523**	**160,381**	**149,888**

The Group provides logistics services through three business lines: land transport (groupage, domestic transport, road transport, railway freight and customs clearance services), logistic solutions (warehousing and distribution) and intercontinental transport (air freight, sea freight, shipping agency and car logistics services). The Group also offers additional services, such as the leasing of business premises, parking services at customs terminals, trade fair logistics and insurance brokerage services.

NOTE 2: Other operating revenues

TABLE 20: OTHER OPERATING REVENUES

IN EUR THOUSAND

	January–December 2018	January–December 2017
Gains on the sale of property, plant and equipment	399	306
Reversal of impairments of property, plant and equipment, and investment property	0	1,269
Revenues from the reversal of provisions	1,029	38
Government grants received	104	108
Other operating revenues	500	876
Total	**2,032**	**2,596**

Revenues from the reversal of provisions in the amount of EUR 1,029 thousand were the result of the reversal of provisions for lawsuits, and other provisions.
Other operating revenues comprise revenues from the write-off current liabilities in the amount of EUR 213 thousand, revenues from compensation received the amount of EUR 186 thousand and other operating revenues.

NOTE 3: Costs of goods, materials and services

TABLE 21: COSTS OF GOODS, MATERIALS AND SERVICES

IN EUR THOUSAND

	January–December 2018	January–December 2017
Costs of materials and historical cost of goods sold	4,398	4,240
Costs of services	112,934	103,053
direct costs	99,773	91,573
costs of telecommunication services	470	451
maintenance costs	2,396	2,250
insurance premiums	973	793
training and education costs	101	98
other costs of services	9,221	7,888
Total	**117,332**	**107,293**

Direct costs primarily comprise the costs of subcontractors (e.g. the costs of transport and port-related services) that are directly related to the provision of the services that the Group sells. Other costs of services comprise the reimbursement of work-related costs to employees, the costs of intellectual services, education and training costs, the costs of municipal services, security, hired workers and rents, and the costs of payment transactions.

NOTE 4: Labour costs

TABLE 22: LABOUR COSTS

IN EUR THOUSAND

	January–December 2018	January–December 2017
Costs of wages and salaries	20,307	19,695
Social security costs	4,407	4,265
Other labour costs:	4,137	3,213
annual leave allowance	813	752
transportation and meal allowances	1,871	1,907
other labour costs	392	460
expenses for employee participation in profits	1,060	94
Total	**28,851**	**27,173**

Expenses for employee participation in profits in the amount of EUR 1,060 thousand relate to the contractual obligations of Group companies with a registered office in the Republic of Slovenia, which will be settled one year after the approval of the annual report for the 2018 financial year.

TABLE 23: EMPLOYEES BY EDUCATIONAL LEVEL

Categories of educational qualifications	Beginning of 2018	End of 2018	Changes in 2018	Average number of employees by educational qualification in 2018*	Average number of employees by educational qualification in 2017*
Qualification levels I to III	80	81	1	81	85
Qualification levels IV to V	788	757	-31	773	790
Qualification levels VI to IX	501	489	-12	495	498
Total	**1,369**	**1,327**	**-42**	**1,348**	**1,372**

* The average number of employees is calculated using the balance of employees at the beginning and end of the year.

NOTE 5: Amortisation and depreciation

TABLE 24: AMORTISATION AND DEPRECIATION

IN EUR THOUSAND

	January–December 2018	January–December 2017
Amortisation of intangible assets	528	517
Depreciation of property, plant and equipment, and investment property	5,748	5,836
Total	**6,276**	**6,353**

NOTE 6: Other operating expenses

TABLE 25: OTHER OPERATING EXPENSES

IN EUR THOUSAND

	January–December 2018	January–December 2017
Building land use fees and similar expenses	1,558	1,482
Costs of other benefits	530	386
Impairments and write-offs of property, plant and equipment, and investment property	56	7,343
Expenses from impairments and write-offs of inventories	52	28
Expenses from the creation of provisions	132	1,361
Other operating expenses	556	419
Total	**2,884**	**11,019**

Other operating expenses in the amount of EUR 556 thousand comprise membership fees, compensation for damages and other expenses.

NOTE 7: Finance income and costs

TABLE 26: FINANCE INCOME AND COSTS IN EUR THOUSAND

	January–December 2018	January–December 2017
Interest income	134	205
Income from dividends and other shares in profit	0	10
Revenues from the disposal of financial assets	9	146
Total finance income	**143**	**362**
Interest expense	-2,146	-2,316
Loss due to the impairment of loans granted and deposits	-2	0
Expenses from the disposal of financial assets	0	-30
Finance costs from impairments and write-offs of financial assets	0	-37
Net exchange rate differences	-39	-328
Total finance costs	**-2,187**	**-2,711**
Loss from financing activities	**-2,044**	**-2,349**

Interest income and expenses are calculated using the effective interest method.

NOTE 8: Result recognised according to the equity method

The recognised result of the associate Rail Cargo Logistics, d. o. o., Ljubljana, in which the Group held a 26% participating interest as at the reporting date, was EUR 8 thousand.

NOTE 9: Corporate income tax (current and deferred tax)

TABLE 27: RECONCILIATION OF PROFIT FOR ACCOUNTING AND TAX PURPOSES IN EUR THOUSAND

	2018	2017
Current tax	-311	-303
Deferred tax	691	352
Tax	**380**	**49**
Pre-tax profit	4,384	-2,325
Tax calculated according to prescribed rate	-714	-189
Tax from unrecognised expenses	-680	-543
Tax from revenues deducted from taxable base	216	88
Tax from expenses deducted from taxable base	28	64
Tax from expenses added to taxable base	-23	-17
Tax from tax allowances and the coverage of tax losses	1,009	130
Tax relating to deferred taxes	742	636
Tax from tax losses for which no deferred tax assets can be created	0	-82
Tax from equity items	-6	0
Tax from other items	-191	-38
Tax	**380**	**49**

The average weighted tax rate for 2018 was 16.92%, compared with 12.92% in 2017.

Unused tax losses amounted to EUR 88,689 thousand as at 31 December 2018. Deferred tax assets were recognised in the amount of EUR 7,146 thousand for unused tax losses in the amount of EUR 37,651 thousand, while no deferred assets were recognised for the remaining amount of EUR 51,038 thousand (deferred tax assets would have totalled EUR 9,677 thousand).

The majority of deferred tax assets for tax losses were disclosed by the parent company (EUR 6,998 thousand), with no limit on their application in future tax periods (years).

Unrecognised deferred liabilities from the undistributed net profits of subsidiaries amounted to EUR 197 thousand. Unrecognised deferred assets from financial assets amounted to EUR 2,757 thousand.

TABLE 28: CHANGES IN CURRENT AND DEFERRED TAX RELATING TO EQUITY ITEMS

IN EUR THOUSAND

	2018	2017
Current tax	-14	0
Deferred tax	16	526
Total	**2**	**526**

TABLE 29: CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES THAT WERE NOT NETTED IN 2018

IN EUR THOUSAND

Deferred tax assets	Reported on 31 December 2017	Correction of error *	Balance as at 1 January 2018	Reclassification	Change in income statement	Change in other comprehensive income	Exchange rate differences	Balance as at 31 December 2018
Property, plant and equipment	1,361	0	1,361	-30	717	0	7	2,055
Revaluation of receivables owing to value adjustments	7	0	7	-4	3	0	0	6
Revaluation of financial assets	104	0	104	0	0	0	0	104
Provisions	210	0	210	18	1	1	0	230
Tax loss	11,202	-4,087	7,115	37	-7	0	0	7,145
Other	5	0	5	-3	-1	0	0	1
Total	**12,888**	**-4,087**	**8,801**	**18**	**713**	**1**	**9**	**9,542**
Deferred tax liabilities	**Reported on 31 December 2017**	**Correction of error ***	**Balance as at 1 January 2018**	**Reclassification**	**Change in income statement**	**Change in other comprehensive income**	**Exchange rate differences**	**Balance as at 31 December 2018**
Property, plant and equipment	11,064	0	11,064	-18	22	17	31	11,116
Total	**11,064**	**0**	**11,064**	**-18**	**22**	**17**	**31**	**11,116**
Effect				**0**	**691**	**-16**		

* Adjustments are disclosed in Point IV Correction of error.

TABLE 30: CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES THAT WERE NOT NETTED IN 2017 IN EUR THOUSAND

Deferred tax assets	Reported od 1 January 2017	Correction of error *	Balance as at 1 January 2017	Change in in-come statement	Change in other comprehensive income	Exchange rate differences	Balance as at 31 December 2017
Property, plant and equipment	1,649	0	1,649	-362	49	25	1,361
Revaluation of receivables owing to value adjustments	7	0	7	0	0	0	7
Revaluation of financial assets	2,582	0	2,582	-2,478	0	0	104
Provisions	128	0	128	75	7	0	210
Tax loss	8,618	-4,087	4,531	2,616	-36	4	7,115
Other	5	0	5	0	0	0	5
Total	**12,989**	**-4,087**	**8,902**	**-149**	**20**	**29**	**8,801**
Deferred tax liabilities	**Reported od 1 January 2017**	**Correction of error ***	**Balance as at 1 January 2017**	**Change in in-come statement**	**Change in other comprehensive income**	**Exchange rate differences**	**Balance as at 31 December 2017**
Property, plant and equipment	12,029	0	12,029	-502	-523	60	11,064
Revaluation of financial assets	20	0	20	0	-20	0	0
Total	**12,049**	**0**	**12,049**	**-502**	**-543**	**60**	**11,064**
Effect				**353**	**-524**		

* Prilagoditve so razkrite v točki IV. Popravek napak.

NOTE 10: Property, plant and equipment

Verification of the existence of signs of the impairment of the Group's real estate in 2018 only indicated the need to appraise real estate at the subsidiary TOV TEK ZTS, Uzhhorod in Ukraine, while the impairment of real estate was not required at other Group companies. Based on that appraisal of real estate, the Ukrainian subsidiary increased the revaluation surplus for land by EUR 25 thousand. In addition, the Group reduced the associated revaluation surplus by EUR 46 thousand and recognised impairments in the income statement in the amount of EUR 3 thousand due to the transfer of real estate to assets held for sale.

The historical cost of items of property, plant and equipment whose carrying amount as at 31 December 2018 was 0 (zero) and are still in use was EUR 34,861 thousand.

The carrying amount of land would be equal to EUR 19,505 thousand as at 31 December 2018 if the historical cost model was used.

The carrying amount of mortgaged property, plant and equipment (real estate) was EUR 109,502 thousand as at the reporting date The Group had no other legal restrictions on the disposal of aforementioned assets. The Group had commitments to purchase property, plant and equipment in the amount of EUR 1,231 thousand as at the reporting date.

TABLE 31: CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN 2018

IN EUR THOUSAND

	Land	Buildings	Other plant and equipment	Equipment under finance leases	Investments in property, plant and equipment owned by others	Property, plant and equipment under con-struction	Total
HISTORICAL COST							
Reported as at 1 January 2018	**88,433**	**177,435**	**34,440**	**1,975**	**2**	**582**	**302,866**
Correction of error*	-140	-2,748	0	0	0	0	-2,888
Adjusted balance as at 1 January 2018	**88,293**	**174,687**	**34,440**	**1,975**	**2**	**582**	**299,979**
Acquisitions	0	0	0	0	0	4,968	4,968
Activations	0	2,928	2,231	0	0	-5,159	0
Sales	-205	-129	-1,067	-605	0	0	-2,006
Write-downs	0	-109	-978	0	0	0	-1,087
Transfer to investment property	-367	-4,523	0	0	0	0	-4,890
Transfer to available-for-sale assets	-2,110	-6,117	0	0	0	0	-8,227
Revaluation to fair value	-21	0	0	0	0	0	-21
Transfer between items	0	0	126	-126	0	0	0
Other	0	0	6	0	0	-1	5
Exchange rate differences	98	171	23	6	0	-2	297
Balance as at 31 December 2018	**85,688**	**166,908**	**34,782**	**1,250**	**2**	**388**	**289,018**
VALUE ADJUSTMENT							
Reported as at 1 January 2018	**-8,995**	**-98,084**	**-28,570**	**-954**	**0**	**0**	**-136,603**
Correction of error*	113	1,181	0	0	0	0	1,294
Adjusted balance as at 1 January 2018	**-8,882**	**-96,903**	**-28,570**	**-954**	**0**	**0**	**-135,309**
Depreciation	0	-3,816	-1,489	-211	**0**	0	-5,516
Transfer of depreciation to investment property	0	51	0	0	**0**	0	51
Sales	0	63	982	469	0	0	1,514
Write-downs	0	72	962	0	**0**	0	1,034
Transfer to investment property	0	3,235	0	0	**0**	0	3,235
Transfer to available-for-sale assets	0	3,514	0	0	0	0	3,514
Impairments	0	-3	0	0	**0**	0	-3
Transfer between items	0	0	-118	118	**0**	0	0
Other	0	0	-6	0	**0**	0	-6
Exchange rate differences	-18	-87	-21	-3	0	0	-130
Balance as at 31 December 2018	**-8,900**	**-93,874**	**-28,260**	**-581**	**0**	**0**	**-131,615**
CARRYING AMOUNT							
Reported as at 1 January 2018	**79,438**	**79,351**	**5,870**	**1,021**	**2**	**582**	**166,263**
Correction of error*	-27	-1,567	0	0	0	0	-1,594
Adjusted balance as at 1 January 2018	**79,411**	**77,784**	**5,870**	**1,021**	**2**	**582**	**164,669**
Balance as at 31 December 2018	**76,788**	**73,034**	**6,522**	**669**	**2**	**388**	**157,404**

* Adjustments are disclosed in Point IV Correction of error.

TABLE 32: CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN 2017

IN EUR THOUSAND

	Land	Buildings	Other plant and equip-ment	Equipment under finance leases	Investments in property, plant and equipment owned by others	Property, plant and equipment under con-struction	Total
HISTORICAL COST							
Reported as at 1 January 2017	**91,900**	**177,361**	**34,333**	**1,944**	**0**	**420**	**305,957**
Correction of error*	-140	-2,748	0	0	0	0	-2,888
Adjusted balance as at 1 January 2017	**91,760**	**174,613**	**34,333**	**1,944**	**0**	**420**	**303,069**
Acquisitions	0	0	0	0	0	2,623	2,623
Transfer of advances	-190	0	0	0	0	190	0
Repayment of advance	0	0	0	0	0	-47	-47
Activations	103	552	1,949	0	2	-2,607	-1
Sales	-95	-803	-859	0	0	0	-1,757
Write-downs	0	-86	-1,006	0	0	0	-1,092
Transfer to investment property	-815	0	0	0	0	0	-815
Transfer to available-for-sale assets	-39	-430	0	0	0	0	-469
Revaluation to fair value	-2,528	0	0	0	0	0	-2,528
Transfer between items	92	-92	0	0	0	0	0
Other	0	0	2	0	0	0	2
Exchange rate differences	5	933	21	31	0	2	992
Balance as at 31 December 2017	**88,293**	**174,687**	**34,440**	**1,975**	**2**	**582**	**299,978**
VALUE ADJUSTMENT							
Reported as at 1 January 2017	**-5,771**	**-92,916**	**-29,011**	**-666**	**0**	**0**	**-128,363**
Correction of error*	0	445	0	0	0	0	445
Adjusted balance as at 1 January 2017	**-5,771**	**-92,471**	**-29,011**	**-666**	**1**	**0**	**-127,918**
Depreciation	0	-3,975	-1,334	-276	**0**	0	-5,585
Transfer of depreciation to investment property	0	69	0	0	**0**	0	69
Sales	0	612	813	0	0	0	1,425
Write-downs	0	36	1,006	0	**0**	0	1,042
Transfer to available-for-sale assets	0	316	0	0	**0**	0	316
Impairments	-3,667	-2,915	0	0	0	0	-6,582
Transfer of impairments to investment property	113	667	0	0	**0**	0	780
Reversal of impairments	131	1,134	0	0	**0**	0	1,265
Other	2	38	-1	0	**0**	0	39
Exchange rate differences	310	-414	-43	-12	0	0	-159
Balance as at 31 December 2017	**-8,882**	**-96,903**	**-28,570**	**-954**	**0**	**0**	**-135,309**
CARRYING AMOUNT							
Reported as at 1 January 2017	**86,129**	**84,445**	**5,322**	**1,278**	**0**	**420**	**177,594**
Correction of error*	-140	-2,303	0	0	0	0	-2,443
Adjusted balance as at 1 January 2017	**85,989**	**82,142**	**5,322**	**1,278**	**1**	**420**	**175,151**
Balance as at 31 December 2017	**79,411**	**77,784**	**5,870**	**1,021**	**2**	**582**	**164,669**

* Adjustments are disclosed in Point IV Correction of error.

NOTE 11: Investment property

TABLE 33: CHANGES IN INVESTMENT PROPERTY

IN EUR THOUSAND

	2018	2017
HISTORICAL COST		
Reported as at 1 January	**14,818**	**14,420**
Correction of error*	2,888	2,888
Adjusted balance as at 1 January	**17,706**	**17,308**
Acquisitions	31	15
Transfer from property, plant and equipment	4,889	815
Transfer to available-for-sale assets	0	-430
Write-downs	0	-3
Balance as at 31 December	**22,626**	**17,706**
VALUE ADJUSTMENT		
Reported as at 1 January	**-5,639**	**-4,996**
Correction of error*	-1,294	-445
Adjusted balance as at 1 January	**-6,933**	**-5,441**
Depreciation	-233	-251
Transfer of depreciation from property, plant and equipment	-51	-69
Transfer from property, plant and equipment	-3,235	0
Transfer to available-for-sale assets	0	311
Write-downs	0	2
Impairments	0	-708
Transfer of impairments from property, plant and equipment	0	-780
Reversal of impairments	0	4
Balance as at 31 December	**-10,452**	**-6,933**
CARRYING AMOUNT		
Reported as at 1 January	**9,179**	**9,424**
Correction of error*	1,594	2,443
Adjusted balance as at 1 January	**10,773**	**11,867**
Balance as at 31 December	**12,174**	**10,773**

* Adjustments are disclosed in Point IV Correction of error.

Verification of the existence of signs of the impairment of investment property in 2018 did not indicate the need for the impairment of those assets.

The carrying amount of mortgaged investment property was EUR 9,941 thousand as at the reporting date That amount represents additional collateral for liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

The fair value of investment property was EUR 13,241 thousand as at the reporting date.

TABLE 34: REVENUES AND EXPENSES FROM INVESTMENT PROPERTY

IN EUR THOUSAND

	2018	2017
Rental income from investment property	1,334	1,312
Direct operating expenses from investment property	-669	-589
Total	**665**	**723**

NOTE 12: Intangible assets

TABLE 35: CHANGES IN INTANGIBLE ASSETS IN 2018

IN EUR THOUSAND

	Long-term property rights	Other intangible assets	Goodwill	Intangible assets under construction	Total
HISTORICAL COST					
Balance as at 1 January 2018	**4,974**	**4,454**	**42**	**232**	**9,702**
Acquisitions	0	0	0	375	375
Activations	152	8	0	-160	0
Write-downs	-1	0	0	0	-1
Exchange rate differences	1	0	0	0	1
Balance as at 31 December 2018	**5,126**	**4,462**	**42**	**446**	**10,077**
VALUE ADJUSTMENT					
Balance as at 1 January 2018	**-4,349**	**-1,537**	**0**	**0**	**-5,886**
Amortisation	-223	-305	0	0	-528
Write-downs	1	0	0	0	1
Balance as at 31 December 2018	**-4,571**	**-1,842**	**0**	**0**	**-6,413**
CARRYING AMOUNT					
Balance as at 1 January 2018	625	2,917	42	232	3,816
Balance as at 31 December 2018	**555**	**2,620**	**42**	**446**	**3,663**

The majority of long-term property rights comprises rights associated with computer software. Other intangible assets comprise software to support comprehensive logistics services.

The historical cost of intangible assets whose carrying amount as at 31 December 2018 was 0 (zero) and are still in use was EUR 3,010 thousand.

The Group had commitments to purchase intangible assets in the amount of EUR 190 thousand as at 31 December 2018.

TABLE 36: CHANGES IN INTANGIBLE ASSETS IN 2017

IN EUR THOUSAND

	Long-term property rights	Other intangible assets	Goodwill	Intangible assets under construction	Total
HISTORICAL COST					
Balance as at 1 January 2017	**5,782**	**4,328**	**42**	**395**	**10,547**
Acquisitions	0	0	0	78	78
Activations	117	126	0	-243	0
Write-downs	-942	0	0	0	-942
Exchange rate differences	17	0	0	2	19
Balance as at 31 December 2017	**4,974**	**4,454**	**42**	**232**	**9,702**
VALUE ADJUSTMENT					
Balance as at 1 January 2017	**-5,056**	**-1,238**	**0**	**0**	**-6,294**
Amortisation	-218	-299	0	0	-517
Write-downs	942	0	0	0	942
Exchange rate differences	-17	0	0	0	-17
Balance as at 31 December 2017	**-4,349**	**-1,537**	**0**	**0**	**-5,886**
CARRYING AMOUNT					
Balance as at 1 January 2017	726	3,090	42	395	4,253
Balance as at 31 December 2017	**625**	**2,917**	**42**	**232**	**3,816**

NOTE 13: Other non-current assets

Other non-current assets in the amount of EUR 24 thousand comprise non-current deferred costs and expenses.

NOTE 14: Loans granted and deposits

TABLE 37: COMPOSITION OF LOANS AND DEPOSITS

IN EUR THOUSAND

	31 December 2018	31 December 2017
Long-term loans and deposits	**15**	**57**
- loans granted	3	4
- deposits	13	54
Short-term loans and deposits	**1,272**	**1,992**
- loans granted	1	79
- deposits	1,271	1,913
Total	**1,287**	**2,049**

As at the balance-sheet date, the Group had pledged long-term deposits in the amount of EUR 10 thousand and short-term deposits in the amount of EUR 930 thousand as collateral for contingent liabilities.

NOTE 15: Investment in associate

This item comprises an investment in the associate Rail Cargo Logistics, d. o. o., Ljubljana, in which Intereuropa, d. d. held a 26% participating interest as at 31 December 2018.

TABLE 38: CHANGES IN INVESTMENT IN ASSOCIATE

IN EUR THOUSAND

	31 December 2018	31 December 2017
Balance as at 1 January	**73**	**102**
Profit according to the equity method	8	10
Distribution of profit	-10	-39
Balance as at 31 December	**71**	**73**

TABLE 39: ASSETS, LIABILITIES, REVENUES AND EXPENSES OF THE COMPANY

IN EUR THOUSAND

	31 December 2018	31 December 2017
ASSETS	**2,136**	**1,676**
Non-current assets	8	10
Current assets	2,128	1,666
LIABILITIES	**2,136**	**1,676**
Equity	191	200
Non-current liabilities	12	13
Current liabilities	1,933	1,462
Revenues	12,744	11,133
Expenses (including corporate income tax)	12,715	11,097
Profit from ordinary operations	38	49
Other comprehensive income	0	0
Total comprehensive income	29	37

NOTE 16: Other non-current financial assets

TABLE 40: CHANGES IN FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

IN EUR THOUSAND

	31 December 2018
Balance as at 1 January 2018	**33**
Sales	0
Impairments	0
Revaluation to fair value	-2
Balance as at 31 December 2018	**31**

NOTE 17: Available-for-sale assets

TABLE 41: CHANGES IN AVAILABLE-FOR-SALE ASSETS

IN EUR THOUSAND

	2018	2017
Balance as at 1 January	**272**	**323**
Transfer from property, plant and equipment	4,713	153
Transfer from investment property	0	119
Sales	-272	-323
Exchange rate differences	2	0
Balance as at 31 December	**4,715**	**272**

Available-for-sale assets amounted to EUR 4,715 thousand as at the reporting date. They relate to real estate, the sale of which is planned in a short period of time. Assets in the amount of EUR 2,714 thousand were pledged as collateral (representing collateral for loans received and contingent liabilities).

NOTE 18: Assets from contracts with customers

Assets from contracts with customers as at 31 December 2018 in the amount of EUR 762 thousand comprise current receivables from incomplete services in the amount of EUR 676 thousand and from uncharged customs and other duties that arise in customs clearance procedures that are charged to customers and treated as suspense items in the amount of EUR 86 thousand.

NOTE 19: Current operating receivables

TABLE 42: CURRENT OPERATING RECEIVABLES

IN EUR THOUSAND

	31 December 2018	31 December 2017
Kratkoročne poslovne terjatve do kupcev	30,929	31,646
Kratkoročne poslovne terjatve do drugih	2,030	2,606
Skupaj	**32,960**	**34,252**

The Group had current trade receivables with a carrying amount of EUR 10,000 thousand pledged as collateral as at the reporting date (representing additional collateral for contingent liabilities for which the underlying collateral comprises pledged items of property, plant and equipment).

NOTE 20: Other current assets

Other current assets amounting to EUR 463 thousand as at the reporting date comprise current deferred costs.

NOTE 21: Cash and cash equivalents

The Group's cash and cash equivalents amounted to EUR 9,578 thousand and comprise sight deposits and cash in hand. The reasons for increases and decreases in cash and cash equivalents during the financial year are presented in the statement of cash flows.

NOTE 22: Equity

Share capital

The parent company's share capital amounted to EUR 27,488,803 as at 31 December 2018, and is divided into 16,830,838 ordinary registered freely transferable no-par-value shares and 10,657,965 freely transferable no-par-value preference shares. Ordinary shares provide their holders the right to participate in the management of the Company (voting right), the right to a share in profits and the right to a corresponding portion of residual assets after the liquidation or bankruptcy of the Company. The number of shares was unchanged relative to the situation as at 31 December 2017. Preference shares provide their holders the right to a share in profits and the right to a corresponding portion of residual assets after the liquidation or bankruptcy of the Company. Preference shares give their holders priority in the sharing of profits in the amount of EUR 0.01 (preferential amount) per share. The preferential amount is paid out in addition to the share in profits received by the holders of ordinary shares, in accordance with the relevant resolution on the use of distributable profit.

Share premium account

The share premium account comprises amounts from the simple reduction of the parent company's share capital. It amounted to EUR 18,455 thousand as at 31 December 2018 and was unchanged in 2018. The share premium account may be used under the conditions and for the purposes set out by law.

Profit reserves

Profit reserves amounted to EUR 5,589 thousand as at 31 December 2018. In addition to legal reserves in the amount of EUR 4,658 thousand, they also comprise reserves for treasury shares in the amount of EUR 180 thousand and an equal amount of treasury shares as a deduction item, reserves under the Articles of Association in the amount of EUR 15 thousand and other reserves in the amount of EUR 916 thousand. The parent company held 18,135 treasury shares as at the reporting date. The historical cost of treasury shares was EUR 180 thousand. The number of treasury shares was unchanged relative to the situation as at 31 December 2017. The Company holds no rights arising from treasury shares. Other Group companies do not hold its shares. Profit reserves were up by EUR 5 thousand in 2018 as the result of an increase in legal reserves.

Fair value reserves

Fair value reserves amounted to EUR 47,185 thousand as at 31 December 2018 and relate in full to the revaluation of land, including the revaluation of land prior to transfer to investment property in the amount of EUR 47,232 thousand (the amount of revaluation is reduced for deferred taxes) and to the revaluation of financial assets measured at fair value through other comprehensive income in the negative amount of EUR 47 thousand. Changes during the financial year are disclosed in the statement of comprehensive income.

Foreign currency translation differences

Foreign currency translation losses amounted to EUR 6,488 thousand as at 31 December 2018 and were down by EUR 181 thousand relative to 2017 owing to the effect of foreign exchange rate differences arising from the recalculation of equity items in the financial statements of subsidiaries abroad from local currencies into the reporting currency.

NOTE 23: Non-controlling interests in equity

TABLE 43: NON-CONTROLLING INTERESTS

IN EUR THOUSAND

	Country in which company is registered	Non-controlling interests		Equity pertaining to non-controlling interests		Net profit pertaining to non-controlling interests	
		31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Interzav, d,o,o,, Koper	Slovenia	28.72%	28.72%	29	20	15	11
Intereuropa, logističke usluge, d.o.o., Zagreb	Croatia	0.04%	0.04%	17	17	0	0
Intereuropa Sajam, d.o.o., Zagreb	Croatia	49.00%	49.00%	335	326	42	25
Intereuropa Skopje DOO, Skopje	North Macedonia	0.44%	0.44%	7	8	0	0
Intereuropa RTC d.d. Sarajevo	Bosnia and Herzegovina	4.23%	4.23%	488	468	21	10
AD Intereuropa logističke usluge, Beograd	Serbia	26.38%	26.38%	1,894	2,173	-279	153
TOV TEK ZTS, Užgorod	Ukraine	10.07%	10.07%	-10	-16	8	-22
Intereuropa Kosova L.L.C., Priština	Kosovo	10.00%	10.00%	65	58	19	15
Zetatrans A.D., Podgorica	Montenegro	30.73%	30.73%	4,833	4,686	308	-1,170
Total				**7,659**	**7,741**	**133**	**-977**

TABLE 44: SUMMARY OF ACCOUNTING INFORMATION FOR NON-CONTROLLING INTERESTS

IN EUR THOUSAND

Non-controlling interests	28.72%		0.04%		49.00%	
Company name	Interzav, d.o.o., Koper		Intereuropa, Logističke usluge, d.o.o., Zagreb		Intereuropa sajam, d.o.o., Zagreb	
	2018	2017	2018	2017	2018	2017
Non-current assets	0	0	17	17	230	241
Current assets	35	26	3	2	165	148
Equity and non-current liabilities	30	21	18	18	368	360
Current liabilities	5	5	2	1	26	29
Revenues	59	54	10	9	381	276
Profit or loss from ordinary operations	18	14	0	0	51	30

Non-controlling interests	0.44%		4.23%		26.38%	
Company name	Intereuropa Skopje, d.o.o., Skopje		Intereuropa RTC, d.d., Sarajevo		A.D. Intereuropa logističke usluge, Beograd	
	2018	2017	2018	2017	2018	2017
Non-current assets	4	4	489	486	2,381	2,404
Current assets	5	5	80	61	284	376
Equity and non-current liabilities	7	8	512	493	2,103	2,456
Current liabilities	2	1	57	54	562	323
Revenues	12	12	342	299	1,586	1,801
Profit or loss from ordinary operations	0	0	22	12	-279	160

Non-controlling interests	10.07%		10.00%		30.73%	
Company name	TEK ZTS d.o.o., Užgorod		Intereuropa Kosova L.L.C.		Zetatrans A.D. Podgorica	
	2018	2017	2018	2017	2018	2017
Non-current assets	59	59	9	7	3,675	3,831
Current assets	48	69	121	98	1,717	1,484
Equity and non-current liabilities	3	4	65	58	5,072	4,924
Current liabilities	104	124	65	47	320	391
Revenues	325	357	367	320	1,951	2,141
Profit or loss from ordinary operations	5	-22	22	17	338	-1,270

NOTE 24: Provisions

TABLE 45: CHANGES IN PROVISIONS IN 2018

IN EUR THOUSAND

	Balance as at 1 January 2017	Drawn down (used)	Reversed	Additional creation of provisions charged to expenses	Additional creation of provisions charged to equity	Exchange rate differences	Balance at 31 December 2017
Provisions for severance pay at retirement and jubilee benefits	1,340	-134	-5	138	25	1	1,365
Provisions for lawsuits	1,012	-16	-146	132	0	0	982
Other non-current provisions	878	0	-878	0	0	0	0
Total	**3,230**	**-150**	**-1,029**	**270**	**25**	**1**	**2,347**

The Group assessed that an outflow of cash is unlikely. It therefore reversed other non-current provisions in the amount of EUR 878 thousand.

TABLE 46: CHANGES IN PROVISIONS IN 2017

IN EUR THOUSAND

	Balance as at 1 January 2017	Drawn down (used)	Reversed	Additional creation of provisions charged to expenses	Additional creation of provisions charged to equity	Exchange rate differences	Balance at 31 December 2017
Provisions for severance pay at retirement and jubilee benefits	1,285	-120	-5	117	59	4	1,340
Provisions for lawsuits	562	-16	-25	483	0	7	1,012
Other non-current provisions	0	0	0	878	0	0	878
Total	**1,847**	**-136**	**-30**	**1,478**	**59**	**11**	**3,230**

TABLE 47: CHANGES IN PROVISIONS FOR SEVERANCE PAY AND JUBILEE BENEFITS IN 2018

IN EUR THOUSAND

	Balance as at 1 January 2017	Interest expense	Payments	Increase during current year	Actuarial gains or losses	Exchange rate differences	Total as at 31 December 2018
Provisions	**1,340**	**64**	**-137**	**75**	**22**	**1**	**1,365**
Jubilee benefits	323	15	-58	18	0	0	298
Severance pay at retirement	1,017	49	-79	57	22	1	1,067

The calculation of provisions for severance pay at retirement and jubilee benefits is based on an actuarial calculation as at 31 December 2018, in which the following assumptions were taken into account:

- the number of employees, their gender, age, total length of service, length of service with a company and the relevant basis for calculation;
- the method for calculating severance pay at retirement under national legislation;
- growth in average wages in specific countries;
- age-based employee turnover, prerequisites for retirement in accordance with the minimum conditions for exercising the right to an old-age pension; and
- the application of the following discount rates: 2.075% in Slovenia, 5.265% in Serbia, 3.500% in Montenegro, 5.260% in Bosnia and Herzegovina, and 3.250% in Croatia.

TABLE 48: CHANGES IN PROVISIONS FOR SEVERANCE PAY AND JUBILEE BENEFITS IN 2017 — IN EUR THOUSAND

	Balance as at 1 January 2017	Interest expense	Payments	Increase during current year	Actuarial gains or losses	Exchange rate differences	Total as at 31 December 2018
Provisions	**1,285**	**34**	**-120**	**74**	**63**	**4**	**1,340**
Jubilee benefits	343	10	-60	20	9	1	323
Severance pay at retirement	943	24	-60	54	54	2	1,017

NOTE 25: Financial liabilities

TABLE 49: STRUCTURE OF LONG-TERM LOANS AND FINANCE LEASES RECEIVED — IN EUR THOUSAND

	31 December 2018	31 December 2017
Long-term loans received	15	66.404
Non-current liabilities from finance leases	496	591
Total	**511**	**66.995**

The Group had EUR 5,530 thousand in approved and drawn revolving loans as at 31 December 2018.

TABLE 50: CHANGES IN LONG-TERM LOANS AND FINANCE LEASES — IN EUR THOUSAND

	31 December 2018	31 December 2017
Balance as at 1 January	**66,995**	**74,736**
Repayments	-2,140	-3,170
Transfer to current liabilities	-64,337	-4,584
Exchange rate differences	-6	13
Balance as at 31 December	**511**	**66,995**

Based on the financial restructuring agreement, the parent company transferred non-current financial liabilities to current financial liabilities in the amount of EUR 64,187 thousand. It repaid the long-term portion of loans received in the amount of EUR 2,140 thousand. On 1 March 2019, the Company reached an agreement with creditor banks to extend the maturity of the final loan instalment in the amount of EUR 57,044 thousand from 30 September 2019 to 31 January 2020.

TABLE 51: LONG-TERM LOANS AND FINANCE LEASES BY MATURITY — IN EUR THOUSAND

	31 December 2018	31 December 2017
Maturity from 1 to 2 years	511	66,835
Maturity from 2 to 3 years	0	160
Total	**511**	**66,995**

TABLE 52: LONG-TERM LOANS AND FINANCE LEASES WITH RESPECT TO COLLATERAL

IN EUR THOUSAND

	31 December 2018	31 December 2017
Secured (liens on real estate and securities)	0	66,918
Unsecured	511	77
Total	**511**	**66,995**

TABLE 53: COMPOSITION OF CURRENT FINANCIAL LIABILITIES

IN EUR THOUSAND

	31 December 2018	31 December 2017
Short-term loans received	70,046	4,488
Current financial liabilities from current finance leasing	89	358
Liabilities for dividends and other shares in profit	416	941
Total	**70,551**	**5,786**

The liability for preferred dividends recognised on the reporting date of 31 December 2017 in the amount of EUR 532 thousand was corrected by the Group in 2018 by crediting net profit brought forward due to an inappropriate basis for that recognition.

TABLE 54: SHORT-TERM LOANS AND FINANCE LEASES WITH RESPECT TO COLLATERAL

IN EUR THOUSAND

	31 December 2018	31 December 2017
Secured	70,074	4,784
Liens on real estate and securities	69,717	4,509
Bills of exchange	0	263
Other	357	12
Unsecured	61	61
Total	**70,135**	**4,846**

The Group had no overdue unpaid liabilities under loan agreements as at the reporting date.

During the 2018 financial year, the Group fulfilled all financial commitments agreed with banks, as set out in the financial restructuring agreement concluded in 2012.

NOTE 26: Non-current operating liabilities

TABLE 55: NON-CURRENT OPERATING LIABILITIES

IN EUR THOUSAND

	31 December 2018	31 December 2017
Non-current trade payables	303	282
Non-current liabilities for employee profit-sharing	1,111	95
Total	**1,414**	**377**

NOTE 27: Current operating liabilities

TABLE 56: CURRENT OPERATING LIABILITIES | IN EUR THOUSAND

	31 December 2018	31 December 2017
Current trade payables	20,544	20,998
Other current operating liabilities	3,805	3,840
Total	**24,349**	**24,838**

Of the amount of total current operating liabilities as at 31 December 2018, EUR 2,562 thousand related to liabilities for costs for which suppliers' invoices were not yet received. Except for liabilities for customs duties, the Group does not issue collateral instruments to secure payments to its suppliers. Other current operating liabilities comprised liabilities to employees for wages and wage compensation, liabilities for contributions and taxes, and other liabilities.

NOTE 28: Contingent liabilities

The Group discloses as contingent liabilities potential liabilities that are not disclosed in the statement of financial position and for which it assesses that an outflow of economic benefits will not be likely in the settlement of those liabilities.

TABLE 57: CONTINGENT LIABILITIES | IN EUR THOUSAND

	31 December 2018	31 December 2017
Contingent liabilities from bank guarantees and guarantees given to others	16,585	16,965
Contingent liabilities from lawsuits	876	753
Contingent liabilities to D.S.U., družba za svetovanje in upravljanje, d. o. o.	66	126
Other contingent liabilities	105	105
Total	**17,631**	**17,949**

Guarantees and warranties mainly comprise contingent liabilities arising from guarantees for potential customs liabilities that might arise from transit procedures, the verification of origin, and various analyses and controls of goods.

NOTE 29: Fair value

TABLE 58: FAIR VALUE OF FINANCIAL INSTRUMENTS

IN EUR THOUSAND

	31 December 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets measured at fair value through other comprehensive income*	102	102	0	0
Financial assets measured at fair value through profit or loss*	27	27	0	0
Loans and deposits	1,287	1,287	2,049	2,049
Operating receivables	33,015	33,015	34,268	34,268
Cash and cash equivalents	9,578	9,578	3,618	3,618
Total	**43,982**	**43,982**	**39,935**	**39,935**
Financial liabilities				
Loans and finance leases	70,647	70,647	71,841	71,841
- at fixed interest rates	643	643	949	949
- at variable interest rates	70,004	70,004	70,892	70,892
Liabilities for dividends and other shares in profit	416	416	941	941
Operating liabilities	25,763	25,763	25,215	25,215
Total	**96,826**	**96,826**	**97,997**	**97,997**

* The Group began applying IFRS 9 on 1 January 2018, with the effect of the initial application of that standard recognised on the date of initial application. Comparable data have thus not been recalculated.

The Group assesses that the carrying amount of receivables and liabilities with a maturity of less than one year is a proper reflection of their fair value.

Fair value hierarchy of instruments

The table illustrates the classification of land and financial instruments with respect to the calculation of their fair value. The Group classifies those instruments to the following three levels:

- level 1 includes the unadjusted price quoted on an active market on the date of measurement;
- level 2 includes inputs other than the quoted prices included in level 1 that can be directly or indirectly observed for assets or liabilities; and
- level 3 includes unobservable inputs for an asset or liability.

TABLE 59: FAIR VALUE HIERARCHY FOR ASSETS MEASURED AT FAIR VALUE — IN EUR THOUSAND

Fair value hierarchy	31 December 2018			
	Level 1	Level 2	Level 3	Total
Land	0	0	76,815	76,815
Financial assets measured at fair value through other comprehensive income*	4	0	0	4
Financial assets measured at fair value through profit or loss*	27	0	0	27
Total	**31**	**0**	**76,815**	**76,846**
Fair value hierarchy	**31 December 2017**			
	Level 1	**Level 2**	**Level 3**	**Total**
Land	0	0	79,438	79,438
Total	**0**	**0**	**79,438**	**79,438**

* The Group began applying IFRS 9 on 1 January 2018, with the effect of the initial application of that standard recognised on the date of initial application. Comparable data have thus not been recalculated.

NOTE 30: Financial risks

The Group manages liquidity risk through the active management of cash, which includes:
- the monitoring and planning of cash flows;
- regular collection activities and daily contact with major customers;
- short-term borrowing within the Group; and
- the option of using short-term credit lines via banks.

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

TABLE 60: LIQUIDITY RISK AS AT 31 DECEMBER 2018 — IN EUR THOUSAND

31 December 2018	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	70,062	71,345	8,637	62,414	308	0	0
Loans received on the basis of finance leases	584	630	56	56	518	0	0
Liabilities for dividends and other shares in profit	416	416	416	0	0	0	0
Trade payables	20,847	20,847	20,470	74	163	71	69
Other operating liabilities	4,916	4,916	3,807	0	1,097	0	0
Total	**96,825**	**98,154**	**33,386**	**62,544**	**2,087**	**71**	**69**

On 1 March 2019, Intereuropa, d. d. signed an annex to the financial restructuring agreement, thereby extending the maturity of the final instalment of the Group's loans in the amount of EUR 57,044 thousand from 30 September 2019 to 31 January 2020. The Company is planning to refinance financial liabilities from the financial restructuring agreement in 2019.

The Group is planning to continue implementing a strategy in 2019 aimed at the sale of certain non-strategic and commercially obsolete real estate, and further reduce the balance of bank loans received, which in turn will reduce liquidity risk.

The Group estimates a time span of between six months and five years for contingent liabilities from bank guarantees and guarantees issued in the total amount of EUR 16,585 thousand.

TABLE 61: LIQUIDITY RISK AS AT 31 DECEMBER 2017

IN EUR THOUSAND

31 December 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	70,892	74,057	3,047	3,298	67,712	0	0
Loans received on the basis of finance leases	941	941	392	533	0	0	0
Liabilities for dividends and other shares in profit	949	1,021	317	68	488	147	0
Trade payables	21,280	21,280	20,966	32	119	71	92
Liabilities based on advances	591	591	591	0	0	0	0
Other operating liabilities	3,344	3,344	3,249	4	91	0	0
Total	**97,997**	**101,234**	**28,562**	**3,935**	**68,410**	**218**	**92**

TABLE 62: INTEREST-RATE RISK IN 2018 (SENSITIVITY ANALYSIS AND IMPACT ON PROFIT OR LOSS FROM ORDINARY OPERATIONS)

IN EUR THOUSAND

Type of variable interest rate	Loan amount 31 December 2018	Increase in IR by 10 basis points	Increase in IR by 25 basis points	Increase in IR by 50 basis points
3-month EURIBOR	70,379	-70	-176	-352
1-month EURIBOR	268	0	-1	-1
Total	**70,647**	**-71**	**-177**	**-353**

TABLE 63: INTEREST-RATE RISK IN 2017 (SENSITIVITY ANALYSIS AND IMPACT ON PROFIT OR LOSS FROM ORDINARY OPERATIONS)

IN EUR THOUSAND

Type of variable interest rate	Loan amount 31 December 2017	Increase in IR by 10 basis points	Increase in IR by 25 basis points	Increase in IR by 50 basis points
3-month EURIBOR	70,628	-71	-177	-353
1-month EURIBOR	263	0	-1	-1
Total	**70,892**	**-71**	**-177**	**-354**

TABLE 64: APPLIED EXCHANGE RATES

IN EUR THOUSAND

Country	Functional currency	2018		2017	
		Year-end exchange rate in EUR*	Average exchange rate in EUR*	Year-end exchange rate in EUR*	Average exchange rate in EUR*
Montenegro and Kosovo	EUR	-	-	-	-
Croatia	HRK	7.413	7.418	7.440	7.464
North Macedonia	MKD	61.606	61.618	61.215	61.458
Bosnia and Herzegovina	BAM	1.956	1.956	1.956	1.956
Serbia	RSD	118.430	118.340	118.660	121.380
Ukraine	UAH	32.036	32.321	32.150	29.941
Albania	ALL	124.110	128.170	133.040	134.230

* ECB reference exchange rates taken into account.

TABLE 65: LIQUIDITY RISK AS AT 31 DECEMBER 2018

IN EUR THOUSAND

31 December 2018	EUR	HRK	RSD	Other	Total
Operating receivables	26,196	3,939	558	2,322	33,015
Long-term loans granted and deposits	10	0	0	5	15
Short-term loans granted and deposits	1,149	122	0	1	1,272
Long-term loans received	-496	0	0	-15	-511
Short-term loans received	-69,806	0	-268	-61	-70,135
Liabilities for dividends and other shares in profit	-400	0	0	-16	-416
Operating liabilities	-20,789	-2,479	-644	-1,851	-25,763
Exposure disclosed in the statement of financial position	**-64,136**	**1,582**	**-354**	**385**	**-62,523**

TABLE 66: LIQUIDITY RISK AS AT 31 DECEMBER 2017

IN EUR THOUSAND

31 December 2017	EUR	HRK	RSD	Other	Total
Operating receivables	26,884	4,058	903	2,423	34,268
Long-term loans granted and deposits	54	0	0	4	57
Short-term loans granted and deposits	1,850	125	0	17	1,992
Long-term loans received	-66,327	-591	0	-77	-66,995
Short-term loans received	-5,088	-346	-263	-89	-5,786
Liabilities for dividends and other shares in profit	-925	0	0	-16	-941
Operating liabilities	-20,231	-2,841	-472	-1,671	-25,215
Exposure disclosed in the statement of financial position	**-63,784**	**405**	**168**	**591**	**-62,620**

TABLE 67: CREDIT RISK

IN EUR THOUSAND

	31 December 2018	31 December 2017
Loans granted and deposits placed with others	1,287	2,049
Operating receivables	33,015	34,268
of which trade receivables	32,960	31,646
Cash and cash equivalents	9,578	3,618
Total	**43,880**	**39,935**

TABLE 68: STRUCTURE OF CURRENT RECEIVABLES BY MATURITY AS AT 31 DECEMBER 2018

IN EUR THOUSAND

	Gross value as at 31 December 2018	Average percentage of value adjustments created	Value adjustment as at 31 December 2018
Current trade receivables			
Non-past-due	22,107	0,31%	69
1 to 30 days past due	6,079	0,35%	21
31 to 90 days past due	2,198	2,67%	59
91 to 180 days past due	804	13,23%	107
More than 180 days past due	4,947	100,00%	4,947
Exchange rate differences	1		3
Total	**36,135**		**5,206**

	Gross value as at 31 December 2018	Value adjustment as at 31 December 2018
Other current operating receivables		
Non-past-due	1,737	0
Past-due	1,645	1,352
Total	**3,382**	**1,352**

The 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 the Group has defined control limits and mechanisms for approving exposure to credit risk for major customers.

TABLE 69: STRUCTURE OF CURRENT RECEIVABLES BY MATURITY AS AT 31 DECEMBER 2017

IN EUR THOUSAND

	Gross value as at 31 December 2017	Value adjustment as at 31 December 2017
Current trade receivables		
Non-past-due	23,184	3
1 to 30 days past due	5,153	0
31 to 90 days past due	2,191	3
91 to 180 days past due	828	48
More than 180 days past due	4,660	4,316
Current trade receivables	**36,016**	**4,370**
Other current operating receivables		
Non-past-due	1,408	0
1 to 30 days past due	861	0
31 to 90 days past due	6	0
91 to 180 days past due	374	0
More than 180 days past due	1,314	1,357
Other current operating receivables	**3,963**	**1,357**

TABLE 70: CHANGES IN VALUE ADJUSTMENTS TO TRADE AND OTHER RECEIVABLES — IN EUR THOUSAND

	2018	2017
Opening balance of adjustments to the value of trade receivables	**4,574**	**5,073**
Changes due to the transition to IFRS 9	560	0
Adjustments to the value of trade receivables as at 1 January	**5,134**	**5,073**
- written-off receivables	-455	-825
- loss due to the impairment of receivables (including the reversal of impairment losses)	523	308
- exchange rate differences	4	18
Adjustments to the value of trade receivables as at 31 December	**5,206**	**4,574**
Opening balance of adjustments to the value of other current receivables	**1,264**	**1,342**
Changes due to the transition to IFRS 9	85	0
Adjustments to the value of other current receivables as at 1 January	**1,349**	**1,342**
- written-off receivables	0	0
- loss due to the impairment of receivables (including the reversal of impairment losses)	-2	-78
Adjustments to the value of other current receivables as at 31 December	**1,347**	**1,264**

TABLE 71: CAPITAL MANAGEMENT — IN EUR THOUSAND

	2018	2017
Non-current financial liabilities	511	66,995
Current financial liabilities	70,551	5,786
Total financial liabilities	71,062	72,781
Equity	121,643	117,049
Debt / equity	**0,58**	**0,62**
Current financial assets	1,272	1,992
Cash and cash equivalents	9,578	3,618
Net financial liabilities	60,212	67,171
Net debt / equity	**0,49**	**0,57**
Total assets	232,927	229,672
Equity to total assets	**0,52**	**0,51**

The main purpose of capital management is to ensure capital adequacy, the highest possible level of financial stability and long-term solvency for the needs of financing operations, and the maximisation of value for shareholders. The Group's debt-to-equity ratio was lower at the end of 2018. The Group continued to pursue its strategic policy to reduce its debt during 2018.

NOTE 31: Costs of auditing services

TABLE 72: COSTS OF AUDITING SERVICES — IN EUR THOUSAND

	2018	2017
Auditing of the annual report	104	71
Other audit services	5	1
Total costs of auditing services	**109**	**72**

NOTE 32: Intereuropa Group companies

TABLE 73: COMPOSITION OF THE INTEREUROPA GROUP AS AT 31 DECEMBER 2018

IN EUR THOUSAND

Composition of the Group/in EUR thousand	Ownership stake as at 31 December 2018	Ownership stake as at 31 December 2017	Value of equity as at 31 December 2018	Value of equity as at 31 December 2017
Parent company				
Intereuropa, d. d., Koper			85,005	80,797
Subsidiaries				
Interagent, d. o. o., Koper	100.00%	100.00%	199	557
Interzav, d. o. o., Koper	71.28%	71.28%	101	71
Intereuropa, logističke usluge, d. o. o., Zagreb	99.96%	99.96%	42,959	42,216
Intereuropa sajam, d. o. o., Zagreb	51.00%	51.00%	683	666
Intereuropa Skopje, d. o. o., Skopje	99.56%	99.56%	1,607	1,845
Intereuropa RTC, d. d., Sarajevo	95.77%	95.77%	11,551	11,062
A.D. Intereuropa logističke usluge, Belgrade	73.62%	73.62%	7,181	8,238
TOV TEK ZTS, Uzhhorod	89.93%	89.93%	-95	-162
Intereuropa Kosova L.L.C.	90.00%	90.00%	651	582
Zetatrans A.D., Podgorica	69.27%	69.27%	15,724	15,249
TOV Intereuropa–Kiev, Ukraine	100.00%	100.00%	-318	-374
Intereuropa Albania, Durrës	100.00%	100.00%	86	82

The proportion of voting rights at all subsidiaries is equal to the ownership stake.

NOTE 33: Transactions with related parties

TABLE 74: REMUNERATION OF KEY MANAGEMENT PERSONNEL

IN EUR THOUSAND

	2018	2017
Current remuneration (gross wages, annual leave and sick leave, shares in profit, non-monetary earnings (fringe benefits))	772	930
Severance pay	0	95
Other earnings	81	56
Total	**853**	**1,081**

The Group did not approve loans, advances or guarantees to key management personnel in 2018.

TABLE 75: DISCLOSURE OF TRANSACTIONS WITH RELATED PARTIES

IN EUR THOUSAND

Revenues from the sale of services	January–December 2018	January–December 2017
Associate	1,310	683
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	59	68
Costs of services	**January–December 2018**	**January–December 2017**
Associate	4,432	3,856
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	18	77
Balance of operating receivables	**31 December 2018**	**31 December 2017**
Associate	91	104
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	9	7
Balance of operating liabilities	**31 December 2018**	**31 December 2017**
Associate	694	534

NOTE 34: Events after the balance-sheet date

On 1 March 2019, the parent company Intereuropa, d. d. and creditor banks concluded an annex to the financial restructuring agreement, thereby extending the validity of the aforementioned agreement until 31 January 2020.

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Independent Auditor's Report

To the owners of INTEREUROPA d.d.

Report on the Audit of the consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of INTEREUROPA d.d. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and EU Regulation (EU) No 537/2014. Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the consolidated Financial Statements* section of our report. We are independent in accordance with both the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in Slovenia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note I *Basis of preparation - Significant estimates, judgements and assumptions*, which indicates that as at 31 December 2018 the Group's current liabilities, relating primarily to bank loans, exceeded its current assets by EUR 46,011 thousand. While, as discussed in Note 34, subsequent to the above date, the Group managed to extend the repayment date of the final instalment of the said loans in amount of EUR 57,044 thousand until 31 January 2020, its continued uninterrupted business operations in the foreseeable future will depend on its ability to further refinance the debt beyond this date, as described in Note 30 *Financial risks* and Note 25 *Financial liabilities*.

As also stated in the Note I, these events or conditions, along with certain other matters, as forth in Note 30 *Financial risks* and Note 34 *Events after the balance-sheet date*, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as going concern. Our opinion is not modified in respect of this matter.

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TRR: SI 56 2900 0000 1851 102
vpis v sodni register: Okrožno sodišče v Ljubljani
št. reg. vl.: 061/12062100
osnovni kapital: 54.892,00 EUR
ID za DDV: SI20437145
matična št.: 5648556

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a consolidated opinion on these matters.

Fair value of land lots

As at 31 December 2018, the carrying amount of land EUR 76,815 thousand (31 December 2017: EUR 79,438 thousand); fair value reserve: EUR 47,185 thousand (31 December 2017: EUR 47,371 thousand); In 2018, total revaluation loss for land lots through other comprehensive income: EUR 22 thousand (2017: EUR 2.528 thousand); Impairment loss recognised in profit and loss statement for impairment of PPE: EUR 0 thousand (2017: EUR 3,667 thousand).

We refer to the financial statements: Notes II (g) Property, plant and equipment and II (k) Impairment of assets (significant accounting policies), Notes V. Fair value, Notes VIII.; 10: Property, plant and equipment and 22 Equity (notes to the financial statements).

Key audit matter	Our response
The Group's property, plant and equipment includes land lots at various locations across Slovenia and abroad used to support its business operations, primarily in providing warehousing and storage services. The land's total carrying amount, stated at EUR 76.815 thousand as at 31 December 2018, is determined based on the revaluation model. Pursuant to the model, the carrying amount of the land is determined as its fair value at the date of most recent revaluation less any subsequent impairment losses. The Group estimates the fair values of its land lots with the assistance of contracted external appraisers, and by reference to the lots' market values, based on the prices observed in recent transactions with similar assets. The Group re-measures the fair value of its land lots every five years, and also whenever there are indications of events and circumstances which may result in potential material change in those fair values. The Management Board's process of identifying such indications and, where necessary, re-measuring the fair values of land plots, is complex and requires significant judgement. In light of the above circumstances, this area required our increased attention in the audit and as such was considered by us to be a key audit matter.	Our audit procedures in the area included, among others: • Where new valuations of land were prepared by the Group: – Assessing the competence, experience and objectivity of the external experts engaged by the Group and considering whether there were any matters that might have limited the scope of their work; – Assessing the fair value measurement methodology used by the Group's external experts against the requirements of the relevant financial reporting standards. With the support of external valuation experts engaged by us, critically evaluating the judgements and assumptions used in the Group's land valuations. This included, but was not limited to: o Assessing the selection of comparable transactions and reasonableness of any related adjustments for size, location, type of transaction; o By reference to the respective land acquisition and ownership documents, evaluating, for each individual lot, the accuracy and relevance of the input data, such as, among others, comparability of location, intended use of the land and

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	size of land lots in the appraisers report; – Inspecting the Group's recent land lot sales transactions to assess whether they resulted in significant profits or losses in order to assess the historical accuracy of fair value estimates. • Where prior periods' fair values were considered still appropriate by the Group : – Inspecting the Group's recent land lot sales transactions to assess whether they resulted in significant profits or losses in order to assess the historical accuracy of fair value estimates; – Testing the design and implementation of internal controls relating to the assessment of the continued relevance of fair values; – Evaluating the reasonableness and robustness of the Management Board's assessment of events and conditions representing indicators of material fair value change. • For land plots valued under the market approach, using the comparable transactions method: – Evaluating the reasonableness of the Management's experts' analysis on the observable prices for land plots by relevant geographic areas and intended use in the period from last valuation to the end of 2018, – Assessing whether the indicators that would point to a significant change in fair value were appropriately defined; – Assessing the appropriateness of the Management Board's decision that the prior periods' fair value is still valid given the changes in the significant impairment indicators in 2018, if any. • Evaluating the appropriateness and sufficiency of the financial statements disclosures in respect of fair value measurements.

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Impairment of property plant and equipment and investment property	
As at 31 December 2018, the carrying amount of property, plant and equipment, less the value of land lots: EUR 82,132 thousand (31 December 2017: EUR 86,825 thousand), impairment loss of property plan and equipment: EUR 3.514 (31 December 2017: EUR 2,915 thousands); the carrying amount of investment property: EUR 10,631 thousand (31 December 2017: EUR 9,179 thousand), impairment loss of investment properties: EUR nil (31 December 2017: EUR 708 thousand). *We refer to the consolidated financial statements: Notes II (f) Property, plant and equipment, Notes II (i) Investment property and II (k) Impairment of assets (significant accounting policies), Notes V. 10 Property, plant and equipment, 11. Investment property and 22: Equity (notes to the financial statements).*	
Key audit matter	**Our response**
The Group's property, plant and equipment (PPE) includes buildings and equipment at various locations across Slovenia and abroad. The PPE is carried at cost less accumulated depreciation and any subsequent impairment losses. The Group's investment properties include land and buildings at various locations across Slovenia and abroad that are leased out and held for purpose of achieving rental income or for appreciation in value. The investment properties are carried under the cost model. The Management Board's process of identifying changes in impairment indicators and, where necessary, estimating the recoverable amounts of items of property plant and equipment, investment properties or related cash-generating units (CGUs) is complex and requires significant judgement. In light of the above circumstances, this area required our increased attention in the audit and as such was considered by us to be a key audit matter.	Our audit procedures in the area included, among others: • Where values of PPE and investment property were assessed in the previous periods and the Group considered recoverable amounts established in previous year's valuation reports as still relevant: — Testing the design and implementation of internal controls relating to impairment testing process; — Evaluating the Management Board's assessment of impairment indicators for property, plant and equipment and investment property, and the appropriateness of grouping assets into CGUs; — Evaluating the Management Board's assessment of significant changes in impairment indicators for the property plant and equipment and investment property by assessing the appropriateness of the selected factors as significant impairment indicator and by comparing the new value of significant impairment indicators value to values that ware included in the previous year's valuation reports; — Assessing the whether the decision of the of the Management Board's that fair value from the previous year's valuation report is still valid is reasonable given the changed in the significant impairment indicators in the year 2018. — Evaluating the adequacy of the impairment-related disclosures in the consolidated financial statements.

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Revenue recognition	
Revenue from sales recognised in 2018: EUR 160,382 thousand (2017: EUR 149,889 thousand); As at 31 December 2018: Customer contract assets: EUR 762 thousand (31 December 2017: nil) and Contract liabilities: EUR 543 thousand (31 December 2017: nil) *We refer to the financial statements: Note II b Transition to IFRS 15 - Revenue from Contracts with Customers, Note IV (p) Revenues (significant accounting policies) and Note VII. 1: Sales revenue (notes to the financial statements) and Note 18 Assets from contracts with customers.*	
Key audit matter	**Our response**
As discussed in Note II b, the Group adopted the new revenue standard, IFRS 15 *Revenue from Contracts with Customers,* as at 1 January 2018, using the modified retrospective application method, with the cumulative effect of initially applying the standard adjusting the opening equity of 2018. Recognition of the Group's revenue in accordance with the new standard is inherently complex due to several types of contracts in place, including those for transportation and logistics services, client representation before the customs authorities, warehousing services and other services like labelling, packaging and alike services. These various services are sometimes delivered as part of a single arrangement which introduces an element of additional complexity from the revenue recognition perspective. We focused on this area as appropriate revenue recognition requires significant amount of judgement and estimates from the Management Board, including assessing contracts for consolidated performance obligations, selecting the most appropriate method for recognition of revenue for the performance obligations identified, allocating consideration to performance obligations, assessing whether performance obligations are satisfied over point in time or over time. Additional judgment is required in assessing the progress toward complete satisfaction of performance obligations where service contracts are accounted for over time. In light of the above circumstances, revenue recognition required our increased attention in the audit and as such we consider the area to be our key audit matter.	Our procedures in the area included, among others, • Assessing the initial implementation of IFRS 15, including recognition of its effects on the opening retained earnings. Also evaluating the Group's changes to procedures, accounting guidelines, disclosures and systems to support correct revenue recognition. As part of the above, we made inquiries of the Management Board and the financial reporting personnel; • Testing the design, implementation and operating effectiveness of relevant internal controls over the revenue cycle, including controls over the assessment of progress toward satisfaction of performance obligations at year end. This included, but was not limited to, using our own information technology (IT) specialists in evaluating the controls in the IT systems that support the recording of revenue; • Inspecting a sample of service contracts to assess the method of revenue recognition for compliance with the new revenue standard (primarily "at the point in time" versus "over time" recognition). We focused on establishing the nature of each contract, allocation of transaction consideration to individual performance obligations and timing of control transfer. For the contracts selected, we inspected the terms of the underlying contracts and sales invoices, developed an independent estimate of the related revenue and traced it to the Group's accounting records, seeking explanations for significant discrepancies, if any;

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	• In addition to the above, for a sample of contracts open at the reporting date, obtaining the Group's estimate of the degree of completion and assessing its reasonableness based on our inspection of the supporting documentation such as invoices received from the sub-contractors, customs documents, freight lists, and by reference to the Group's list of open orders as at 31 December 2018; • Inspecting a sample of credit notes issued after year-end in order to assess whether the revenue for the year was recognized in the appropriate period; • Assessing the accuracy of customer contract assets and related liabilities by tracing a sample of such balances to invoices raised pre or post year end and recalculating the amount accrued or deferred based on contract terms and costs incurred in the period up to year end; • Inspecting manual journal entries posted to revenue accounts as well as the underlying documentation, with particular focus on the journal entries after the reporting date.

Other Information

Management is responsible for other information. The other information comprises the Introduction, Business Report and Sustainability Report included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. Other information was obtained before the date of issuance of the auditor's report, except for the Minutes of the Supervisory Board's meeting on the adoption of the Annual report of the Intereuropa Group for the year ended 31 December 2018.

Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With respect to the Business Report, we have considered whether the Business Report includes the disclosures required by the Company's Act (hereafter referred to as "the applicable legal requirements"). Based solely on the work required to be undertaken in the course of the audit of the consolidated financial statements and the procedures above, in our opinion:

- the information given in the Business Report for the financial year for which the consolidated financial statements are prepared, is consistent in all material aspects with the consolidated financial statements; and
- the Business Report has been prepared in accordance with the applicable legal requirements.

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In addition, in light of the knowledge and understanding of the Group and its environment in which it operates, obtained in the course of our audit, we are required to report if we have identified material misstatements in the Business Report and other information that we obtained prior to the date of this auditors' report. We have nothing to report in this respect.

Responsibility of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation consolidated financial statements that give a true and fair view in accordance with the EU IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using of the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility for the Audit of Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and with EU Regulation (EU) No 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

We were appointed by the General Meeting of Shareholders on 22 June 2018 to audit the consolidated financial statements of INTEREUROPA d.d. for the year ended 31 December 2018. Our total uninterrupted period of engagement is 3 years, covering periods ending 31 December 2016 to 31 December 2018.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 4 April 2019;
- we have not provided any prohibited non-audit services (NASs) referred in Article 5 of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit;

For the period to which our statutory audit relates, in addition to the audit, we have provided the following service to the Group which are not disclosed in the Management Report or in the consolidated financial statements of the Group:

- Review of the report as at 31 December 2017 for off-balance items established in the process of ownership transformation of the INTEREUROPA d.d., Koper and under contract with the D.S.U., Property Management and Consultancy (LLC) Ljubljana.

On behalf of the auditing company

KPMG SLOVENIJA,

podjetje za revidiranje, d.o.o.

Polona Repinc Kofol	Danilo Bukovec
Certified Auditor	*Certified Auditor*
	Director

Ljubljana, 5 April 2019

KPMG Slovenija, d.o.o.
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4.2. FINANCIAL REPORT OF THE PARENT COMPANY INTEREUROPA, D. D.

Financial statements of the controlling company Intereuropa, d. d., Koper with explanatory notes

Intereuropa, d. d., Koper (hereinafter: the Company) is the parent company of the Intereuropa Group and is established in Slovenia. Its registered office is located at Vojkovo nabrežje 32, 6000 Koper. The Company provides logistics services through its own network of business units. Pursuant to the resolution adopted by the General Meeting of Shareholders on 15 July 2005, the parent company Intereuropa, d. d., Koper transitioned to the International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union, for a period of five financial years beginning 1 January 2006, for the purpose of compiling and presenting its separate financial statements. Pursuant to the resolution adopted by the General Meeting of Shareholders on 8 July 2011, the Company resolved to apply the IFRS for an indefinite period of time, effective 1 January 2011.

TABLE 1: INCOME STATEMENT OF INTEREUROPA, D. D., KOPER FOR 2018 IN EUR THOUSAND

	Notes	January–December 2018	January–December 2017 (adjusted*)
Sales revenue	**1**	**111,890**	**103,976**
Gains and losses from the derecognition of operating receivables		-37	5
Other operating revenues	2	1,444	526
Costs of goods, materials and services	3	-83,686	-76,529
Labour costs	4	-18,796	-17,459
Amortisation and depreciation	5	-4,070	-4,040
Loss due to the impairment of receivables		-288	-15
Other operating expenses	6	-1,125	-3,680
Operating profit		**5,332**	**2,783**
Interest income		146	184
Other finance income		904	678
Finance costs – costs of financing		-1,945	-2,116
Other finance costs		-129	-1,343
Loss from financing activities	**7**	**-1,024**	**-2,597**
Profit from ordinary operations		**4,308**	**186**
Corporate income tax (including deferred taxes)	8	-164	154
Net profit for the accounting period		**4,144**	**340**
Basic and diluted earnings/loss per ordinary share (in EUR)	20	0,15	0,01

* Adjustments relate to the reclassification of items due to amendments to IAS 1. Disclosures are presented in Point III Reclassification of items of comparable data.

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

TABLE 2: STATEMENT OF OTHER COMPREHENSIVE INCOME OF INTEREUROPA, D. D., KOPER FOR 2018

IN EUR THOUSAND

	Notes	January–December 2018	January–December 2017
Net profit for the accounting period		**4,144**	**340**
Other comprehensive income	**20**	**-40**	**-2,468**
Items that will be reclassified to profit or loss		**0**	**-85**
Transfer of revaluation surplus for available-for-sale financial assets to profit or loss		0	-104
Change in deferred taxes in the revaluation surplus for available-for-sale financial assets	8	0	19
Items that will not be reclassified to profit or loss		**-40**	**-2,383**
Change in fair value of land		-47	-2,950
Transfer of revaluation surplus for land to net profit or loss brought forward		-32	-138
Change in deferred taxes	8	16	587
Change in net profit or loss brought forward from the transfer of the revaluation surplus for land		32	138
Actuarial losses for severance pay at retirement	21	-9	-20
Total comprehensive income		**4,104**	**-2,128**

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

TABLE 3: STATEMENT OF FINANCIAL POSITION OF INTEREUROPA, D. D., KOPER AS AT 31 DECEMBER 2018 IN EUR THOUSAND

	Notes	31 December 2018	31 December 2017 (adjusted*)	1 January 2017 (adjusted*)
ASSETS				
Property, plant and equipment	9	85,752	89,848	96,812
Investment property	10	10,138	8,668	8,903
Intangible assets	11	3,431	3,552	3,962
Other non-current assets	12	23	29	49
Non-current operating receivables		16	16	0
Deferred tax assets	8	7,208	7,228	7,073
Long-term loans granted and deposits	13	102	229	10
Other non-current financial assets	14	44,323	44,323	45,739
TOTAL NON-CURRENT ASSETS		**150,993**	**153,893**	**162,548**
Available-for-sale assets	15	2,714	237	323
Inventories		7	9	8
Short-term loans granted and deposits	13	1,615	1,211	1,343
Other short-term financial investments		0	0	250
Assets from contracts with customers	16	590	0	0
Current operating receivables	17	23,620	23,814	20,290
Current receivables for corporate income tax		0	566	0
Other current assets	18	145	136	60
Cash and cash equivalents	19	5,430	413	1,822
TOTAL CURRENT ASSETS		**34,121**	**26,386**	**24,096**
TOTAL ASSETS		**185,114**	**180,279**	**186,644**
EQUITY				
Share capital		27,489	27,489	27,489
Share premium account		18,455	18,455	18,455
Profit reserves		2,749	2,749	2,749
Fair value reserves		32,278	32,342	34,929
Net profit or loss brought forward		0	-578	-591
Net profit		4,034	340	0
TOTAL EQUITY	**20**	**85,005**	**80,797**	**83,031**
LIABILITIES				
Provisions	21	1,068	1,986	1,078
Non-current deferred income		81	92	103
Non-current financial liabilities	23	0	66,327	73,175
Non-current operating liabilities	22	1,401	372	306
Deferred tax liabilities	8	7,572	7,587	8,193
TOTAL NON-CURRENT LIABILITIES		**10,122**	**76,364**	**82,855**
Current financial liabilities	23	71,778	5,196	4,412
Liabilities from contracts with customers		17	0	0
Current operating liabilities	24	18,056	17,875	15,849
Current corporate income tax liabilities		136	47	497
TOTAL CURRENT LIABILITIES		**89,987**	**23,118**	**20,758**
TOTAL LIABILITIES		**100,109**	**99,482**	**103,613**
TOTAL EQUITY AND LIABILITIES		**185,114**	**180,279**	**186,644**

*Adjustments are disclosed in Point IV Correction of error.

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

TABLE 4: STATEMENT OF CASH FLOWS FOR INTEREUROPA, D. D., KOPER FOR 2018

IN EUR THOUSAND

	Notes	January–December 2018	January–December 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the accounting period		**4,144**	**340**
Adjustments for:			
- amortisation and depreciation	5	4,070	4,040
- impairments and write-offs of property, plant and equipment and intangible assets		41	1,706
- gains on the sale of property, plant and equipment	2	-134	-254
- gains and losses from the derecognition of operating receivables		37	-5
- losses from the sale of property, plant and equipment		3	1
- losses due to the impairment of receivables		288	15
- finance income from interest	7	-146	-184
- other non-cash revenues		0	-38
- other finance income	7	-904	-678
- finance costs – costs of financing	7	1,945	2,116
- other finance costs	7	129	1,343
- corporate income tax (including deferred taxes)	8	164	-154
Operating profit before changes in net working capital and taxes		**9,637**	**8,248**
CHANGES IN NET WORKING CAPITAL AND PROVISIONS			
Changes in assets from contracts with customers		474	0
Changes in receivables	17	-1,637	-3,562
Changes in inventories		2	-1
Changes in other current assets		-12	-77
Changes in liabilities from contracts with customers		-6	0
Changes in operating liabilities	22, 24	1,079	2,000
Changes in provisions	21	-927	888
Changes in non-current deferred income		-11	-11
Corporate income tax		513	-1,016
Net cash flow from operating activities		**9,112**	**6,469**
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		160	207
Dividends received and shares in profit	7	895	496
Inflows from the sale of property, plant and equipment, and assets held for sale	9	441	869
Inflows from long-term loans granted		93	28
Inflows from long-term deposits placed		30	0
Inflows from the disposal of other non-current financial assets	7	9	514
Net cash flow from short-term loans granted		-400	90
Net cash flow from short-term deposits placed		0	30
Outflows for the acquisition of property, plant and equipment, and investment property	9	-3,714	-1,344
Outflows for the acquisition of intangible assets		-322	-107
Outflows for long-term loans granted		0	-290
Outflows for long-term deposits placed		0	-40
Outflows for increase in capital of subsidiaries	14	-122	-28
Net cash flow from investing activities		**-2,930**	**425**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		-1,952	-2,132
Outflows for the repayment of long-term loans		-6,303	-6,671
Inflows from short-term loans received		7,090	500
Net cash flow from financing activities		**-1,165**	**-8,303**
Opening balance of cash and cash equivalents		**413**	**1,822**
Net cash flow for the period		**5,017**	**-1,409**
Closing balance of cash and cash equivalents	**19**	**5,430**	**413**

* Adjustments relate to the reclassification of items due to amendments to IAS 1. Disclosures are presented in Point III Reclassification of items of comparable data.

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

TABLE 5: STATEMENT OF CHANGES IN EQUITY FOR INTEREUROPA, D. D., KOPER FOR 2018

in EUR thousand	Note	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 or loss brought forward	Net profit	
Reported as at 31 December 2017		**27,849**	**18,455**	**2,749**	**180**	**-180**	**32,342**	**3,509**	**340**	**84,884**
Correction of error *		0	0	0	0	0	0	-4,087	0	-4,087
Adjusted balance as at 31 December 2017		**27,489**	**18,455**	**2,749**	**180**	**-180**	**32,342**	**-578**	**340**	**80,797**
Adjustment for the initial application of IFRS 9**		0	0	0	0	0	0	-428	0	-428
Balance as at 1 January 2018		**27,489**	**18,455**	**2,749**	**180**	**-180**	**32,342**	**-1,006**	**340**	**80,369**
Total comprehensive income for the period		**0**	**0**	**0**	**0**	**0**	**-64**	**24**	**4,144**	**4,104**
Net profit		0	0	0	0	0	0	0	4,144	4,144
Other comprehensive income		0	0	0	0	0	-64	24	0	-40
Transactions with owners										
Transfer of net profit or loss from the previous year to net profit or loss brought forward		0	0	0	0	0	0	340	-340	0
Elimination of liabilities for priority dividends	23	0	0	0	0	0	0	532	0	532
Settlement of the transferred loss		0	0	0	0	0	0	110	-110	0
Closing balance as at 31 December 2018	**20**	**27,489**	**18,455**	**2,749**	**180**	**-180**	**32,278**	**0**	**4,034**	**85,005**

* Adjustments are disclosed in Point IV Correction of error.
** Adjustments are disclosed in Point II Changes in significant accounting policies.

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

TABLE 6: STATEMENT OF CHANGES IN EQUITY FOR INTEREUROPA, D. D., KOPER FOR 2017

in EUR thousand	Note	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 or loss 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**
Correction of error *		0	0	0	0	0	0	-4,087	0	-4,087
Adjusted balance as at 1 January 2017		**27,489**	**18,455**	**2,749**	**180**	**-180**	**34,929**	**-591**	**0**	**83,031**
Total comprehensive income for the period		**0**	**0**	**0**	**0**	**0**	**-2,587**	**119**	**340**	**-2,128**
Net profit		0	0	0	0	0	0	0	340	340
Other comprehensive income		0	0	0	0	0	-2,587	119	0	-2,468
Transactions with owners										
Dividends		0	0	0	0	0	0	-106	0	-106
Closing balance as at 31 December 2017	**20**	**27,489**	**18,455**	**2,749**	**180**	**-180**	**32,342**	**-578**	**340**	**80,797**

* The correction of an error is explained in Point IV Correction of error.

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

Notes to the financial statements of Intereuropa, d. d.

I. BASIS FOR COMPILATION OF THE FINANCIAL STATEMENTS

Statement of compliance

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

In terms of consolidating EU standards, there were no differences in the Company's accounting policies on the balance-sheet date between the IFRS as applied and the IFRS as adopted by the European Union.

The Management Board approved the financial statements of Intereuropa, d. d. on 29 March 2019.

Basis of measurement

The financial statements have been compiled on a historical cost basis, except for land and financial assets measured at fair value, for which fair value is applied. The methods used for measurement are described in point V.

Functional and reporting currency

The financial statements were compiled in euros, the functional and presentation currency of Intereuropa, d. d., Koper. All financial information is rounded to thousand units. Deviations of +1 or -1 in tables with disclosures are possible due to rounding.

Use of estimates, judgements and assumptions

In compiling the financial statements, the senior management made estimates, judgments and assumptions that affect the application of accounting policies and the disclosed amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

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

Significant estimates, judgements and assumptions

The Company's financial statements have been compiled on a going concern basis.

The coverage of current liabilities by current assets was down at the end of 2018 due to the reclassification of financial liabilities from the financial restructuring agreement to current liabilities. Current liabilities exceeded current assets by EUR 55,866 thousand as at 31 December 2018. As described in Note 30 Events after the balance-sheet date, the Company concluded an annex to the financial restructuring agreement on 1 March 2019, thereby extending the maturity of principal in the amount of EUR 57,044 thousand until 31 January 2020. The Company intends to refinance the financial liabilities from the financial restructuring agreement in 2019, as described in Note 27 Financial risks.

The recoverable amount of non-financial assets for the sake of comparison with the carrying amount to test for asset impairment (Notes 9, 10, 11 and 14).

In performing the impairment test for non-financial assets, the senior management compared the recoverable amount of assets with their carrying amount, and recognised impairments if the carrying amount of those assets exceeded their recoverable amount.

The useful life of depreciable assets (Notes 9, 10 and 11).

By no later than the end of the financial year, the senior management verifies the useful life of depreciable assets, taking into account the technical and economic obsolescence thereof.

The value of doubtful receivables (Note 27).

The Company creates adjustments to the value of receivables based on the expected credit loss model using the simplified approach in accordance with IFRS 9.

Land and equity instruments measured at fair value (Notes 9 and 14).
When measuring the fair value of land, the Company takes into account the ability of a market participant to generate economic benefits through the best use of an asset or its sale to another market participant. The most recent appraisal of land (for financial reporting purposes) was carried out for 2017.

The fair value of financial assets measured at fair value through profit or loss is determined taking into account a quoted market price at the end of the reporting period or based on other available data.

All assets measured at fair value are classified to the fair value hierarchy based on the level of input data that are required for the measurement of fair value:
- level 1: market prices from an active market for similar assets;
- level 2: a valuation model that is directly or indirectly based on market inputs; and
- level 3: a valuation model that is not based on market inputs.

The fair value hierarchy is presented in Note 26.

The creation of deferred tax assets and liabilities, and the potential use thereof (Note 8).
The senior management assesses the creation of deferred taxes from tax losses based on past experiences and data from projections of operations for a seven-year period, and assuming a stable tax environment in which the Company operates. Deferred tax assets are reversed to the extent that it is no longer probable that the related tax benefit will be realised.

Provisions and contingent liabilities (Notes 21 and 25).
The Company has created provisions for severance pay at retirement, jubilee benefits and lawsuits. Provisions are recognised if, as a result of a past event, present legal or constructive obligations arise that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle those obligations. The Company's senior management regularly verifies whether it is likely that there will be an outflow of resources yielding economic benefits in the settlement of a liability. The present value of severance pay and jubilee benefits is recorded in defined-benefit post-employment commitments. The basis for recognition comprises an actuarial calculation that takes into account assumptions and estimates at the time of the calculation (e.g. discount rate, estimated employee turnover rate, mortality rate and wage growth). Defined-benefit commitments are sensitive to changes in the aforementioned estimates. When assessing the probability of an outflow of the Company's resources embodying economic benefits for the settlement of contingent liabilities for lawsuits, the senior management also uses the expert opinions of lawyers who represent the Company in disputes.

The Company treats as contingent liabilities any potential liabilities for which the senior management assesses that an outflow of resources embodying economic benefits is unlikely for the settlement of the liabilities or the amount of the liabilities cannot be measured reliably. Such liabilities are not recognised in the financial statements, but are disclosed in the financial report. If an outflow of benefits is likely, the Company reclassifies the potential liability to provisions in the financial statements when a change in probability occurs.

Judgement regarding the transfer of real estate to investment property (Notes 9 and 10).
The Company assesses that elements of real estate made available in part for operating leasing and used in part by the Company cannot be sold separately (or made available separately for leasing). Such real estate is therefore classified as property, plant and equipment used in the provision of services. Only real estate that is made available for leasing in its entirety is recognised as investment property.

Judgement regarding the transfer of non-current assets to assets held for sale (Notes 9 and 15).
The Company classifies the portion of non-current assets that are very likely to be sold in the twelve months following the balance-sheet date to assets held for sale within current assets (based on an incomplete sale or a decision adopted by the senior management on the sale of assets on the reporting date). This applies to investment property, intangible assets and non-current financial assets, but only to land and buildings within property, plant and equipment on grounds of materiality.

The assessment of assumptions of control over subsidiaries and an associate (Note 14).
The Company regularly verifies whether a change in influence has occurred. The following are deemed evidence of investors' significant influence:
- representation on the management board or other decision-making body of a company in which the Company invests; and
- participation in significant decisions, including decisions regarding dividends and profit-sharing.

Changes in accounting estimates, judgements and assumptions

The Company's 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 2017 were compiled, except for assessments and judgements that relate to the initial application of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers (the Company began applying the aforementioned standards on 1 January 2018), as described in point II.

Changes in accounting policies

All newly adopted or amended standards and interpretations that entered into force on 1 January 2018 were taken into account in the compilation of the Company's financial statements for the financial year ending 31 December 2018. The effects of new or amended standards and interpretations are explained in point II.

II. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

(A) TRANSITION TO IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 Financial Instruments, adopted by the EU on 22 November 2016 (applicable to annual periods beginning on or after 1 January 2018). The Company began applying the aforementioned standard on 1 January 2018. Comparable data have thus not been recalculated. In doing so, it complied with the provision of the aforementioned standard that requires the recognition of any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application in net profit or loss brought forward (or another component of equity, if appropriate) in the annual reporting period that includes the date of initial application. Comparable data have thus not been recalculated.

IFRS 9 includes requirements regarding recognition and measurement, the impairment and derecognition of financial instruments, and general hedge accounting associated with financial instruments. The trade receivables recorded by the Company also include receivables from leasing. The Company accounts for investments in subsidiaries at historical cost in accordance with IAS 27 Separate Financial Statements, while it accounts for an investment in an associate in accordance with IAS 28 Investments in Associates and Joint Ventures. That investment is therefore exempt from the treatment prescribed by IFRS 9.

IFRS 9 includes requirements regarding recognition and measurement, the impairment and derecognition of financial instruments, and general hedge accounting associated with financial instruments. The trade receivables recorded by the Company also include receivables from leasing. The Company accounts for an investment in an associate in accordance with IAS 28 Investments in Associates and Joint Ventures. That investment is therefore exempt from the treatment prescribed by IFRS 9.

Classification and measurement of financial assets and financial liabilities

IFRS 9 replaces the previous classification of financial assets held by the Company as at 31 December 2017 and that was defined in IAS 39 Financial Instruments: Recognition and Measurement (loans and receivables, and available-for-sale financial assets), and introduces the following new categories of financial assets:
- financial assets measured at amortised cost;
- financial assets measured at fair value through other comprehensive income; and
- financial assets measured at fair value through profit or loss.

IFRS 9 largely maintains the previous classification and measurement of financial liabilities. There are thus no differences in terms of classification and measurement relative to IAS 39 for those liabilities at the Company level.

In accordance with IFRS 9, financial assets are classified to the above-mentioned categories based on the business model used to manage financial assets, and on the contractual cash flow characteristics of financial assets. The Company may make an irrevocable decision at initial recognition to measure certain equity instruments that are not held for trading and that would otherwise be measured at fair value through profit or loss at fair value through other comprehensive income, and likewise present subsequent changes in fair value in other comprehensive income (the Company adopted such a decision for certain financial assets, as disclosed in Table 7).

The classification of financial assets based on the business model used to manage financial assets, and on the contractual cash flow characteristics of financial assets and accounting policies on the subsequent measurement of financial assets based on the requirements of IFRS 9 are presented in Point V. b.

Effect of the transition to IFRS 9 on the carrying amount of the Company's financial assets as at 1 January 2018

The effect of the transition to the IFRS on the carrying amount of the Company's financial assets as at 1 January 2018 relates to the additional impairment of trade receivables, other receivables and deposits. IFRS 9 replaces the 'incurred loss' model defined in IAS 39 with an 'expected loss' model, and requires the earlier recognition of expected credit losses. The accounting policy on the impairment of financial assets is described in Point V. j.

TABLE 7: CARRYING AMOUNT OF FINANCIAL ASSETS IN ACCORDANCE WITH IAS 39 AND NEW VALUES IN ACCORDANCE WITH THE IFRS BY TYPE OF ASSET

IN EUR THOUSAND

	Classification in accordance with IAS 39	New classification in accordance with IFRS 9	Carrying amount in accordance with IAS 39	Carrying amount in accordance with IFRS 9
Investments in shares and participating interests (excluding investments in subsidiaries and an associate)	Available-for-sale financial assets	Financial assets measured at fair value through profit or loss	27	27
Operating receivables	Loans and receivables	Financial assets measured at amortised cost	23,830	23,402
Cash and cash equivalents	Loans and receivables	Financial assets measured at amortised cost	413	413

As at 1 January 2018, the Company determined the need for the additional impairment of financial assets covered by IFRS 9, as shown in the table below.

TABLE 8: EFFECT OF ADDITIONAL IMPAIRMENTS OF FINANCIAL ASSETS USING THE NEW MODEL IN ACCORDANCE WITH IFRS 9

IN EUR THOUSAND

	Additional value adjustment as at 1 January 2018
Trade receivables (excluding the Group)	326
Trade receivables within the Group	102
Total	**428**

Additional impairments of trade receivables resulted in a reduction in the value of the receivables presented in the table.

TABLE 9: EXPOSURE TO CREDIT RISK AND EXPECTED CREDIT LOSSES IN CONNECTION WITH CURRENT TRADE RECEIVABLES (EXCLUDING THE GROUP)

IN EUR THOUSAND

	Gross value as at 1 January 2018	Average percentage of value adjustments created	Value adjustment as at 1 January 2018
Non-past-due	16,697	0.24%	40
1 to 30 days past due	2,966	0.35%	10
31 to 90 days past due	1,118	2.96%	33
91 to 180 days past due	300	28.81%	87
More than 180 days past due	2,253	99.80%	2,248
Exchange rate differences	-4		0
Total	**23,330**		**2,418**

Effect of the transition to IFRS 9 on the Company's equity as at 1 January 2018

Due to the additional impairment of assets, the transition to IFRS 9 resulted in changes in the Company's equity, as disclosed in the following table.

TABLE 10: SUMMARY OF CHANGES IN THE COMPANY'S EQUITY AS AT 1 JANUARY 2018 IN EUR THOUSAND

	Reported as at 1 January 2018	Correction of error *	Adapted on 1 January 2018	Adjustment for the initial application of IFRS 9 due to the impairment of receivables	Adjusted balance as at 1 January 2018
Net profit or loss brought forward	3,509	-4,087	-578	-428	-1,006

* See Point IV. Correction of error.

(B) IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 superseded IAS 18 Revenues and IAS 11 Construction Contracts, and numerous other interpretations relating to revenues. The core principle of the new standard is that the recognition of revenues depicts the transfer of goods or services to a customer in an amount that reflects the payment that the Company expects in exchange for those goods or services. The Company began applying the aforementioned standard on 1 January 2018. For that purpose, it used a simple retrospective method with the cumulative effect of the initial application of the aforementioned standard, recognised on the date of initial application. Comparable data have thus not been recalculated.

The Company analysed valid contracts with customers in terms of the presence of significant performance obligations, and assessed that the introduction of the new IFRS 15 on 1 January 2018 will not have an effect on its equity. Given the nature of the Company's operations and the types of revenues it generates, the timing of recognition and the measurement of its revenues did not change with the application of the new standard.

When approving contracts with customers, the Company assesses the consideration that it expects in exchange for goods or services that it has transferred to customers. A transaction is deemed completed when all activities under an order have been carried out. An order may contain different services. Consideration received represents the transaction price. The transaction price represents the fixed agreed consideration in exchange for promised goods and/or the provision of services to a customer.

Policies regarding the recognition of revenues from services rendered, assets from contracts with customers and liabilities from contracts with customers are described in point V. o.

TABLE 11: EFFECT OF THE TRANSITION TO IFRS 15 ON THE STATEMENT OF FINANCIAL POSITION IN EUR THOUSAND

	Reported as at 31 December 2017	Adjustment for the initial application of IFRS 15	Adjusted balance as at 1 January 2018
Current operating receivables	23,814	-1,064	22,750
Assets from contracts with customers	0	1,064	1,064
Current operating liabilities	17,875	-11	17,864
Liabilities from contracts with customers	0	11	11

III. RECLASSIFICATION OF ITEMS OF COMPARABLE DATA

The adoption of IFRS 9 also resulted in amendments to IAS 1 Presentation of Financial Statements, which requires the following special items to be included in the income statement: 'loss due to the impairment of receivables', 'finance income from interest' and 'finance costs – costs of financing'. The Company therefore made the following reclassifications in the comparable data:

- the amount disclosed within the item 'other operating revenues' (EUR 230 thousand) and the amount disclosed within 'other operating expenses' (-EUR 245 thousand) was reclassified by the Company in the net amount to the item 'loss due to the impairment of receivables' (-EUR 15 thousand), and the difference to the item 'gains and losses from the derecognition of operating receivables' (EUR 5 thousand);
- the Company split the item 'finance income' (EUR 862 thousand) into two items: 'finance income from interest' (EUR 184 thousand) and 'other finance income' (EUR 678 thousand), which relates to income from participating interests (EUR 496 thousand) and gains from the disposal of financial assets (EUR 182 thousand); and
- the Company split the item 'finance costs' (-EUR 3,459 thousand) to the items 'finance costs – costs of financing' (-EUR 2,116 thousand) and 'other finance costs' (-EUR 1,343 thousand), which includes expenses from the disposal of financial assets (-EUR 24 thousand), finance costs from the impairment of financial assets (-EUR 1,318 thousand) and negative exchange rate differences (-EUR 1 thousand). The reclassification of items affected the Company's statement of cash flows.

IV. CORRECTION OF ERROR

During the compilation of the financial statements for 2018, the Company identified a mathematical error in the assessment of the application of tax losses as at 1 January 2017. Deferred tax assets created for tax losses were overstated by EUR 4,087 thousand due to an erroneous calculation.

TABLE 12: EFFECT OF THE CORRECTION OF THE ERROR ON THE STATEMENT OF FINANCIAL POSITION AS AT 1 JANUARY 2017

IN EUR THOUSAND

	Reported as at 1 January 2017	Correction of error	Adapted on 1 January 2017
Deferred tax assets	11,160	-4,087	7,073
Total non-current assets	**190,731**	**-4,087**	**186,644**
Net profit or loss brought forward	3,496	-4,087	-591
Total equity	87,118	-4,087	83,031
Total equity and liabilities	**190,731**	**-4,087**	**186,644**

TABLE 13: EFFECT OF THE CORRECTION OF THE ERROR ON THE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

IN EUR THOUSAND

	Reported as at 31 December 2017	Correction of error	Adapted on 31 December 2017
Deferred tax assets	11,315	-4,087	7,228
Total non-current assets	**184,366**	**-4,087**	**180,279**
Net profit or loss brought forward	3,509	-4,087	-578
Total equity	84,884	-4,087	80,797
Total equity and liabilities	**184,366**	**-4,087**	**180,279**

The correction of the error did not affect the value of basic and diluted earnings per share, nor did it affect the statement of cash flows or income statement.

V. SIGNIFICANT ACCOUNTING POLICIES

The Company consistently applies the same accounting policies from period to period. Those policies are presented in the enclosed financial statements. The Company only amends accounting policies if:

- a change is mandatory under a standard or interpretation; or
- as the result of a change, the financial statements present more reliable and relevant information regarding the effects of transactions, other business events and balances on the financial position, results expressed in monetary terms and the financial flows of the Group or Company.

Comparative information is harmonised with the presentation of information for the financial year in question. Amendments to policies are disclosed.

(A) FOREIGN CURRENCY

Transactions in foreign currencies

All transactions in foreign currencies are translated to euros (the Company's functional currency) upon initial recognition at the daily exchange rate between the functional currency and foreign currency on the transaction date. The reference exchange rate of the European Central Bank (ECB) is applied.

On the balance-sheet date:

- monetary items expressed in foreign currencies are translated at the final exchange rate for the year;
- non-monetary items denominated in a foreign currency and measured at historical cost are translated at the exchange rate on the transaction date; and
- non-monetary items denominated in a foreign currency and measured at fair value are translated at the exchange rate on the day fair value was determined.

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

(B) FINANCIAL ASSETS

The Company initially recognises financial assets at fair value, except investments in subsidiaries and an associate, which it recognises at historical cost, and trade receivables, which it recognises at the transaction price.

The Company recognises ordinary purchases and sales of financial assets on the transaction date, i.e. the date on which it undertakes to purchase or sell an asset. Any gain or loss resulting from the disposal of financial assets is also recognised on that date.

Cash and cash equivalents comprise sight deposits and cash in hand. Cash equivalents are short-term, readily redeemable investments that can be immediately converted into a specific amount of cash, where the risk of a change in value is negligible. The Company defines short-term call deposits as such. The Company's statement of cash flows presents changes in inflows and outflows of cash and cash equivalents during the accounting period, using the indirect method, and explains changes in the balance thereof. The statement of cash flows was compiled using data from the Company's income statement for 2018, items from its statements of financial position as at 31 December 2018 and 31 December 2017, and additional data.

The Company values investments in shares and participating interests in subsidiaries and an associate at historical cost. Dividend income and income from other shares in profit are recognised in the income statement on the day a shareholder's or owner's right to payment was exercised. Gains and losses from such assets are recognised in the income statement.

The Company classifies other financial assets to the categories presented in the table below based on the business model used to manage financial assets, and on the contractual cash flow characteristics of financial assets:

TABLE 14: CLASSIFICATION OF FINANCIAL ASSETS BASED ON THE COMPANY'S BUSINESS MODEL USED TO MANAGE FINANCIAL ASSETS AND ON THE CONTRACTUAL CASH FLOW CHARACTERISTICS OF FINANCIAL ASSETS

Group of financial assets	Financial asset
Financial assets measured at amortised cost	Trade receivables, including receivables from leasing and other operating receivables, contract assets, loans and deposits.
Financial assets measured at fair value through other comprehensive income	Equity instruments not held for trading, for which a Group company makes an irrevocable decision at initial recognition to measure those instruments at fair value through other comprehensive income.
Financial assets measured at fair value through profit or loss	Equity instruments not held for trading, for which a Group company does not make an irrevocable decision at initial recognition to measure those instruments at fair value other comprehensive income.

* Contract assets represent the Company's right to consideration for the exchange of goods or services that it has transferred to its customers (current accrued revenues). They also comprise receivables from uncharged customs and other duties that arise in customs clearance procedures that are charged to customers and treated as suspense items.

Significant characteristics of the financial assets stated in the above table

Financial assets measured at amortised cost

- The Company measures financial assets upon initial recognition at amortised cost if they meet both of the following conditions:
- the financial asset is held within the framework of a business model whose objective is achieved by collecting contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows, on certain dates, that are exclusively payments of principal and interest on the outstanding amount of principal.

The Company calculates interest income from the aforementioned assets using the effective interest rate method and recognises it in profit or loss.

Financial assets measured at fair value through other comprehensive income

Interest and exchange rate differences associated with these assets are recognised in the income statement, while other gains and losses are recognised in other comprehensive income. When an asset is derecognised, gains and losses recognised in other comprehensive income (revaluation surplus) are transferred to net profit or loss brought forward.

Financial assets measured at fair value through profit or loss

The Company measures financial assets that it does not measure at amortised cost and that are not investments in subsidiaries and an associate at fair value through profit or loss. Gains and losses are recognised in the income statement.

(c) Financial liabilities

A financial liability is any liability that is a contractual obligation:

- to deliver to another company cash or some other financial asset (e.g. trade payables, liabilities from loans received, etc.); or
- to exchange financial assets or financial liabilities with another company under conditions that are potentially unfavourable to the Company.

The Company recognises financial liabilities on the day they arise. Financial liabilities are initially recognised on the transaction date, i.e. when the Company becomes a contractual party in connection with the instrument in question. The Company derecognises a financial liability when the commitments stipulated in the contract have been discharged, have been cancelled or have expired. Upon initial recognition, it measures financial liabilities at fair value, including transactions costs. Following initial recognition, derivative financial liabilities are measured at amortised cost using the effective interest rate method.

(D) LIABILITIES FROM CONTRACTS WITH CUSTOMERS

Liabilities from contracts with customers represent an obligation to transfer goods or services to a customer for which consideration was received from the customer (liabilities for advances received).

(E) EQUITY

Share capital

The Company's share capital is defined in nominal terms in its Articles of Association, registered with the court and paid up by its owners.

Share premium account

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

Legal reserves

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

Treasury shares

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

Fair value reserves

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

Liabilities for dividends and other shares in profit

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

(F) PROPERTY, PLANT AND EQUIPMENT

The Company initially recognises property, plant and equipment at historical cost, which includes amounts directly related to the purchase of an asset, as well as capitalised borrowing costs. Following the initial recognition of property, plant and equipment, the Company measures buildings and equipment using the historical cost model, while a revaluation model is used for land. According to the historical cost model, property, plant and equipment are disclosed at historical cost, less accumulated depreciation and any accumulated impairment loss. According to the applied revaluation model, land is disclosed at fair value on the revaluation date, less accumulated impairment loss. The Company revalues land every five years or more frequently if indications of impairment point to a significant deviation in fair value.

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

Accounting for borrowing costs

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

Subsequent costs

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

Depreciation

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

- buildings 40–68 years;
- computer equipment 2–4 years; and
- other plant and equipment 3–10 years.

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

(G) INTANGIBLE ASSETS

Intangible assets comprise investments in industrial property rights (concessions, patents, licences, brands and similar rights) and other rights, and other intangible assets. The period and method of amortisation of intangible assets with a finite useful life are reviewed, at a minimum, at the end of each financial year. Following initial recognition, the Company measures intangible assets using the historical cost model, i.e. at historical cost less accumulated amortisation and any accumulated impairment loss.

Subsequent costs

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

Amortisation

Amortisation is charged on the historical cost of an asset, and is recognised in profit or loss on a straight-line basis over the useful lives of intangible assets, from the date that they are available for use. That method is the most precise reflection of the expected pattern of use of the future economic benefits embodied in an asset.

The estimated useful lives for the current and comparative years are 3, 5, 10, 15 and 23 years. The Company verifies amortisation methods, useful lives and residual values at the end of each financial year and adjusts them as required.

(H) INVESTMENT PROPERTY

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

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

(I) INVENTORIES

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

(J) IMPAIRMENT OF ASSETS

k.1. Impairment of financial assets

Impairment of investments in subsidiaries

At the end of every financial year, the Company assesses whether there are any indications that an investment may be impaired. If such indications exist, it estimates the recoverable amount of investments in subsidiaries. The recoverable amount of an asset is the greater of its fair value less selling costs, or its value in use.

If the value of an investment in a subsidiary calculated using the discounted cash flow model is lower than the carrying amount of that investment, the value of the company in question is also appraised based on an estimate of the net value of its assets, where the higher of the two values is taken into account. If the carrying amount of a financial asset exceeds the recoverable amount, an investment in a subsidiary must be impaired. The discounted cash flow model cannot be used to calculate the recoverable amount for companies with suspended operations. An estimate derived from other bases (e.g. an estimate of the net value of assets) is thus used.

Impairment of operating receivables

The Company impairs operating receivables in the form of a value adjustment for expected credit losses over the life of those assets. Losses due to the impairment of trade receivables and other operating receivables (including the reversal of impairment losses) are disclosed in the income statement in the item 'loss due to the impairment of receivables'.

The Company impairs trade receivables (including receivables from leases) that are not subject to legal actions, enforcement or bankruptcy proceedings, registered in compulsory composition proceedings prior to publication of confirmation thereof or in recovery proceedings via specialised institutions, or are not deemed doubtful based on other objective reasons, by creating a value adjustment using impairment percentages with regard to the age of the receivables.

When measuring expected credit losses associated with such assets, the Company applies a simplified approach using a 'provision matrix' that is based on past experiences regarding written-off receivables and estimates for the future.

The Company impairs receivables that are subject to legal actions, enforcement or bankruptcy proceedings, registered in compulsory composition proceedings prior to publication of confirmation thereof or in recovery proceedings via specialised institutions, or that are deemed doubtful based on other objective reasons, in 100% of their value, except where the law permits a reduction in liabilities for calculated and unpaid value added tax. Impairments are reduced for that amount.

The Company impairs receivables for interest on loans granted and deposits placed when it impairs loans and deposits. It does not impair other operating receivables until they are more than 30 days past due, depending on the composition of and past experience with those receivables. After that time, the Company individually assesses the probability of future cash flows from such receivables and impairs them accordingly.

Impairment of assets from contracts with customers

Given the substance of such assets (a transitional form of asset that quickly transforms into ordinary trade receivables), the Company does not impair them.

Impairment of loans granted and deposits

The Company impairs loans granted and deposits based on senior management's assessment of their irrecoverability. In accordance with IFRS 9, the Company transitioned from the incurred loss model to the expected loss model, according to which the Company recognises both incurred losses and losses that it expects to incur in the future.

When assessing the impairment of loans granted, the Company assesses evidence of impairment for each loan separately. If it assesses that the carrying amount of a loan exceeds its fair value (i.e. its realisable value), the Company impairs that loan. The assessment of impairment is based on expected credit losses in connection with the probability of loan default over the next 12 months, unless credit risk has risen significantly since initial recognition. In such cases, the assessment of impairment is based on the probability of default over the entire life of the financial assets in question. Expected credit losses comprise the difference between contractual cash flows that have fallen due and all cash flows that the Company expects to receive. Expected cash flows will also include cash flows from the sale of a collateralised asset.

Impairments for expected credit losses are assessed in two steps. For credit exposures for which there has been no significant increase in credit risk since initial recognition, impairments for expected losses are recognised for credit losses resulting from potential defaults over the next 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, the Company recognises an adjustment for losses that it expects over the remaining life of an exposure, regardless of the default period. The Company deems obligations in connection with a financial asset not to be fulfilled when contractual payments are 90 days past due. In certain cases, the Company may deem credit risk to have increased, even when it is probable, based on the relevant information, that it will not receive unpaid contractual amounts in full.

The Company recognises the write-off of a financial asset when it justifiably expects that it will not collect contractual cash flows. Losses due to the impairment of these assets are disclosed in the income statement in the item 'other finance costs'.

k.2. Impairment of non-financial assets

The Company reviews the carrying amount of property, plant and equipment, investment property and intangible assets at each reporting date to determine whether there are any indications of impairment. If such indications exist, the recoverable amount of an asset is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use or its fair value less selling costs. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to an asset. For impairment testing, assets that cannot be tested individually are grouped into the smallest possible groups of assets that generate cash flows from continued use and that are largely independent of cash generated by other assets or groups of assets (cash-generating unit).

The Company recognises the impairment of an asset or a cash-generating unit when its carrying amount exceeds its recoverable amount. That impairment is disclosed as an expense in the income statement.

The Company reverses an impairment loss to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in previous years.

(K) NON-CURRENT ASSETS HELD FOR SALE

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

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

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

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

(L) EMPLOYEE BENEFITS

Short-term employee benefits

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

(M) PROVISIONS

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

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

Provisions for severance pay and jubilee benefits

In accordance with the applicable legislation, the collective agreement and internal rules, the Company is obliged to pay jubilee benefits to employees and severance pay at retirement. Non-current provisions are created for these purposes. There are no other pension liabilities.

The aforementioned provisions are created in the amount of the estimated future payments for severance pay and jubilee benefits, discounted as at the date of the actuarial calculation.

Interest expense and any increase during the current year are recognised in the income statement as labour costs, while interest is disclosed as a finance cost. Actuarial gains and losses from jubilee benefits are recognised in the income statement as labour costs, while actuarial gains and losses from severance pay at retirement are recognised in other comprehensive income in the revaluation surplus and transferred immediately following recognition to profit or loss brought forward. Provisions are used in an amount equal to the actual costs incurred for accrued severance pay at retirement and jubilee benefits.

(N) NON-CURRENT DEFERRED INCOME

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

(O) REVENUES FROM SERVICES RENDERED

Contracts with customers are only accounted for when the relevant conditions have been met. When approving contracts with customers, the consideration that is expected in exchange for goods or services is assessed. Consideration received represents the transaction price. The transaction price represents the fixed agreed consideration in exchange for promised goods and/or the provision of services to a customer.

Revenues from services rendered are recognised by the Company in the income statement taking into account the stage of completion of a transaction at the end of the reporting period or when performance obligations are fulfilled. The stage of completion is assessed on the basis of a review of costs incurred (review of work performed – measurement of the progress of a transaction).

Revenues from services rendered are measured at the transaction prices of completed services stated in invoices (fulfilment of performance obligations at a given moment) or other documents, or at the prices of incomplete services taking into account the stage of completion thereof (performance obligations are fulfilled over time).

In cases when a particular transaction (performance obligation) is not completed (fulfilled) as at the balance-sheet date, the Company believes that no reliable assessment can be made as to the outcome of such a transaction, but that the progress of that transaction can be reasonably measured. Thus the Company only recognises revenues up to the amount of direct costs incurred, and for which it can be expected that they will be covered (contribution method).

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

TABLE 15: FULFILMENT OF PERFORMANCE OBLIGATIONS

Business line	Nature of and time required to fulfil performance obligations to customers	Payment terms
LAND TRANSPORT LOGISTICS SERVICES INTERCONTINENTAL TRANSPORT OTHER SERVICES	A customer sends the Company an order for the execution of forwarding transactions. The order must include all essential data for the correct and timely execution of an order. A transaction is deemed completed when all activities under an order have been implemented. An order may contain different services. A transaction is deemed completed: - for services in connection with organising the transport of goods: when transport is completed (i.e. shipment is received or delivered); - for customs clearance transactions: when goods are released to the declaring party; - for the warehousing of goods: when goods are placed in or removed from a warehouse, or other warehouse work is performed (e.g. paletting, labelling, etc.); - for other transactions: when the agreed service is rendered. An invoice is issued to the customer after a service has been rendered.	In general, a customer must pay for the Company's services and associated costs before a service is rendered (advance). Taking into account a customer's credit rating, past experience with a customer and commercial agreements, an invoice for services is payable within 30 days following the rendering thereof.

(P) COSTS – EXPENSES

The Company recognises costs as expenses in the period in which they arise.

(Q) LEASES

Leases granted

Revenues from operating leasing are recognised over the lease term.

Leases received

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

(R) FINANCE INCOME AND FINANCE COSTS

Finance income primarily comprises interest income from investments, income from dividends and other shares in profit, revenues from the disposal of financial assets measured at fair value through profit or loss, positive exchange rate differences and revenues from the reversal of the impairment of financial assets. Interest income is recognised as it accrues, using the effective interest method. Dividend income and income from other shares in profit are recognised in the income statement on the day a shareholder's or owner's right to payment was exercised.

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

(S) CORPORATE INCOME TAX

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

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

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

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

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

(T) NET EARNINGS PER SHARE

The Company discloses basic earnings per share and diluted earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit or loss pertaining to ordinary shareholders during the financial year with the weighted average number of ordinary shares (excluding treasury shares).

Diluted earnings per share are calculated by adjusting the profit or loss pertaining to ordinary shareholders and the weighted average number of ordinary shares during the financial year for the effect of all dilutive potential ordinary shares. The Company does not hold dilutive potential shares. Basic earnings per share and diluted earnings per share are thus equal.

(U) AMENDED AND NEW STANDARDS, AND INTERPRETATIONS

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

IFRS 9 Financial Instruments, adopted by the EU on 22 November 2016 (applicable to annual periods beginning on or after 1 January 2018).
IFRS 9 includes requirements regarding recognition and measurement, impairment, derecognition and general hedge accounting.

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

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

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

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

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

Amendments to IFRS 15 Revenue from Contracts with Customers – Clarifications to IFRS 15, adopted by the EU on 31 October 2017 (applicable to annual periods beginning on or after 1 January 2018).

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

The impact of the initial application of the new IFRS 9 and IFRS 15 on 1 January 2018 is explained in Point II Changes in significant accounting policies.

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

The Company does not operate as an insurance company. It will thus not be affected by the amendments to the aforementioned standard.

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

Amendments to the aforementioned standard did not affect the Company.

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

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

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

The aforementioned amendments did not have a significant impact on the Company's financial statements, as it does not hold participating interests in subsidiaries, joint ventures, associates or unconsolidated structured entities that are classified as assets held for sale or discontinued operations.

IFRIC 22 Foreign Currency Transactions and Advance Consideration (applicable to annual periods beginning on or after 1 January 2018).

This interpretation did not have a significant impact on the Company's financial statements on the date of first application, as it applies the exchange rate applicable on the date of a transaction upon the initial recognition of non-monetary prepayment assets or deferred income liabilities.

New standards and interpretations, and amendments to existing standards, adopted by the EU but not yet applicable to annual periods beginning on or after 1 January 2018

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

IFRS 16 replaces IAS 17 Leases and related clarifications. The standard eliminates the previous dual lease accounting model and instead requires companies to disclose the majority of leases in the statement of financial position using a single model and thus eliminate the distinction between operating and finance leases.

In accordance with IFRS 16, a contract is or contains a lease if it conveys the right to control of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires lessees to recognise assets (representing the right to use) and liabilities arising from leases. An asset that represents the right to use is depreciated, while a lease liability accrues interest. For this reason, initial costs will arise for the majority of leases, although the lessee will pay the same annual rental fee.

The new standard introduces limited exemptions for lessees, including:

- leases with a lease term of 12 months or less and containing no purchase options; and
- leases where the underlying asset has a low value.

Notwithstanding the above, accounting by lessors remains substantially unchanged, as the distinction between operating and finance leases is maintained.

The Company expects the new standard to affect its financial statements on the date of first application, as it must recognise assets and liabilities arising from operating leases in which it is the lessee in the statement of financial position.

The Company expects to recognise new assets and liabilities for its operating leases in connection with cars, forklifts and other equipment. The nature of and costs associated with these leases will thus change, as the Company will recognise the cost of amortisation of the right to use assets and interest expenses in connection with lease liabilities. In the past, the Company recognised the costs of operating leases equally over the lease term. Based on currently available information, the Company assesses the effect of the transition to IFRS 16 as at 1 January 2019, as presented in the table below:

TABLE 16: EFFECT OF THE TRANSITION TO IFRS 16

IN EUR THOUSAND

	Right to use assets under lease = lease liabilities (discounted value)	Amortisation and depreciation				Interest				Total amortisation and depreciation, and interest
Date or year	1 January 2019	2019	2020	2021	2022	2019	2020	2021	2022	
Equipment	605	201	193	145	66	14	9	3	0	631

For the purpose of that transition, the Company intends to take a practical approach to IFRS 16, by recognising the right to use underlying assets and lease liabilities on 1 January 2019, without recalculating comparable data. By applying IFRS 16, it will exclude those leases:

- that are short-term in nature; and/or
- in which the underlying asset has a low value.

The Company has reassessed the classification of leases in which it acts as the lessor. Based on currently available information, no major effect is expected on leases in which the Company acts as the lessor.

IFRIC 23 Uncertainty over Income Tax Treatments (applicable to annual periods beginning on or after 1 January 2019; application before that date is permitted).
IFRIC 23 clarifies accounting for income tax (which must still be confirmed by tax authorities) and attempts to increase transparency. One crucial test is whether the tax authority will accept the accounting treatment selected by the Company. If it is probable that the tax authority will accept uncertain treatment, the tax amounts disclosed in the financial statements are consistent with the tax filing, and there is no uncertainty in connection with current and deferred taxes. Otherwise, taxable profit (or tax loss), the tax base and unused tax losses are determined in a way that better reflects the outcome in connection with uncertainty, by using the most likely amount or the expected value of the treatment (sums with the probability of weighted amounts). The Company must assume that the tax authority will study the situation and fully understand all relevant information.

The Company does not expect any significant changes with the application of the interpretation.

Amendments to IFRS 9: Prepayment Features with Negative Compensation (applicable to annual periods beginning on or after 1 January 2019).
These amendments address the question of accounting for financial assets that include special contractual prepayment options. Questions related in particular to how companies should classify and measure debt instruments if a debtor was permitted to make an early repayment in an amount less than unpaid principal and accrued interest. Such early repayments are frequently described as including 'negative compensation'. A company that applies IFRS 9 measures financial assets with negative compensation at fair value through profit or loss. The amendments allow companies to measure certain financial assets with a prepayment option with negative compensation at amortised cost.

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

Standards and interpretations that were not yet confirmed by the EU as at 31 December 2018

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the European Commission has decided to defer the adoption of these amendments indefinitely).
The amendments clarify that the extent of recognition of gains and losses in a transaction with an associate or joint venture depends on whether the sold or contributed assets represent a business entity:

- gains or losses are recognised in full if a transaction between an investor and subsidiary or joint venture relates to the transfer of assets or assets that represent a business entity (whether owned by a subsidiary or not), while
- gains or losses are recognised in part if a transaction between an investor and subsidiary or joint venture relates to assets that do not represent a business entity, even if they are owned by a subsidiary.

The Company does not expect the amendments to have a significant impact on its financial statements on the date of first application, as its only investment in an associate is immaterial.

IFRS 17 Insurance Contracts (applicable to annual periods beginning on or after 1 January 2021. To be applied prospectively; use before that date is permitted.) This provision has not yet been adopted by the EU.
IFRS 17 replaces IFRS 4, which was adopted in 2004 as an interim standard. IFRS 4 provided for an exemption that allowed companies to continue accounting for insurance contracts in accordance with national accounting standards, which resulted in several different approaches.

IFRS 17 resolved the problem of comparability caused by IFRS 4, as it requires all insurance contracts to be accounted for consistently, from which both investors and insurance companies benefit. Insurance liabilities are accounted for using current value instead of original value.

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

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017 and applicable to annual periods beginning on or after 1 January 2019). These amendments have not yet been adopted by the EU.
The amendments clarify that companies apply the provisions of IFRS 9 Financial Instruments if the equity method cannot be applied when accounting for investments in associates and joint ventures.

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

Annual improvements to the IFRS, 2015–2017 cycle (issued on 12 December 2017 and applicable to annual periods beginning on or after 1 January 2019). These annual improvements have not yet been adopted by the EU.
The annual improvements to the IFRS, 2015–2017 cycle comprise four amendments to standards. The main amendments relate to the following:

- the amendments to IFRS 3 Business Combinations clarify that when a company obtains control of a business that is a joint operation, it remeasures previously held interests in that business;
- the amendments to IFRS 11 Joint Arrangements clarify that when a company obtains control of a business that is a joint operation, it does not remeasure previously held interests in that business;
- this amendment clarifies that a company must always account for the tax consequences of dividend payments in the income statement, other comprehensive income or equity, depending on where a past transaction or event that generated distributable profit was originally recognised; and
- this amendment clarifies that a company must generally exclude from loans those loans that it raises specifically for the purpose of acquiring a qualifying asset, until practically all activities required to prepare an asset for its intended use or sale are completed, as loans raised specifically for the purpose of acquiring a qualifying asset may not be used as loans initially raised specifically for the purpose of acquiring a qualifying asset that is already prepared for intended use or sale.

The Company does not expect any of the above-described amendments to have a significant impact on its financial statements.

Amendments to IAS 19: Employee Benefits (applicable to annual periods beginning on or after 1 January 2019). These amendments have not yet been adopted by the EU.
These amendments require companies to use current and updated assumptions in the event of an amendment to a plan, and amendments, curtailments or settlements with purpose of determining current service costs and net interest for the remainder of the annual reporting period after a plan amendment.

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

Amendments to IFRS 3 Business Combinations (applicable to annual periods beginning on or after 1 January 2020). These amendments have not yet been adopted by the EU.
These amendments narrowed and explained the definition of a business. They also permit a simplified assessment as to whether an acquired set of activities and assets is treated as a group of assets and not a business.

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

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (applicable to annual periods beginning on or after 1 January 2020). These amendments have not yet been adopted by the EU.
These amendments explain and harmonise the definition of the concept of 'materiality' and provide guidance for improving consistency in the application of that concept whenever it is used in the scope of the IFRS.

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

VI. DETERMINATION OF FAIR VALUE

Given the Company's accounting policies, the determination of the fair value of both financial and non-financial assets and liabilities is required in a number of cases. The Company determined the fair values of individual groups of assets for measurement and/or reporting purposes based on the methods described below. Where necessary, further clarifications regarding assumptions used to determine fair values are disclosed in the notes specific to that asset or liability.

Land

Following recognition, the Company measures land at a revalued amount equal to the fair value on the revaluation date (i.e. the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction, on the principal (or most advantageous) market, between market participants at the measurement date under current market terms, regardless of whether the price can be directly observed or estimated using another valuation technique). Depending on the circumstances or situation, the fair value of land is measured using one or more valuation techniques. They are the market approach, cost approach and income approach. The Company revalues land every five years or more frequently if indications of impairment point to a significant deviation in fair value. Based on assessment of the effect of a change in indicators of impairment, the amount by which the fair value of land deviates from its carrying amount is assessed. An appraisal of land is performed for financial reporting purposes in the event of a significant deviation.

Investments in equities

The fair value of equities valued at fair value is determined taking into account the bid price at the end of the reporting period.

VII. FINANCIAL RISK MANAGEMENT

The Company is exposed to the following risks in the use of financial instruments:

- credit risk,
- liquidity risk,
- market risk, and
- business risk.

This point discusses the Company's exposure to the individual risks stated above, and its objectives, policies and procedures for measuring and managing risks, as well as its management of capital. Other quantitative disclosures are included in Note 27.

Senior management has adopted risk management guidelines as part of risk management rules. The Company has a Risk Management Committee that is responsible for the development and supervision of risk management policies. Financial risks are a part of the Company's regular reporting on risks that the aforementioned committee regularly reports to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily in connection with the Company's trade receivables.

The Company's exposure to credit risk depends primarily on the characteristics of each customer. However, senior management also takes into account the demographic structure of customers and the solvency risk associated with the sector and country in which a customer operates, as these factors may affect credit risk, particularly in the current adverse economic situation.

The relevant policies require an analysis of the creditworthiness of each major new customer, before the Company offers its standard payment and delivery terms. The Company creates impairments that represent its estimated losses from operating and other receivables and investments. The main elements of such a value adjustment are the specific part of the loss relating to individual significant risks and the common part of the loss formed for groups of similar assets due to previously incurred but as yet undefined losses.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to settle its financial liabilities using cash or other financial assets.

The Company ensures liquidity by always having sufficient liquid assets to settle liabilities at maturity, under both normal and the most demanding situations, without incurring unacceptable losses or risking damage to its reputation.

The Company primarily provides guarantees for potential customs liabilities that might arise from transit procedures, the verification of origin, and various analyses and/or the control of goods that are required for the performance of operational business activities.

Market risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates and equity instruments, would affect the revenues of the Company or the value of financial instruments. The objectives of market risk management are to manage and control exposure to market risks within reasonable limits, while optimising returns.

Business risk

Business risk is the risk of incurring a direct or indirect loss due to numerous reasons associated with processes at the Company, staff, technology and the infrastructure, and as the result of external factors not related to credit, market and liquidity risks. These include risks arising from legal and regulatory requirements, and generally accepted corporate standards. Business risks derive from the overall operations of the Company. The objective is to manage business risks with the aim of establishing a balance between the avoidance of financial losses and damage to the Company's reputation and overall cost efficiency, and avoiding such control procedures that would hinder or limit self-initiative and creativity. Primary responsibility for developing and introducing controls for managing business risks is borne by the head of each organisational unit.

A programme of internal audits is implemented by the Internal Audit Department, which discusses the results of internal audits with the heads of audited business units, while a summary is submitted to the Company's Management Board and the Audit Committee.

VIII. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Sales revenue

Sales revenue in the amount of EUR 111,890 thousand comprises revenues from services rendered.

TABLE 17: SALES REVENUE

IN EUR THOUSAND

	January–December 2018	January–December 2017
Revenues from sales to companies in the Group	3,700	3,391
Revenues from sales to others	108,190	100,585
Total	**111,890**	**103,976**

The Company provides logistics services through three business lines: land transport (groupage, domestic transport, road transport, railway freight and customs clearance services), logistic solutions (warehousing and distribution) and intercontinental transport (air freight, sea freight and car logistics services). The Company also offers additional services, such as the leasing of business premises, parking services at customs terminals, trade fair logistics and insurance brokerage services.

TABLE 18: BREAKDOWN OF SALES REVENUE BY BUSINESS LINE AND COUNTRY

IN EUR THOUSAND

	2018	2017
Revenues by business line		
Land transport	51,294	48,833
Logistics solutions	16,022	14,979
Intercontinental transport	40,292	35,918
Other services	4,281	4,246
Total	**111,890**	**103,976**
Revenues generated by country (with respect to a customer's head office)		
Slovenia	62,971	60,820
Croatia	1,562	1,498
Bosnia and Herzegovina	1,258	1,095
Montenegro	331	324
Other countries	45,768	40,239
Total	**111,890**	**103,976**

TABLE 19: SALES REVENUE WITH RESPECT TO THE TIMING OF RECOGNITION

IN EUR THOUSAND

	Land transport		Logistics solutions		Intercontinental transport		Other services		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenues from completed services	51,097	48,466	15,989	14,952	39,997	35,350	4,281	4,246	111,365	103,014
Revenues from incomplete services	197	367	33	27	295	568	0	0	525	962
Total	**51,294**	**48,833**	**16,022**	**14,979**	**40,292**	**35,918**	**4,281**	**4,246**	**111,890**	**103,976**

NOTE 2: Other operating revenues

TABLE 20: OTHER OPERATING REVENUES

IN EUR THOUSAND

	January–December 2018	January–December 2017
Gains on the sale of property, plant and equipment	134	254
Revenues from the reversal of provisions	963	0
Revenues from compensation	111	111
Government grants received	99	104
Other operating revenues	137	57
Total	**1,444**	**526**

Revenues from the reversal of provisions include the reversal of other provisions in the amount of EUR 878 thousand and provisions from lawsuits in the amount of EUR 85 thousand.

NOTE 3: Costs of goods, materials and services

TABLE 21: COSTS OF GOODS, MATERIALS AND SERVICES

IN EUR THOUSAND

	January–December 2018	January–December 2017
Costs of materials and historical cost of goods sold	1,871	1,779
Costs of services within the Group	2,079	2,094
Costs of services (excluding the Group):	79,736	72,656
direct costs	71,602	65,804
costs of telecommunication services	180	163
maintenance costs	1,638	1,501
insurance premiums	596	495
training and education costs	69	70
other costs of services	5,652	4,623
Total	**83,686**	**76,529**

Direct costs primarily comprise the costs of subcontractors (e.g. the costs of transport and port-related services) that are directly related to the provision of the services that the Company sells. Other costs of services primarily comprise the reimbursement of work-related costs to employees, the costs of intellectual services, the costs of rents, municipal services, education and training, security and hired workers, and the costs of payment transactions.

NOTE 4: Labour costs

TABLE 22: LABOUR COSTS

IN EUR THOUSAND

	January–December 2018	January–December 2017
Costs of wages and salaries	12,718	12,342
Social security costs	2,693	2,584
Other labour costs:	3,385	2,533
annual leave allowance	681	667
transportation and meal allowances	1,477	1,509
other labour costs	181	267
expenses for employee participation in profits	1,046	90
Total	**18,796**	**17,459**

Expenses for employee participation in profits in the amount of EUR 1,046 thousand relate to the contractual obligation of the Company, which will be settled one year after the approval of the annual report for the 2018 financial year.

TABLE 23: EMPLOYEES BY QUALIFICATION LEVEL

Categories of educational qualifications	Beginning of 2018	End of 2018	Changes in 2018	Average number of employees by educational qualification in 2018*	Average number of employees by educational qualification in 2017*
Qualification levels I to III	50	48	-2	49	52
Qualification levels IV to V	279	277	-2	278	284
Qualification levels VI to IX	260	274	14	267	262
Total	**589**	**599**	**10**	**594**	**598**

* The average number of employees is calculated using the balance of employees at the beginning and end of the year.

NOTE 5: Amortisation

TABLE 24: AMORTISATION AND DEPRECIATION

IN EUR THOUSAND

	January–December 2018	January–December 2017
Depreciation of property, plant and equipment and investment property	3,582	3,562
Amortisation of intangible assets	488	479
Total	**4,070**	**4,040**

NOTE 6: Other operating expenses

TABLE 25: OTHER OPERATING EXPENSES

IN EUR THOUSAND

	January–December 2018	January–December 2017
Building land use fees and similar expenses	968	968
Expenses from the creation of provisions	13	878
Other operating expenses	145	1,834
Total	**1,125**	**3,680**

Other operating expenses in the amount of EUR 145 thousand comprise membership fees and other expenses.

NOTE 7: Finance income and costs

TABLE 26: FINANCE INCOME AND COSTS

IN EUR THOUSAND

	January–December 2018	January–December 2017
Interest income from Group companies	46	44
Interest income from others	100	140
Income from dividends and other shares in profit from Group companies	885	448
Income from participating interest in joint venture	10	39
Income from dividends and other shares in profit from other companies	0	10
Gains from the disposal of financial assets	9	146
Revenues from the reversal of impairments of financial assets	0	36
Total finance income	**1,050**	**862**
Interest expense and other borrowing expenses	-1,945	-2,116
Expenses from impairments of investments in participating interests and shares in Group companies	-122	-940
Finance costs from impairments of loans and other financial assets vis-à-vis Group companies	0	-344
Expenses from impairments of other financial assets	0	-34
Expenses from the disposal of financial assets	0	-24
Net exchange rate differences	-7	-1
Total finance costs	**-2,074**	**-3,459**
Loss from financing activities	**-1,024**	**-2,597**

Interest income and expenses are calculated using the effective interest method.

Expenses from the impairment of investments in shares and participating interests in Group companies in the amount of EUR 122 thousand relate to the impairment of the investment in the subsidiary TOV Intereuropa – Kiev, Ukraine (Note 14).

NOTE 8: Corporate income tax (current and deferred tax)

A tax rate of 19% was taken into account in the calculation of current corporate income tax in 2018.

TABLE 27: ADJUSTMENTS TO THE EFFECTIVE TAX RATE

IN EUR THOUSAND

	2018	2017
Current tax	-143	0
Deferred tax	-21	154
Tax	**-164**	**154**
Pre-tax profit	4,308	186
Tax calculated according to prescribed rate	-819	-35
Tax from unrecognised expenses	-425	-597
Tax from revenues deducted from taxable base	364	118
Tax from expenses deducted from taxable base	25	62
Tax from expenses added to taxable base	-23	-17
Tax from tax allowances	699	0
Tax relating to deferred taxes	21	633
Tax from equity items	-6	0
Other	0	-10
Tax	**-164**	**154**
Effective tax rate	-0.04	-0.83

TABLE 28: CHANGES IN CURRENT DEFERRED TAX RELATING TO EQUITY ITEMS

IN EUR THOUSAND

	2018	2017
Current tax	0	0
Deferred tax	15	607
Total	**15**	**607**

Unused tax losses amounted to EUR 86,940 thousand as at 31 December 2018. Deferred tax assets were recognised in the amount of EUR 6,998 thousand for unused tax losses in the amount of EUR 36,832 thousand, while no deferred assets were recognised for the remaining amount of EUR 50,108 thousand (they would have totalled EUR 9,520 thousand).

Unrecognised deferred liabilities from the undistributed net profits of subsidiaries amounted to EUR 197 thousand. Unrecognised deferred assets from financial assets amounted to EUR 2,757 thousand.

TABLE 29: CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES THAT WERE NOT NETTED IN 2018

IN EUR THOUSAND

Deferred tax assets	Reported on 31 December 2017	Correction of error*	Balance as at 1 January 2018	Change in income statement	Change in other comprehensive income	Balance as at 31 December 2018
Revaluation of financial assets	104	0	104	0	0	104
Provisions	108	0	108	-2	0	106
Tax loss	11,103	-4,087	7,016	-19	0	6,998
Total	**11,316**	**-4,087**	**7,228**	**-20**	**0**	**7,208**
Deferred tax liabilities	**Reported on 31 December 2017**	**Correction of error***	**Balance as at 1 January 2018**	**Change in income statement**	**Change in other comprehensive income**	**Balance as at 31 December 2018**
Revaluation of land	7,587	0	7,587	0	-15	7,572
Total	**7,587**	**0**	**7,587**	**0**	**-15**	**7,572**
Effect				**-20**	**-15**	

* Adjustments are disclosed in Point IV Correction of error.

TABLE 30: CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES THAT WERE NOT NETTED IN 2017

IN EUR THOUSAND

Deferred tax assets	Reported on 1 January 2017	Correction of error*	Balance as at 1 January 2017	Change in income statement	Change in other comprehensive income	Balance as at 31 December 2017
Revaluation of financial assets	2,582	0	2,582	-2,477	0	104
Provisions	108	0	108	-2	2	108
Tax loss	8,470	-4,087	4,383	2,633	0	7,016
Total	**11,160**	**-4,087**	**7,073**	**154**	**2**	**7,229**
Deferred tax liabilities	**Reported on 1 January 2017**	**Correction of error***	**Balance as at 1 January 2017**	**Change in income statement**	**Change in other comprehensive income**	**Balance as at 31 December 2017**
Revaluation of land	8,173	0	8,173	0	-586	7,587
Revaluation of financial assets	20	0	20	0	-20	0
Total	**8,193**	**0**	**8,193**	**0**	**-606**	**7,587**
Effect				**154**	**-604**	

* Adjustments are disclosed in Point IV Correction of error.

NOTE 9: Property, plant and equipment

TABLE 31: CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN 2018

IN EUR THOUSAND

	Land	Buildings	Other plant and equipment	Investments in property, plant and equipment owned by others	Property, plant and equipment in acquisition	Total
HISTORICAL COST						
Balance as at 1 January 2018	**46,760**	**100,056**	**23,948**	**2**	**72**	**170,838**
Acquisitions	0	0	0	0	3,800	**3,800**
Activations	0	2,451	1,405	0	-3,856	**-0**
Disposals	0	-129	-671	0	0	**-800**
Write-downs	0	-109	-736	0	0	**-845**
Transfer to available-for-sale assets	-1,493	-3,689	0	0	0	**-5,182**
Transfer to investment property	-367	-4,523	0	0	0	**-4,890**
Revaluation to fair value – decrease	-46	0	0	0	0	**-46**
Balance as at 31 December 2018	**44,854**	**94,057**	**23,946**	**2**	**15**	**162,875**
VALUE ADJUSTMENT						
Balance as at 1 January 2018	**-121**	**-61,113**	**-19,756**	**0**	**0**	**-80,990**
Depreciation	0	-2,352	-1,015	0	0	**-3,367**
Disposals	0	63	664	0	0	**727**
Write-downs	0	72	736	0	0	**808**
Transfer to available-for-sale assets	0	2,469	0	0	0	**2,469**
Transfer to investment property	0	3,235	0	0	0	**3,235**
Impairments	0	-3	0	0	0	**-3**
Balance as at 31 December 2018	**-121**	**-57,630**	**-19,371**	**0**	**0**	**-77,122**
CARRYING AMOUNT						
Balance as at 1 January 2018	46,639	38,943	4,192	2	72	**89,848**
Balance as at 31 December 2018	**44,732**	**36,428**	**4,575**	**2**	**15**	**85,752**

Verification of the existence of signs of the impairment of real estate in 2018 did not indicate the need for the impairment of those assets or the revaluation of the Company's land. When transferring real estate to assets held for sale, the Company reduced the associated revaluation surplus by EUR 46 thousand and recognised impairments in the income statement in the amount of EUR 3 thousand.

The historical cost of property, plant and equipment whose carrying amount as at 31 December 2018 was 0 (zero) and are still in use was EUR 27,676 thousand. The carrying amount of land would be equal to EUR 9,948 thousand as at 31 December 2018 if the historical cost model was used. The Company had commitments to purchase property, plant and equipment in the amount of EUR 930 thousand as at the reporting date.

TABLE 32: CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN 2018

IN EUR THOUSAND

	Land	Buildings	Other plant and equipment	Property, plant and equipment in acquisition	Total
HISTORICAL COST					
Balance as at 1 January 2017	**50,463**	**101,071**	**23,460**	**247**	**175,241**
Acquisitions	0	0	0	1,497	1,497
Activations	103	283	1,283	-1,670	0
Disposals	-95	-803	-435	0	-1,333
Write-downs	0	-23	-360	0	-383
Transfer to available-for-sale assets	-39	-380	0	0	-419
Transfer to investment property	-815	0	0	0	-815
Revaluation to fair value – decrease	-2,950	0	0	0	-2,950
Other	92	-92	0	0	0
Balance as at 31 December 2017	**46,760**	**100,056**	**23,948**	**74**	**170,838**
VALUE ADJUSTMENT					
Balance as at 1 January 2017	**-69**	**-58,677**	**-19,683**	**0**	**-78,429**
Depreciation	0	-2,465	-863	0	-3,328
Disposals	0	612	429	0	1,041
Write-downs	0	16	360	0	376
Transfer to available-for-sale assets	0	301	0		301
Impairments	-52	-937	0	0	-989
Other	0	38	0	0	38
Balance as at 31 December 2017	**-121**	**-61,113**	**-19,756**	**0**	**-80,990**
CARRYING AMOUNT					
Balance as at 1 January 2017	50,394	42,393	3,777	247	96,812
Balance as at 31 December 2017	**46,639**	**38,943**	**4,192**	**74**	**89,848**

The carrying amount of mortgaged real estate was EUR 73,056 thousand as at the reporting date (compared with EUR 77,836 thousand as at 31 December 2017). The Company had no other legal restrictions on the disposal of assets.

NOTE 10: Investment property

TABLE 33: CHANGES IN INVESTMENT PROPERTY

IN EUR THOUSAND

	2018	2017
HISTORICAL COST		
Balance as at 1 January	**13,495**	**13,101**
Acquisitions	31	12
Increase due to transfer from property, plant and equipment	4,889	815
Write-downs	0	-3
Decrease due to transfer to available-for-sale assets	0	-430
Balance as at 31 December	**18,416**	**13,495**
VALUE ADJUSTMENT		
Balance as at 1 January	**-4,827**	**-4,198**
Depreciation	-215	-234
Increase due to transfer from property, plant and equipment	-3,235	0
Disposals	0	1
Decrease due to transfer to available-for-sale assets	0	311
Impairments	0	-708
Balance as at 31 December	**-8,278**	**-4,827**
CARRYING AMOUNT		
Balance as at 1 January	8,668	8,903
Balance as at 31 December	**10,138**	**8,668**

Verification of the existence of signs of the impairment of investment property in 2018 did not indicate the need for the impairment of those assets.

The fair value of all investment property was EUR 11,187 thousand.

The carrying amount of mortgaged investment property was EUR 9,737 thousand as at the reporting date (compared with EUR 8,617 thousand as at 31 December 2017). That amount represents additional collateral for liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

TABLE 34: REVENUES AND EXPENSES FROM INVESTMENT PROPERTY

IN EUR THOUSAND

	2018	2017
Rental income from investment property	1,086	1,045
Direct operating expenses from investment property	-587	-489
Total	**498**	**556**

The Company had no binding contracts to purchase investment property as at the reporting date of 31 December 2018.

NOTE 11: Intangible assets

TABLE 35: CHANGES IN INTANGIBLE ASSETS IN 2018

IN EUR THOUSAND

	Long-term property rights	Other intangible assets	Intangible assets under construction	Total
HISTORICAL COST				
Balance as at 1 January 2018	**4,000**	**4,447**	**229**	**8,676**
Acquisitions	0	0	367	367
Activations	142	9	-150	0
Balance as at 31 December 2018	**4,141**	**4,456**	**446**	**9,043**
VALUE ADJUSTMENT				
Balance as at 1 January 2018	**-3,589**	**-1,535**	**0**	**-5,124**
Amortisation	-185	-303	0	-488
Balance as at 31 December 2018	**-3,774**	**-1,838**	**0**	**-5,612**
CARRYING AMOUNT				
Balance as at 1 January 2018	411	2,912	229	3,552
Balance as at 31 December 2018	**367**	**2,617**	**446**	**3,431**

The majority of long-term property rights comprises rights associated with computer software. Other intangible assets comprise software to support comprehensive logistics services.The results of an impairment test for other intangible assets performed by the Company on the reporting date indicated that impairments were not necessary.

The historical cost of intangible assets whose carrying amount as at 31 December 2018 was 0 (zero) and are still in use was EUR 2,340 thousand. The Company had commitments to purchase intangible assets in the amount of EUR 190 thousand as at the reporting date.

TABLE 36: CHANGES IN INTANGIBLE ASSETS IN 2017

IN EUR THOUSAND

	Long-term property rights	Other intangible assets	Intangible assets under construction	Total
HISTORICAL COST				
Balance as at 1 January 2017	**3,976**	**4,321**	**311**	**8,608**
Acquisitions	0	0	68	68
Activations	24	126	-150	0
Balance as at 31 December 2017	**4,000**	**4,447**	**229**	**8,676**
VALUE ADJUSTMENT				
Balance as at 1 January 2017	**-3,407**	**-1,238**	**0**	**-4,645**
Amortisation	-182	-297	0	-479
Balance as at 31 December 2017	**-3,589**	**-1,535**	**0**	**-5,124**
CARRYING AMOUNT				
Balance as at 1 January 2017	569	3,083	311	3,962
Balance as at 31 December 2017	**411**	**2,912**	**229**	**3,552**

NOTE 12: Other non-current assets

Other non-current assets in the amount of EUR 23 thousandcomprise non-current deferred costs and expenses.

NOTE 13: Loans and deposits

TABLE 37: COMPOSITION OF LOANS AND DEPOSITS

IN EUR THOUSAND

	31 December 2018	31 December 2017
Long-term loans granted and deposits	**102**	**229**
- loans to subsidiaries	92	189
- deposits	10	40
Short-term loans granted and deposits	**1,615**	**1,212**
- loans to subsidiaries	1,585	1,181
- deposits	30	30
Total	**1,717**	**1,441**

As at the balance-sheet date, the Company had pledged long-term deposits in the amount of EUR 10 thousand and short-term deposits in the amount of EUR 30 thousand as collateral for contingent liabilities.

TABLE 38: CHANGES IN LONG-TERM LOANS GRANTED AND DEPOSITS

IN EUR THOUSAND

	2018	2017
Balance as at 1 January	**229**	**10**
New deposits	0	40
New loans	0	290
Transfer from current portion	0	20
Transfer to current portion	-127	-131
Balance as at 31 December	**102**	**229**

TABLE 39: LONG-TERM LOANS GRANTED AND DEPOSITS BY MATURITY

IN EUR THOUSAND

	31 December 2018	31 December 2017
Maturity from 1 to 2 years	102	127
Maturity from 2 to 3 years	0	102
Total	**102**	**229**

TABLE 40: LONG-TERM LOANS GRANTED WITH RESPECT TO COLLATERAL

IN EUR THOUSAND

	31 December 2018	31 December 2017
Secured (based on bills of exchange)	0	0
Secured (other forms of collateral)	92	189
Total	**92**	**189**

TABLE 41: SHORT-TERM LOANS GRANTED WITH RESPECT TO COLLATERAL

IN EUR THOUSAND

	31 December 2018	31 December 2017
Secured	780	776
Bills of exchange	683	683
Other forms of collateral	97	93
Unsecured	805	406
Total	**1,585**	**1,182**

NOTE 14: Other non-current financial assets

TABLE 42: OTHER NON-CURRENT FINANCIAL ASSETS

IN EUR THOUSAND

	31 December 2018	31 December 2017
Non-current investments in shares and participating interests in subsidiaries	44,257	44,257
Non-current investments in participating interests in associates	39	39
Other non-current financial assets	27	27
Total	**44,323**	**44,323**

Investments in subsidiaries

TABLE 43: INVESTMENTS IN SHARES AND PARTICIPATING INTERESTS IN SUBSIDIARIES

IN EUR THOUSAND

	Ownership stake as at 31 December 2018/ 31 December 2017	Value of equity as at 31 December 2018	Value of equity as at 31 December 2017	Value of participating interest as at 31 December 2018	Value of participating interest as at 31 December 2017
Interagent, d. o. o., Koper	100.00%	199	557	430	430
Interzav, d. o. o., Koper	71.28%	101	71	48	48
Intereuropa, logističke usluge, d. o. o., Zagreb	99.96%	42,959	42,216	22,104	22,104
Intereuropa sajam, d. o. o., Zagreb	51.00%	683	666	32	32
Intereuropa Skopje, d. o. o., Skopje	99.56%	1,607	1,845	855	855
Intereuropa RTC, d. d., Sarajevo	95.77%	11,551	11,062	7,438	7,438
A.D. Intereuropa logističke usluge, Belgrade	73.62%	7,181	8,238	3,658	3,658
TEK ZTS d. o. o., Uzhhorod	89.93%	-95	-162	250	250
Intereuropa Kosova L.L.C.	90.00%	651	582	137	137
Zetatrans A.D., Podgorica	69.27%	15,724	15,249	9,274	9,274
TOV Intereuropa – Kiev, Ukraine	100.00%	-318	-374	0	0
Intereuropa Albania, Durrës	100.00%	86	82	30	30

TABLE 44: CHANGES IN INVESTMENTS IN SUBSIDIARIES

IN EUR THOUSAND

	31 December 2018	31 December 2017
Balance as at 1 January	**44,257**	**45,169**
Capital increase	122	28
Impairments	-122	-940
Closing balance	**44,257**	**44,257**

The Company uses the discounted cash flow model to assess the recoverable amount of investments in subsidiaries. Valuation is based on data from projections of future operations for the period 2019 to 2022, and the use of a WACC of between 9.3% and 14.5%, taking into account a long-term inflation rate of 2%.

Because the appraised value of the investments in Intereuropa, logističke usluge, d. o. o., Zagreb, Intereuropa RTC, d. d., Sarajevo and Zetatrans A.D., Podgorica according to the discounted cash flow model is lower than the carrying amount of those investments, their value was also appraised on the basis of the net value of assets. Based on assessments as at 31 December 2018, the impairment of investments in subsidiaries was not required, except for the investment in TOV Intereuropa – Kiev, Ukraine, which was impaired in 2018 for the amount of the recapitalisation of EUR 122 thousand (the company is dormant).

The carrying amount of pledged investments in shares and participating interests in subsidiaries was EUR 9,274 thousand as at the reporting date. That amount represents additional collateral for liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

Investment in an associate

This item comprises an investment in the associate Rail Cargo Logistics, Železniška špedicija, d. o. o., Ljubljana, in which Intereuropa, d. d. held a 26% participating interest as at 31 December 2018. The carrying amount of that investment was equal to its historical cost, and was unchanged relative the comparable period, at EUR 39 thousand.

Investments in the shares of other companies measured at fair value through profit or loss

Investments in the aforementioned shares totalled EUR 27 thousand. That balance was unchanged relative to the previous cut-off date. As at 31 December 2018, the Company had no such assets pledged as collateral or security for liabilities recognised in the statement of financial position or for contingent liabilities.

NOTE 15: Available-for-sale assets

Available-for-sale assets amounted to EUR 2,714 thousand as at the reporting date, and related to real estate, the sale of which is planned in a short period of time and pledged in full (comprising collateral for loans received and contingent liabilities).

TABLE 45: CHANGES IN AVAILABLE-FOR-SALE ASSETS

IN EUR THOUSAND

	2018	2017
Balance as at 1 January	**237**	**323**
Transfer from property, plant and equipment	2,714	118
Transfer from investment property	0	119
Sales	-237	-323
Balance as at 31 December	**2,714**	**237**

NOTE 16: Assets from contracts with customers

Assets from contracts with customers as at 31 December 2018 in the amount of EUR 590 thousand comprise receivables from incomplete services in the amount of EUR 525 thousand and from uncharged customs and other duties that arise in customs clearance procedures that are charged to customers and treated as suspense items in the amount of EUR 65 thousand.

NOTE 17: Current operating receivables

TABLE 46: CURRENT OPERATING RECEIVABLES

IN EUR THOUSAND

	31 December 2018	31 December 2017
Current operating receivables from Group companies	566	581
Current operating receivables from Group companies for interest	193	188
Current trade receivables (excluding the Group)	21,773	22,302
Current operating receivables from others	1,089	742
Total	**23,620**	**23,814**

Current operating receivables as at 31 December 2018 in the amount of EUR 726 thousand were secured by enforcement drafts, guarantees and liens, or the retention of title.

The Company had current trade receivables with a carrying amount of EUR 10,000 thousand pledged as collateral as at the reporting date (representing additional collateral for contingent liabilities for which the underlying collateral comprises pledged items of property, plant and equipment).

NOTE 18: Other current assets

Other current assets amounting to EUR 145 thousand comprise current deferred costs.

NOTE 19: Cash and cash equivalents

Cash and cash equivalents amounted to EUR 5,430 thousand as at 31 December 2018 , and comprise cash held in bank accounts, call deposits and cash in hand. The reasons for increases and decreases in cash and cash equivalents during the financial year are presented in the statement of cash flows.

NOTE 20: Equity

Share capital

The Company's share capital amounted to EUR 27,488,803 as at 31 December 2018, and is divided into 16,830,838 ordinary registered freely transferable no-par-value shares and 10,657,965 freely transferable no-par-value preference shares. Ordinary shares provide their holders the right to participate in the management of the Company (voting right), the right to a share in profits and the right to a corresponding portion of residual assets after the liquidation or bankruptcy of the Company. The number of shares was unchanged relative to the situation as at 31 December 2017.

Preference shares provide their holders the right to a share in profits and the right to a corresponding portion of residual assets after the liquidation or bankruptcy of the Company. Preference shares give their holders priority in the sharing of profits in the amount of EUR 0.01 (preferential amount) per share. The preferential amount is paid out in addition to the share in profits received by the shareholders, in accordance with the relevant resolution on the use of distributable profit.

Share premium account

The share premium account may be used under the conditions and for the purposes set out by law. The share premium account is not distributable. The number of treasury shares was unchanged in 2018.

Profit reserves

Profit reserves amounted to EUR 2,749 thousand as at 31 December 2018. In addition to legal reserves in the amount of EUR 2,749 thousand, they also comprise reserves for treasury shares in the amount of EUR 180 thousand and an equal amount of treasury shares as a deduction item. The Company holds 18,135 treasury shares. The historical cost of treasury shares was EUR 180 thousand. The Company holds no rights arising from treasury shares. Other Group companies do not hold its shares. The number of treasury shares was unchanged relative to 2018. Profit reserves were unchanged in 2018.

Fair value reserves

Fair value reserves amounted to EUR 32,278 thousand, the full amount of which relates to the revaluation of land (including the revaluation of land prior to transfer to investment property). The amount of revaluation is reduced for deferred taxes. Changes during the financial year are disclosed in the statement of comprehensive income.

Net profit brought forward

Changes during the financial year are disclosed in the statement of comprehensive income and in the statement of changes in equity.

TABLE 47: BASIC EARNINGS PER SHARE

IN EUR THOUSAND

Basic earnings per share	2018	2017
Net profit of ordinary shareholders (in EUR)	2,470,941.85	159,090.32
Average number of ordinary shares (excluding treasury shares)	16,812,703	16,812,703
Basic earnings per share (in EUR)	0.15	0.01

Basic earnings per share (EUR 0.15) are calculated as net profit or loss pertaining to the parent company's ordinary shareholders divided by the weighted average number of ordinary shares (excluding treasury shares).

TABLE 48: DILUTED EARNINGS PER SHARE

IN EUR THOUSAND

Diluted earnings per share	2018	2017
Net profit (in EUR)	4,143,909.24	340,056.24
Average number of total shares*	27,470,668	27,488,803
Diluted earnings per share (in EUR)	0.15	0.01

* For the needs of calculating this indicator, the Company defined preference shares as potential ordinary shares that can be exchanged for ordinary shares. Because the principle of exchangeability has not been agreed with the holders of preference shares, the calculations in the table are of an informative nature and assume an exchange ratio of 1 : 1.

Diluted earnings per ordinary share are equal to basic earnings per share because the parent company does not hold any dilutive potential ordinary shares.

NOTE 21: Provisions

TABLE 49: CHANGES IN PROVISIONS IN 2018

IN EUR THOUSAND

	Balance as at 1 January 2018	Drawn down (used)	Reversed	Additional creation of provisions charged to expenses	Additional creation of provisions charged to equity	Total as at 31 December 2018
Provisions for severance pay at retirement and jubilee benefits	1,023	-86	0	108	10	**1,055**
Provisions for lawsuits	85	0	-85	13	0	**13**
Other non-current provisions	878	0	-878	0	0	**0**
TOTAL	**1,986**	**-86**	**-963**	**121**	**10**	**1,068**

TABLE 50: CHANGES IN PROVISIONS IN 2017

IN EUR THOUSAND

	Balance as at 1 January 2017	Drawn down (used)	Reversed	Additional creation of provisions charged to expenses	Additional creation of provisions charged to equity	Total as at 31 December 2017
Provisions for severance pay at retirement and jubilee benefits	993	-79	0	89	20	**1,023**
Provisions for lawsuits	85	0	0	0	0	**85**
Other non-current provisions	0	0	0	878	0	**878**
TOTAL	**1,078**	**-79**	**0**	**967**	**20**	**1,986**

TABLE 51: CHANGES IN PROVISIONS FOR SEVERANCE PAY AND JUBILEE BENEFITS IN 2018

IN EUR THOUSAND

	Balance as at 1 January 2018	Interest expense	Payments	Increase during current year	Actuarial gains or losses	Total as at 31 December 2018
Provisions	**1,023**	**54**	**-86**	**55**	**9**	**1,055**
Jubilee benefits	237	13	-39	13	0	224
Severance pay	786	41	-47	42	10	832

The calculation of provisions for severance pay at retirement and jubilee benefits is based on an actuarial calculation for 2018, in which the following assumptions were taken into account:

- the number of employees, gender, age, total length of service, length of service with the Company and employees' gross wages for December 2018;
- the method for calculating severance pay at retirement (two average gross salaries of an employee or two average gross salaries in the Republic of Slovenia);
- wage growth (of 1%) comprising general wage growth (of 0.5%) and individual wage growth (of 0.5%);
- age-based employee turnover, prerequisites for retirement in accordance with the minimum conditions for exercising the right to an old-age pension;
- the mortality rate based on corrected Slovenian mortality tables from 2002; and;
- an annual discount rate of 2.075%, comprising the country risk premium for Slovenia and the yield on 10-year German bonds.

TABLE 52: CHANGES IN PROVISIONS FOR SEVERANCE PAY AND JUBILEE BENEFITS IN 2017

IN EUR THOUSAND

	Balance as at 1 January 2018	Interest expense	Payments	Increase during current year	Actuarial gains or losses	Total as at 31 December 2017
Provisions	**993**	**21**	**-79**	**54**	**34**	**1,023**
Jubilee benefits	253	6	-50	14	14	237
Severance pay	740	15	-29	40	20	786

With regard to provisions for lawsuits, there is a better than 50% probability that the court will rule in favour of the plaintiff's claim, which would result in the outflow of cash embodying economic benefits. Provisions were created based on the assessments of legal experts.

The Company assessed that an outflow of cash is unlikely. It therefore reversed non-current provisions in the amount of EUR 878 thousand.

TABLE 53: SENSITIVITY ANALYSIS WITH RESPECT TO THE DISCOUNT RATE AND EMPLOYEE TURNOVER RATE FOR 2018

IN EUR THOUSAND

	Discount rate		Turnover	
Change in %	-1%	+1%	-1%	+1%
Effect on balance of provisions in EUR thousand	74	-97	79	-102

TABLE 54: SENSITIVITY ANALYSIS WITH RESPECT TO THE DISCOUNT RATE AND EMPLOYEE TURNOVER RATE FOR 2017

IN EUR THOUSAND

	Discount rate		Turnover	
Change in %	-1%	1 %	-1%	1 %
Effect on balance of provisions in EUR thousand	63	-108	68	-113

NOTE 22: Non-current operating liabilities

TABLE 55: NON-CURRENT OPERATING LIABILITIES

IN EUR THOUSAND

	31 December 2018	31 December 2017
Non-current trade payables	258	282
Non-current liabilities for employee profit-sharing	1,142	90
Total	**1,401**	**372**

NOTE 23: Financial liabilities

TABLE 56: FINANCIAL LIABILITIES

IN EUR THOUSAND

	31 December 2018	31 December 2017
Long-term loans received	0	66,327
Short-term loans received	71,778	4,663
Liabilities for dividends	0	533
Total	**71,778**	**71,523**

The Company had EUR 5,530 thousand in approved and drawn revolving loans as at 31 December 2018. The Company had no overdue unpaid liabilities under loan agreements as at the reporting date.

The liability for preferred dividends recognised on the reporting date of 31 December 2017 in the amount of EUR 532 thousand was corrected by the Company in 2018 by crediting net profit brought forward due to an inappropriate basis for that recognition.

TABLE 57: CHANGES IN LONG-TERM LOANS RECEIVED

IN EUR THOUSAND

	31 December 2018	31 December 2017
Balance as at 1 January	**66,327**	**73,175**
Transfer to current liabilities	-64,187	-4,163
Repayments	-2,140	-2,685
Balance as at 31 December	**0**	**66,327**

Based on the financial restructuring agreement, the Company transferred non-current financial liabilities to current financial liabilities in the amount of EUR 64,187 thousand. The Company repaid the long-term portion of loans received in the amount of EUR 2,140 thousand. On 1 March 2019, the Company reached an agreement with creditor banks to extend the maturity of the final loan instalment in the amount of EUR 57,044 thousand from 30 September 2019 to 31 January 2020.

During the 2018 financial year, the Company achieved all objectives set out in its financial plan and fulfilled all agreed commitments with banks, as set out in the financial restructuring agreement concluded in 2012.

TABLE 58: SHORT-TERM BANK LOANS RECEIVED WITH RESPECT TO COLLATERAL IN EUR THOUSAND

	31 December 2018	31 December 2017
Liens on real estate and securities	69,717	4,163
Unsecured	2,060	500
Total	**71,778**	**4,663**

NOTE 24: Current operating liabilities

TABLE 59: STRUCTURE OF CURRENT OPERATING LIABILITIES IN EUR THOUSAND

	31 December 2018	31 December 2017
Current operating liabilities to Group companies	356	357
Current trade payables	15,176	15,513
Other current operating liabilities	2,524	2,005
Total	**18,056**	**17,875**

Of the total current operating liabilities as at 31 December 2018, EUR 2,051 thousand related to liabilities for costs for which suppliers' invoices were not yet received.

Only liabilities for customs duties amounting to EUR 3,496 thousand as at the balance-sheet date (are secured by a bank guarantee. The Company does not issue collateral instruments to secure payments to other suppliers.

NOTE 25: Contingent liabilities

The Company discloses as contingent liabilities any liabilities that are not disclosed in the statement of financial position and for which it assesses that an outflow of economic benefits will not be likely in the settlement of those liabilities. The Company's estimated contingent liabilities as at 31 December 2018 are shown in the table below.

TABLE 60: CONTINGENT LIABILITIES IN EUR THOUSAND

	31 December 2018	31 December 2017
From bank guarantees and guarantees given to Group companies	468	1,075
From bank guarantees and guarantees given to others	9,555	9,555
From lawsuits	68	58
To D.S.U., družba za svetovanje in upravljanje, d.o.o.	66	126
Total	**10,157**	**10,814**

Guarantees and warranties for Group companies primarily comprise guarantees for raised loans and the customs guarantees of subsidiaries. Other guarantees and warranties mainly comprise contingent liabilities arising from guarantees for potential customs liabilities that might arise from transit procedures, the verification of origin, and various analyses and controls of goods.

With regard to contingent liabilities arising from lawsuits in the amount of EUR 68 thousand, there is a less than 50% probability that the court will rule in favour of the plaintiff's claim (which would result in the outflow of resources embodying economic benefits).

NOTE 26: Fair value

TABLE 61: FAIR VALUE OF FINANCIAL INSTRUMENTS IN EUR THOUSAND

in EUR thousand	31 December 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Financial assets measured at fair value through profit or loss*	27	27	0	0
Loans and deposits	1,717	1,717	1,441	1,441
Operating receivables	23,636	23,636	23,830	23,830
Cash and cash equivalents	5,430	5,430	413	413
Total	**30,811**	**30,811**	**25,683**	**25,683**
Liabilities				
Loans	71,777	71,777	70,990	70,990
- at fixed interest rates	2,060	2,060	500	500
- at variable interest rates	69,717	69,717	70,490	70,490
Trade payables	19,457	19,457	18,294	18,294
Total	**91,235**	**91,235**	**89,284**	**89,284**

* The Company began applying IFRS 9 on 1 January 2018. Comparable data have thus not been recalculated.

The Company assesses that the carrying amount of receivables and liabilities with a maturity of less than one year is a proper reflection of their fair value.

Fair value hierarchy

The table illustrates the classification of non-financial and financial instruments with respect to the calculation of their fair value. The Company classifies those instruments to the following three levels:

- level 1 includes the unadjusted price quoted on an active market on the date of measurement;
- level 2 includes inputs other than the quoted prices included in level 1 that can be directly or indirectly observed for assets or liabilities; and
- level 3 includes unobservable inputs for an asset or liability.

TABLE 62: FAIR VALUE HIERARCHY FOR ASSETS MEASURED AT FAIR VALUE IN EUR THOUSAND

Fair value hierarchy	31 December 2018			
	Level 1	Level 2	Level 3	Total
Land	0	0	45,079	45,079
Financial assets measured at fair value through profit or loss*	0	0	27	27
Total	**0**	**0**	**45,106**	**45,106**
Fair value hierarchy	**31 December 2017**			
	Level 1	**Level 2**	**Level 3**	**Total**
Land	0	0	46,639	46,639
Total	**0**	**0**	**46,639**	**46,639**

* The Company began applying IFRS 9 on 1 January 2018. Comparable data have thus not been recalculated.

NOTE 27: Financial risks

Liquidity risk

The Company manages liquidity risk through the active management of cash, which includes:

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

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

TABLE 63: LIQUIDITY RISK AS AT 31 DECEMBER 2018

IN EUR THOUSAND

31 December 2018	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 within the Group on the basis of loan agreements	2,060	2,079	1,073	1,006	0	0	0
Loans received from others on the basis of loan agreements	69,717	70,998	8,610	62,388	0	0	0
Operating liabilities to Group companies	356	356	356	0	0	0	0
Trade payables (excluding the Group)	15,478	15,478	15,104	72	163	71	69
Other operating liabilities	3,621	3,621	2,524	0	1,097	0	0
Total	**91,233**	**92,532**	**27,667**	**63,465**	**1,261**	**71**	**69**

On 1 March 2019, the Company signed an annex to the financial restructuring agreement, thereby extending the maturity of the final instalment in the amount of EUR 57,044 thousand from 30 September 2019 to 31 January 2020. The Company is planning to refinance financial liabilities from the financial restructuring agreement in 2019.

The Company is planning to continue implementing a strategy in 2019 aimed at the sale of certain non-strategic and commercially obsolete real estate, and further reduce the balance of bank loans received, which in turn will reduce liquidity risk.

The Company estimates a time span of between six months and five years for contingent liabilities from bank guarantees and guarantees issued in the total amount of EUR 10,023 thousand.

TABLE 64: LIQUIDITY RISK AS AT 31 DECEMBER 2017

IN EUR THOUSAND

31 December 2017	Carrying amount	Total contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Loans received within the Group on the basis of loan agreements	500	509	5	504	0	0	0
Loans received from others on the basis of loan agreements	70,490	73,656	3,016	3,004	67,636	0	0
Liabilities for dividends	533	533	0	533	0	0	0
Operating liabilities to Group companies	357	357	357	0	0	0	0
Trade payables (excluding the Group)	15,749	15,749	15,442	25	119	71	92
Liabilities based on advances	46	46	46	0	0	0	0
Other operating liabilities	2,095	2,095	2,005	0	90	0	0
Total	**89,770**	**92,944**	**20,871**	**4,065**	**67,845**	**71**	**92**

TABLE 65: CURRENCY RISK AS AT 31 DECEMBER 2018

IN EUR THOUSAND

31 December 2018	EUR	USD	Other	Total
Operating receivables from Group companies	759	0	0	759
Other operating receivables	22,680	191	6	22,878
- of which trade receivables	21,589	181	2	21,773
Short-term loans to Group companies	1,585	0	0	1,585
Long-term loans to Group companies	92	0	0	92
Long-term deposits placed	10	0	0	10
Short-term loans granted and deposits placed with others	30	0	0	30
Short-term loans received from Group companies	-2,060	0	0	-2,060
Short-term loans received from others and other current financial liabilities	-69,718	0	0	-69,718
Operating liabilities within the Group	-356	0	0	-356
Current operating liabilities to others	-18,919	-159	-21	-19,099
- of which trade payables	-15,311	-150	-17	-15,478
Exposure disclosed in the statement of financial position	**-65,897**	**32**	**-15**	**-65,879**

TABLE 66: CURRENCY RISK AS AT 31 DECEMBER 2017

IN EUR THOUSAND

31 December 2017	EUR	USD	Other	Total
Operating receivables from Group companies	769	0	0	769
Other operating receivables	23,943	175	6	24,124
- of which trade receivables	21,083	169	3	21,254
Short-term loans to Group companies	1,181	0	0	1,181
Long-term loans to Group companies	189	0	0	189
Long-term deposits placed	40	0	0	40
Short-term loans granted and deposits placed with others	30	0	0	30
Short-term loans received from Group companies	-500	0	0	-500
Long-term loans from others	-66,327	0	0	-66,327
Short-term loans received from others and other current financial liabilities	-4,696	0	0	-4,696
Operating liabilities within the Group	-342	-15	0	-357
Current operating liabilities to others	-17,665	-209	-16	-17,890
- of which trade payables	-15,532	-203	-15	-15,749
Exposure disclosed in the statement of financial position	**-63,376**	**-48**	**-10**	**-63,435**

TABLE 67: CREDIT RISK

IN EUR THOUSAND

	31 December 2018	31 December 2017
Loans to Group companies	1,678	1,371
Loans granted and deposits placed with others	40	70
Operating receivables	23,636	23,830
- of which trade receivables within the Group	566	581
- of which receivables within the Group for interest	193	188
- of which trade receivables	21,789	22,319
- of which trade receivables from others	1,089	742
Cash and cash equivalents	5,430	413
Sureties and guarantees issued	468	1,075
Total	**31,252**	**26,758**

TABLE 68: CHANGES IN ADJUSTMENTS TO THE VALUE OF CURRENT TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES

IN EUR THOUSAND

	31 December 2018	31 December 2017
Opening balance of adjustments to the value of trade receivables	**2,092**	**2,267**
Changes due to the transition to IFRS 9	428	0
Adjustments to the value of trade receivables as at 1 January	**2,520**	**2,267**
- write-offs of receivables	-185	-551
- loss due to the impairment of receivables (including the reversal of impairment losses)	288	98
- transfer upon the completion of the liquidation of a subsidiary	0	278
Adjustments to the value of trade receivables as at 31 December	**2,623**	**2,092**
Adjustments to the value of other current receivables as at 1 January	**1,264**	**1,256**
- write-offs of receivables	0	0
- loss due to the impairment of receivables (including the reversal of impairment losses)	0	-84
- transfer upon the completion of the liquidation of a subsidiary	0	92
Adjustments to the value of other current receivables as at 31 December	**1,264**	**1,264**

TABLE 69: EXPOSURE TO CREDIT RISK AND EXPECTED CREDIT LOSSES IN CONNECTION WITH CURRENT TRADE RECEIVABLES AS AT 31 DECEMBER 2018

IN EUR THOUSAND

	Gross value as at 31 December 2018	Average percentage of value adjustments created	Value adjustment as at 31 December 2018
Non-past-due	17,514	0.23%	41
1 to 30 days past due	3,566	0.22%	8
31 to 90 days past due	1,068	2.95%	31
91 to 180 days past due	345	20.91%	72
More than 180 days past due	2,471	100.00%	2,471
Exchange rate differences	-2	0.00%	0
Total	**24,962**		**2,623**

The Company 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 the Company has defined control limits and mechanisms for approving exposure to credit risk for major customers.

TABLE 70: EXPOSURE TO CREDIT RISK IN CONNECTION WITH CURRENT TRADE RECEIVABLES AS AT 31 DECEMBER 2017

IN EUR THOUSAND

	Gross value as at 31 December 2017	Value adjustment as at 31 December 2017
Current trade receivables		
Non-past-due	17,761	3
1 to 30 days past due	2,962	0
31 to 90 days past due	1,113	3
91 to 180 days past due	306	48
More than 180 days past due	2,252	2,038
Total current trade receivables	**24,394**	**2,092**

TABLE 71: EXPOSURE TO CREDIT RISK AND EXPECTED CREDIT LOSSES IN CONNECTION WITH OTHER CURRENT OPERATING RECEIVABLES

IN EUR THOUSAND

	Gross value as at 31 December 2018	Value adjustment as at 31 December 2018
Non-past-due	1,089	0
More than 30 days past due	1,264	1,264
Total	**2,353**	**1,264**

TABLE 72: INTEREST-RATE RISK IN 2018

IN EUR THOUSAND

Type of variable interest rate	Loan amount 31 December 2018	Increase in IR by 10 basis points	Increase in IR by 25 basis points	Increase in IR by 50 basis points
3-month EURIBOR	69,717	-70	-174	-349

TABLE 73: INTEREST-RATE RISK IN 2017

IN EUR THOUSAND

Type of variable interest rate	Loan amount 31 December 2017	Increase in IR by 10 basis points	Increase in IR by 25 basis points	Increase in IR by 50 basis points
3-month EURIBOR	70,490	-70	-176	-352

TABLE 74: CAPITAL MANAGEMENT IN EUR THOUSAND

	2018	2017
Non-current financial liabilities	0	66,327
Current financial liabilities	71,778	5,196
Total financial liabilities	71,778	71,523
Equity	85,005	80,797
Debt / equity	**0,84**	**0,89**
Current financial assets	1,615	1,211
Cash and cash equivalents	5,430	413
Net financial liabilities	64,733	69,899
Net debt / equity	**0,76**	**0,87**
Total assets	185,114	180,279
Equity to total assets	**0,46**	**0,45**

The main purpose of capital management is to ensure capital adequacy, the highest possible level of financial stability and long-term solvency for the needs of financing operations, and the maximisation of value for shareholders. The Company continued with deleveraging activities in 2018 in accordance with its strategic policy to reduce debt.

NOTE 28: Other notes

TABLE 75: COSTS OF AUDITING SERVICES IN EUR THOUSAND

	2018	2017
Auditing of the annual report	51	47
Other audit services	1	1
Total	**52**	**48**

Auditing services were provided by the audit firm KPMG Slovenija, d. o. o., Ljubljana. In 2018, the aforementioned company also examined certain items from the financial statements. Audit costs for the 2018 annual report were recognised taking into account the stage of completion of those services.

Related parties of Intereuropa, d. d., Koper include:
- subsidiaries,
- an associate or joint venture,
- the parent company's key management personnel and their immediate family members, and
- members of the Supervisory Board and their family members.

Key management personnel at the parent company are the members of the Management Board.

TABLE 76: DISCLOSURE OF TRANSACTIONS WITH RELATED PARTIES

IN EUR THOUSAND

Revenues from the sale of services	January–December 2018	January–December 2017
Subsidiaries	3,700	3,391
Associate	547	683
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.	55	9
Costs of services	**January–December 2018**	**January–December 2017**
Subsidiaries	2,079	2,094
Associate	4,432	3,854
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.	12	64
Interest income	**January–December 2018**	**January–December 2017**
Subsidiaries	46	44
Interest expense	**January–December 2018**	**January–December 2017**
Subsidiaries	22	1
Income from participating interests	**January–December 2018**	**January–December 2017**
Subsidiaries	885	448
Associate	10	39
Balance of operating receivables	**31 December 2018**	**31 December 2017**
Subsidiaries	759	769
Associate	91	104
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.	6	7
Balance of operating liabilities	**31 December 2018**	**31 December 2017**
Subsidiaries	356	357
Associate	694	534
Loans granted	**31 December 2018**	**31 December 2017**
Subsidiaries	1,677	1,370
Loans received	**31 December 2018**	**31 December 2017**
Subsidiaries	2,060	500

None of the above listed liabilities to related parties are secured nor has any guarantee been issued or received in connection with them. Liabilities to the associate or joint venture are typically settled by remittances, assignment or mutual netting. Transactions with related parties were executed according to market terms.

Remuneration of members of the Management Board, Supervisory Board and employees on individual contracts in 2018

The Company did not approve any advances, loans or sureties to members of the Management Board, Supervisory Board or employees on individual contracts.

TABLE 77: REMUNERATION OF MANAGEMENT BOARD MEMBERS

IN EUR THOUSAND

	Period	Wages – fixed portion		Wages – variable portion		Severance pay		Fringe benefits and other remuneration		Total	
		Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Ernest Gortan, MSc	1 Jan–31 Dec 2018	144,002	71,938	0	0	0	0	15,642	14,538	159,644	86,476
MARKO CEGNAR	1 Jan–31 Dec 2018	126,006	65,079	0	0	0	0	5,597	6,965	131,603	72,044
MARKO REMS	1 Jan–31 Dec 2018	126,006	64,962	0	0	0	0	13,121	13,489	139,127	78,451
Total		**396,014**	**201,979**	**0**	**0**	**0**	**0**	**34,359**	**34,992**	**430,373**	**236,970**

	Period	Net fringe benefits and other remuneration							
		D&O insurance	Supplementary pension insurance	Other fringe benefits	Reimbursement of expenses	Severance pay	Share in profit	Other remuneration	TOTAL
Ernest Gortan, MSc	1 Jan–31 Dec 2018	0	2,819	3,886	1,212	0	0	6,622	14,538
MARKO CEGNAR	1 Jan–31 Dec 2018	0	2,819	2,885	1,261	0	0	0	6,965
MARKO REMS	1 Jan–31 Dec 2018	0	2,819	3,362	1,255	0	0	6,054	13,489
Total		**0**	**8,457**	**10,133**	**3,727**	**0**	**0**	**12,676**	**34,992**

TABLE 78: REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD AND ITS COMMITTEES IN EUR THOUSAND

	Function	Period	Remuneration for function performed	Remuneration for work on committees	Session attendance fees	Reimbursement of expenses	Share in profit	Other remuneration and fringe benefits	Total
VOJKO ČOK	Chairman of the Supervisory Board	1 Jan–31 Dec 2018	16,500	2,750	5,115	342	0	145	24,852
TJAŠA BENČINA	Deputy Chairman of the Supervisory Board	1 Jan–31 Dec 2018	12,100	2,750	5,115	350	0	41	20,357
ROK RAPE, DSc	Member of the Supervisory Board	1 Jan–31 Dec 2018	11,000	2,750	6,479	1,195	0	145	21,569
MATIJA VOJSK, MSc	Member of the Supervisory Board	1 Jan–31 Dec 2018	11,000	4,125	6,523	1,609	0	145	23,403
ZLATKA ČRETNIK	Member of the Supervisory Board	1 Jan–31 Dec 2018	10,083	2,417	6,699	1,183	0	41	20,423
JURE FIŠER	Member of the Supervisory Board	1 Jan–31 Dec 2018	11,000	4,125	5,335	2,723	0	145	23,329
BARBARA NOSE	External member of the Supervisory Board	1 Jan–31 Dec 2018	0	7,150	2,739	387	0	0	10,276
Total			**71,683**	**26,067**	**38,005**	**7,790**	**0**	**664**	**144,210**

TABLE 79: REMUNERATION OF EMPLOYEES ON INDIVIDUAL CONTRACTS IN EUR THOUSAND

	Gross wages	Fringe benefits and other remuneration (annual leave allowance, reimbursement of work-related expenses, severance pay, jubilee benefits, etc.)	Total remuneration
Employees under individual contracts	1,567,956	235,439	1,803,395

NOTE 29: Distributable profit

TABLE 80: DISTRIBUTABLE PROFIT

IN EUR THOUSAND

	31 December 2018	31 December 2017
Net profit for the financial year	4,144	340
Net profit brought forward*	3,977	3,509
Total distributable profit	**8,121**	**3,849**

* Changes in net profit or loss brought forward are explained in the statement of changes in the Company's equity (Table 5).

The Company used net profit for the financial year to cover the net loss brought forward in the amount of EUR 110 thousand. The Company's distributable profit amounted to EUR 4,034 thousand.

NOTE 30: Events after the balance-sheet date

On 1 March 2019, Intereuropa, d. d. and creditor banks concluded an annex to the financial restructuring agreement, thereby extending the validity of the aforementioned agreement until 31 January 2020.

KPMG

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Independent Auditor's Report

To the owners of INTEREUROPA d.d.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of INTEREUROPA d.d. ("the Company"), which comprise the separate statement of financial position as at 31 December 2018, the separate statements of profit or loss, comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2018, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and EU Regulation (EU) No 537/2014. Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Separate Financial Statements* section of our report. We are independent in accordance with both the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the separate financial statements in Slovenia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note I *Basis of preparation - Significant estimates, judgements and assumptions*, which indicates that as at 31 December 2018 the Company's current liabilities, relating primarily to bank loans, exceeded its current assets by EUR 55,866 thousand. While, as discussed in Note 30, subsequent to the above date, the Company managed to extend the repayment date of the final instalment of the said loans in amount of EUR 57,044 thousand until 31 January 2020, its continued uninterrupted business operations in the foreseeable future will depend on its ability to further refinance the debt beyond this date, as described in Note 27 *Financial risks* and Note 23 *Financial liabilities*.

As also stated in the Note I, these events or conditions, along with certain other matters, as forth in Note 27 *Financial risks* and Note 30 *Events after the balance-sheet date*, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as going concern. Our opinion is not modified in respect of this matter.

The Independent Auditor's Report hereof is a translation of the original Independent Auditor's Report in Slovene, issued on the financial statements and the notes thereto in Slovene and is not to be signed. This translation is provided for reference purposes only.

KPMG Slovenija, podjetje za revidiranje, d.o.o., slovenska družba z omejeno odgovornostjo in članica KPMG mreže neodvisnih družb članic, ki so povezane s švicarskim združenjem KPMG International Cooperative ("KPMG International").

TRR: SI 56 2900 0000 1851 102
vpis v sodni register: Okrožno sodišče v Ljubljani
št. reg. vl.: 061/12062100
osnovni kapital: 54.892,00 EUR
ID za DDV: SI20437145
matična št.: 5648556

KPMG

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair value of land lots	
As at 31 December 2018, the carrying amount of land EUR 44,732 thousand (31 December 2017: EUR 46,639 thousand); fair value reserve: EUR 32.277 thousand (31 December 2017: EUR 32.342 thousand); In 2018, total revaluation loss for land lots through other comprehensive income: EUR 47 thousand (2017:EUR 2.950 thousand); Impairment loss recognised in profit and loss statement for impairment of PPE: EUR 0 thousand (2017: EUR 1.707 thousand). *We refer to the financial statements: Notes II (f) Property, plant and equipment and II (j) Impairment of assets (significant accounting policies), Notes V. Fair value, Notes VII. 6 Other operating expenses; 9: Property, plant and equipment and 20: Equity (notes to the financial statements).*	
Key audit matter	**Our response**
The Company's property, plant and equipment includes land lots at various locations across Slovenia used to support its business operations, primarily in providing warehousing and storage services. The land's total carrying amount, stated at EUR 44,732 thousand as at 31 December 2018, is determined based on the revaluation model. Pursuant to the model, the carrying amount of the land is determined as its fair value at the date of most recent revaluation less any subsequent impairment losses. The Company estimates the fair values of its land lots with the assistance of contracted external appraisers, and by reference to the lots' market values, based on the prices observed in recent transactions with similar assets. The Company re-measures the fair value of its land lots every five years, and also whenever there are indications of events and circumstances which may result in potential material change in those fair values. The Management Board's process of identifying such indications and, where necessary, re-measuring the fair values of land plots, is complex and requires significant judgement. In light of the above circumstances, this area required our increased attention in the audit and as such was considered by us to be a key audit matter.	Our audit procedures in the area included, among others: • Where new valuations of land were prepared by the Company: – Assessing the competence, experience and objectivity of the external experts engaged by the Company and considering whether there were any matters that might have limited the scope of their work; – Assessing the fair value measurement methodology used by the Company's external experts against the requirements of the relevant financial reporting standards. With the support of external valuation experts engaged by us, critically evaluating the judgements and assumptions used in the Company's land valuations. This included, but was not limited to: o Assessing the selection of comparable transactions and reasonableness of any related adjustments for size, location, type of transaction; o By reference to the respective land acquisition and ownership documents, evaluating, for each individual lot, the accuracy and relevance of the input data, such as, among others, comparability of location, intended use of the land and size of land lots in the appraisers report;

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	– Inspecting the Company's recent land lot sales transactions to assess whether they resulted in significant profits or losses in order to assess the historical accuracy of fair value estimates. • Where prior periods' fair values were considered still appropriate by the Company: – Inspecting the Company's recent land lot sales transactions to assess whether they resulted in significant profits or losses in order to assess the historical accuracy of fair value estimates; – Testing the design and implementation of internal controls relating to the assessment of the continued relevance of fair values; – Evaluating the reasonableness and robustness of the Management Board's assessment of events and conditions representing indicators of material fair value change. • For land plots valued under the market approach, using the comparable transactions method: – Evaluating the reasonableness of the Management's experts' analysis on the observable prices for land plots by relevant geographic areas and intended use in the period from last valuation to the end of 2018, – Assessing whether the indicators that would point to a significant change in fair value were appropriately defined; – Assessing the appropriateness of the Management Board's decision that the prior periods' fair value is still valid given the changes in the significant impairment indicators in 2018, if any. • Evaluating the appropriateness and sufficiency of the financial statements disclosures in respect of fair value measurements.

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Impairment of property plant and equipment and investment property	
As at 31 December 2018, the carrying amount of property, plant and equipment, less the value of land lots: EUR 41,020 thousand (31 December 2017: EUR 43,210 thousand), impairment loss of property plan and equipment: EUR nil (31 December 2017: EUR 708 thousands); the carrying amount of investment property: EUR 10,138 thousand, impairment loss of investment properties: EUR nil (31 December 2017: EUR 708 thousand). *We refer to the separate financial statements: Notes II (f) Property, plant and equipment, Notes II (h) Investment property and II (j) Impairment of assets (significant accounting policies), Notes V. 9: Property, plant and equipment, 10. Investment property and 20: Equity (notes to the financial statements).*	
Key audit matter	**Our response**
The Company's property, plant and equipment (PPE) includes buildings and equipment at various locations across Slovenia. The PPE is carried at cost less accumulated depreciation and any subsequent impairment losses. The Company's investment properties include land and buildings at various locations across Slovenia that are leased out and held for purpose of achieving rental income or for appreciation in value. The investment properties are carried under the cost model. The Management Board's process of identifying changes in impairment indicators and, where necessary, estimating the recoverable amounts of items of property plant and equipment, investment properties or related cash-generating units (CGUs) is complex and requires significant judgement. In light of the above circumstances, this area required our increased attention in the audit and as such was considered by us to be a key audit matter.	Our audit procedures in the area included, among others: • Where values of PPE and investment property were assessed in the previous periods and the Company considered recoverable amounts established in previous year's valuation reports as still relevant: – Testing the design and implementation of internal controls relating to impairment testing process; – Evaluating the Management Board's assessment of impairment indicators for property, plant and equipment and investment property, and the appropriateness of grouping assets into CGUs; – Evaluating the Management Board's assessment of significant changes in impairment indicators for the property plant and equipment and investment property by assessing the appropriateness of the selected factors as significant impairment indicator and by comparing the new value of significant impairment indicators value to values that ware included in the previous year's valuation reports; – Assessing the whether the decision of the of the Management Board's that fair value from the previous year's valuation report is still valid is reasonable given the changed in the significant impairment indicators in the year 2018. – Evaluating the adequacy of the impairment-related disclosures in the separate financial statements.

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Revenue recognition	
Revenue from sales recognised in 2018: EUR 111.890 thousand (2017: EUR 103.976 thousand); As at 31 December 2018: Customer contract assets: EUR 590 thousand (31 December 2017: nil) and Contract liabilities: EUR 17 thousand (31 December 2017: nil) *We refer to the financial statements: Note II b Transition to IFRS 15 - Revenue from Contracts with Customers, Note IV (o) Revenues (significant accounting policies) and Note VII. 1: Sales revenue (notes to the financial statements).*	
Key audit matter	**Our response**
As discussed in Note II b, the Company adopted the new revenue standard, IFRS 15 *Revenue from Contracts with Customers,* as at 1 January 2018, using the modified retrospective application method, with the cumulative effect of initially applying the standard adjusting the opening equity of 2018. Recognition of the Company's revenue in accordance with the new standard is inherently complex due to several types of contracts in place, including those for transportation and logistics services, client representation before the customs authorities, warehousing services and other services like labelling, packaging and alike services. These various services are sometimes delivered as part of a single arrangement which introduces an element of additional complexity from the revenue recognition perspective. We focused on this area as appropriate revenue recognition requires significant amount of judgement and estimates from the Management Board, including assessing contracts for separate performance obligations, selecting the most appropriate method for recognition of revenue for the performance obligations identified, allocating consideration to performance obligations, assessing whether performance obligations are satisfied over point in time or over time. Additional judgment is required in assessing the progress toward complete satisfaction of performance obligations where service contracts are accounted for over time. In light of the above circumstances, revenue recognition required our increased attention in the audit and as such we consider the area to be our key audit matter.	Our procedures in the area included, among others, • Assessing the initial implementation of IFRS 15, including recognition of its effects on the opening retained earnings. Also evaluating the Company's changes to procedures, accounting guidelines, disclosures and systems to support correct revenue recognition. As part of the above, we made inquiries of the Management Board and the financial reporting personnel; • Testing the design, implementation and operating effectiveness of relevant internal controls over the revenue cycle, including controls over the assessment of progress toward satisfaction of performance obligations at year end. This included, but was not limited to, using our own information technology (IT) specialists in evaluating the controls in the IT systems that support the recording of revenue; • Inspecting a sample of service contracts to assess the method of revenue recognition for compliance with the new revenue standard (primarily "at the point in time" versus "over time" recognition). We focused on establishing the nature of each contract, allocation of transaction consideration to individual performance obligations and timing of control transfer. For the contracts selected, we inspected the terms of the underlying contracts and sales invoices, developed an independent estimate of the related revenue and traced it to the Company's accounting records, seeking explanations for significant discrepancies, if any;

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	• In addition to the above, for a sample of contracts open at the reporting date, obtaining the Company's estimate of the degree of completion and assessing its reasonableness based on our inspection of the supporting documentation such as invoices received from the sub-contractors, customs documents, freight lists, and by reference to the Company's list of open orders as at 31 December 2018; • Inspecting a sample of credit notes issued after year-end in order to assess whether the revenue for the year was recognized in the appropriate period; • Assessing the accuracy of customer contract assets and related liabilities by tracing a sample of such balances to invoices raised pre or post year end and recalculating the amount accrued or deferred based on contract terms and costs incurred in the period up to year end; • Inspecting manual journal entries posted to revenue accounts as well as the underlying documentation, with particular focus on the journal entries after the reporting date.

Other Information

Management is responsible for other information. The other information comprises the Introduction, Business Report and Sustainability Report included in the Annual report, but does not include the separate financial statements and our auditor's report thereon. Other information was obtained before the date of issuance of the auditor's report, except for the Minutes of the Supervisory Board's meeting on the adoption of the Annual report of the Intereuropa d.d. for the year ended 31 December 2018.

Our opinion on the separate financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With respect to the Business Report, we have considered whether the Business Report includes the disclosures required by the Company's Act (hereafter referred to as "the applicable legal requirements"). Based solely on the work required to be undertaken in the course of the audit of the separate financial statements and the procedures above, in our opinion:

- the information given in the Business Report for the financial year for which the separate financial statements are prepared, is consistent in all material aspects with the separate financial statements; and
- the Business Report has been prepared in accordance with the applicable legal requirements.

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In addition, in light of the knowledge and understanding of the Company and its environment in which it operates, obtained in the course of our audit, we are required to report if we have identified material misstatements in the Business Report and other information that we obtained prior to the date of this auditors' report. We have nothing to report in this respect.

Responsibility of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation separate financial statements that give a true and fair view in accordance with the EU IFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using of the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and with EU Regulation (EU) No 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

We were appointed by the General Meeting of Shareholders on 22 June 2018 to audit the separate financial statements of INTEREUROPA d.d. for the year ended 31 December 2018. Our total uninterrupted period of engagement is 3 years, covering periods ending 31 December 2016 to 31 December 2018.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 4 April 2019;
- we have not provided any prohibited non-audit services (NASs) referred in Article 5 of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit;

For the period to which our statutory audit relates, in addition to the audit, we have provided the following service to the Company which are not disclosed in the Management Report or in the financial statements of the Company:

- Review of the report as at 31 December 2017 for off-balance items established in the process of ownership transformation of the INTEREUROPA d.d., Koper and under contract with the D.S.U., Property Management and Consultancy (LLC) Ljubljana.

On behalf of the auditing company

KPMG SLOVENIJA,

podjetje za revidiranje, d.o.o.

Polona Repinc Kofol	Danilo Bukovec
Certified Auditor	*Certified Auditor*
	Director
Ljubljana, 5 April 2019	KPMG Slovenija, d.o.o. 1

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