



Connecting
paths of success

2019

ANNUAL
REPORT



Intereuropa[®]

Global Logistics Service

Annual Report

of the Intereuropa Group
and parent company
Intereuropa d. d. for the
year 2019

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Koper, April 2020

Note: "The English version of the Annual Report 2019 of Intereuropa Group and parent company Intereuropa d. d. constitutes a translation of the original Slovenian version. Only the Slovenian version is legally binding."

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Inter.europa[®]
Globalni logistični servis

Introduction

Reliable to the destination

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

01





01 INTRODUCTION

1.1 KEY OPERATING INDICATORS OF THE INTEREUROPA GROUP

The operations of the Intereuropa Group in 2019 were characterised by the sale of a majority holding of the shares of Intereuropa, d. d., which was acquired by Pošta Slovenije on 13 November 2019. That package comprised 9,168,425 ordinary shares and 10,657,965 preference shares of Intereuropa, d. d. Intereuropa, d. d. thus gained a strategic owner whose capital strength will facilitate the continued development of the Intereuropa Group.

The Intereuropa Group generated sales revenue of EUR 160.4 million in 2019, the same as in 2018 when sales revenue reached its highest level of the last six years. Operating cash flows (hereinafter: EBITDA) were up by 13% and totalled EUR 14.0 million. Deleveraging activities by the Intereuropa Group continued in 2019. The Group's net debt was down by EUR 5.8 million to stand at EUR 54.4 million at the end of 2019, resulting in an EBITDA ratio of 3.9

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

	2016	2017	2018*	2019	Index 2019/2018
Sales revenue	135,596	149,889	160,382	160,353	100
EBITDA	13,338	12,739	12,397	13,971	113
Operating profit (EBIT)	7,606	311	6,064	7,524	124
Profit or loss from ordinary operations	5,037	-2,028	4,028	6,442	160
Net profit or loss	-1,604	-1,979	4,408	4,197	95
Value added	39,903	39,911	41,247	42,905	104
Net earnings/loss per ordinary share (in EUR)	-0.13	0.01	0.15	0.12	80
Investments in property, plant and equipment, and intangible assets	3,741	2,690	5,374	2,889	54

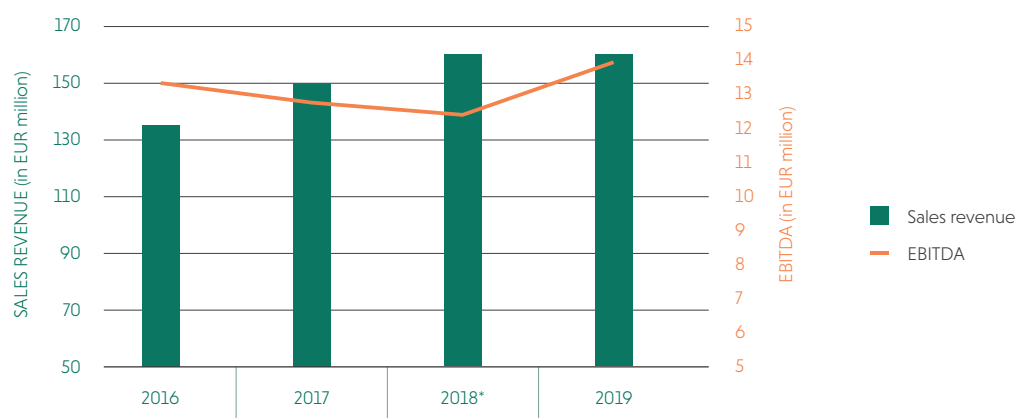
* Adjusted: adjustments comprise disclosures in point II of the financial report – changes in accounting policies and correction of an error at a subsidiary in 2018 in the amount of EUR 357 thousand. Net profit brought forward in the statement of financial position as at 1 January 2018 was corrected for the amount of the identified error (EUR 1.1 million) in years prior to 2018, which cannot be properly allocated to a specific financial year, while annual income statements prior to 2018 remain unchanged.

EBITDA: operating profit + depreciation/amortisation + revaluationoperatingexpensesforintangibleassets and property, plant and equipment – revaluationoperatingrevenuesfrom the reversal of impairments of intangibleassets and property, plant and equipment.

Valueadded: EBITDA + labourcosts.

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

FIGURE 1: CHANGES IN THE SALES REVENUE AND EBITDA OF THE GROUP IN THE PERIOD 2016 TO 2019



* Adjusted: note under the Table 1.

In 2019, the Group maintained sales revenue at the level recorded during the previous financial year when consolidation included the Albanian subsidiary¹, which was not included in consolidation in 2019. The most significant rise in sales revenue in 2019 was recorded by the subsidiary in Croatia, which has been successfully restructuring its operations for three years.

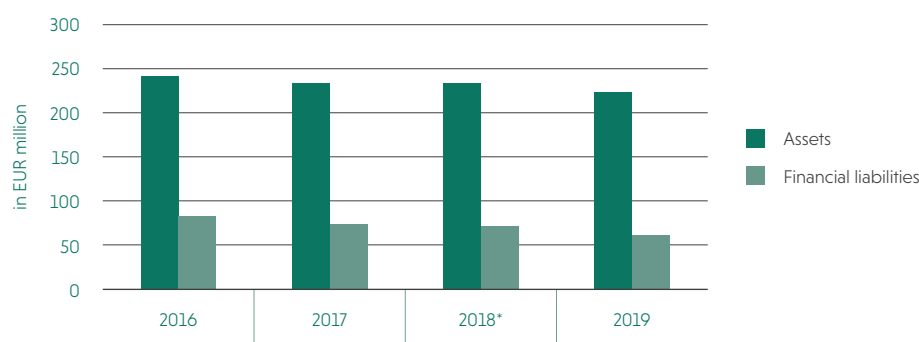
Contributing significantly to growth in EBITDA relative to the previous year were the effects of the transition to the new IFRS 16. Having a significant positive effect was the repayment of operating receivables to the parent company that were several years old and impaired in full, while operating expenses due to fraud at the subsidiary in Croatia, where the embezzlement of funds was discovered at the end of October 2019, had a negative effect. The effects of the aforementioned events are explained in point II of the financial report – changes in accounting policies and correction of an error.

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

	2016	2017	2018*	2019	Index 2019/2018
Total assets	242,099	229,672	232,927	223,351	96
Non-current assets	204,983	188,267	182,978	180,747	99
Current assets	37,116	41,405	49,949	42,604	85
Equity	124,341	117,049	120,229	122,358	102
Financial and operating liabilities	115,802	109,297	110,251	98,195	89

* Adjusted: note under the Table 1.

FIGURE 2: CHANGES IN THE ASSETS AND FINANCIAL LIABILITIES OF THE GROUP IN THE PERIOD 2016 TO 2019



* Adjusted: note under the Table 1.

Financial liabilities were down by EUR 9.4 million in 2019, and accounted for 28% of total equity and liabilities at the end of the year.

1 The subsidiary in Albania generated sales revenue of EUR 561 thousand in 2019.

TABLE 3: PERFORMANCE INDICATORS OF THE GROUP

	2016	2017	2018*	2019	Index 2019/2018
Net return on equity	-1.2%	-1.6%	3.8%	3.5%	93
Net return on assets	-0.6%	-0.8%	1.9%	1.8%	96
Productivity (in EUR thousand)	99.83	112.83	124.72	124.06	99
Net return on revenue	-1.2%	-1.3%	2.7%	2.6%	95

* * Adjusted: note under the Table 1.

Netreturn on equity: net profit or loss / averageequity.

Netreturn on assets: net profit or loss / averageassets.

Productivity: sales revenue / number of employeesaccording to hoursworked (FTE).

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

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

	2016	2017	2018	2019	Index 2019/2018
No. of Group employees	1,358	1,328	1,286	1,293	101
No. of employees at the parent company	596	577	566	582	103
No. of employees at subsidiaries	763	751	720	711	99

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 Balkans. 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 the warehousing and distribution products; and
- the intercontinental transport segment comprising sea freight, car logistics, shipping agency services and air freight.

The Intereuropa Group also provides additional services that include the leasing of business premises, parking services at customs terminals, trade fair logistics and insurance brokerage services.

The competitive advantages of the Intereuropa Group are as follows:

- a 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 2019

TABLE 5: PARENT COMPANY

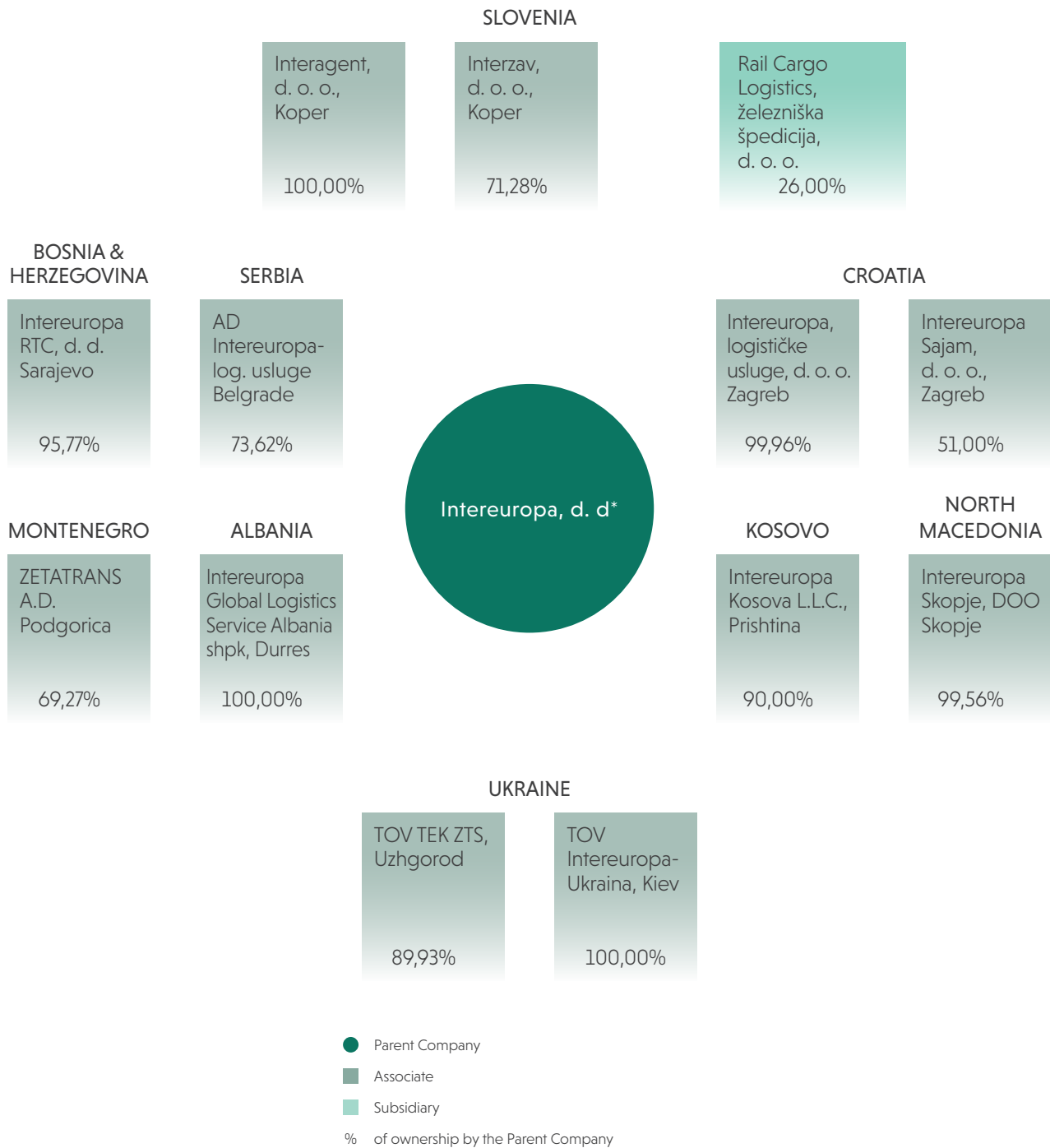
Abbreviated name	Intereuropa, d. d.
Country of the parent company	Slovenia
Registered office of the parent company	Vojkovo nabrežje 32, 6000 Koper
Contact details	tel.: +386 5 664 1000 e-mail: info@intereuropa.si web: http://www.intereuropa.si
Registration no.	5001684
Tax no.	56405006
Entry in the companies 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	Marko Cegnar, President of the Management Board Matija Vojsk, MSc, member of the Management Board Marko Rems, member of the Management Board
Supervisory Board	Boris Novak, MSc Andrej Rihter, MSc Vinko Filipič Milan Perović, Tjaša Benčina Zlatka Čretnik

TABLE 6: INTEREUROPA GROUP

No. of employees	1,356
Total warehousing area*	216,000 m ²
Total land area	1,623,000 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 9001:2015 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:	The AEO (Authorised Economic Operator) certificate is held by 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, excluding tents and canopies, owned by Intereuropa

1.2.3 ORGANISATIONAL CHART OF THE INTEREUROPA GROUP AS AT 31 DECEMBER 2019



* The majority owner of Intereuropa, d. d. as at 31 December 2019 was Pošta Slovenije, d. o. o., which was the holder of 54.47% of ordinary shares and 100.00% of preference shares.

1.2.4 PRESENTATION OF INTEREUROPA GROUP COMPANIES

Companies as at 31 December 2019	Management board/director as at 31 December 2019	Supervisory body	Chairman of the supervisory body/ representative of IE, d. d. on the supervisory body as at 31 December 2019	Land transport	Logistics solutions	Intercontinental transport	Other services	Distinctions
Intereuropa d. d., Koper	Marko Cegnar , President of the Management Board Matija Vojsk, MSc , member of the Management Board Marko Rems , member of the Management Board	Supervisory board	Boris Novak, MSc , Chairman of the Supervisory Board Andrej Rihter, MSc , member of the Supervisory Board Vinko Filipič , member of the Supervisory Board Milan Perović , member of the Supervisory Board Tjaša Benčina , member of the Supervisory Board Zlatka Čretnik , member of the Supervisory Board	•	•	•	•	<ul style="list-style-type: none"> Leading provider of comprehensive logistics services in Slovenia; 118,600 m² of company-owned and 5,200 m² 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			•		<ul style="list-style-type: none"> 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				•	<ul style="list-style-type: none"> Insurance transaction broker
Intereuropa, logističke usluge, d. o. o., Zagreb	Darko Skrnčički , President of the Management Board Marija Štajduhar , Member of the Management Board	Supervisory board	Miha Romih, MSc , Chairman of the Supervisory Board	•	•	•	•	<ul style="list-style-type: none"> Leading provider of comprehensive logistics services in Croatia; 50,500 m² of company-owned
Intereuropa Sajam, d. o. o., Zagreb	Krešimir Lipovčić , Director	Supervisory board	Matjaž Ujčič, MSc , Chairman of the Supervisory Board	•	•		•	<ul style="list-style-type: none"> Company specialising in trade fair logistics services. 100 m² of company-owned warehousing area.
Intereuropa RTC d. d. Sarajevo	Darko Skrnčički , Director	Supervisory board	Matjaž Ujčič, MSc , Chairman of the Supervisory Board	•	•	•	•	<ul style="list-style-type: none"> Leading provider of comprehensive logistics services in Bosnia and Herzegovina; 6,700 m² of company-owned and 4,900 m² of leased warehousing area.
AD Intereuropa-logističke usluge Beograd	Zoran Stolica , General Manager Robert Šprem , Executive Director	Board of Directors	Miha Romih, MSc , Chairman of the Supervisory Board	•	•	•		<ul style="list-style-type: none"> One the leading providers of comprehensive logistics services in Serbia; 21,100 m² of company-owned warehousing area.
Intereuropa Kosova L.L.C., Prishtina	Arben Mustafa , Director Andrej Kariš , Director	General Meeting of Shareholders	Representative of Intereuropa d. d. by authorisation of the Management Board	•	•	•	•	<ul style="list-style-type: none"> Leading provider of comprehensive logistics services in Kosovo; 1,000 m² of leased warehousing area.
Zetatrans A.D. Podgorica	Tomaž Koder , Executive Director	Board of Directors	Matjaž Ujčič, MSc , Chairman of the Supervisory Board	•	•	•	•	<ul style="list-style-type: none"> Leading provider of comprehensive logistics services in Montenegro; 16,600 m² of company-owned and 2,100 m² of leased warehousing area.
Intereuropa Skopje DOO, Skopje	Manuela Mišev Spasov , Director Andrej Kariš , Director	Independent supervisor	Representative of Intereuropa d. d. by authorisation of the Management Board	•	•	•	•	<ul style="list-style-type: none"> Leading provider of groupage services in North Macedonia; 2,100 m² 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	•	•			<ul style="list-style-type: none"> 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 Supervisory Board	•				<ul style="list-style-type: none"> Company specialising in railway freight and international road transport services;
TOV Intereuropa-Kiev, Ukraine	Igor Bibikov , Director	General Meeting of Shareholders	Representative of Intereuropa d. d. by authorisation of the Management Board	•				<ul style="list-style-type: none"> The Company did not operate in 2019.

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

The Intereuropa Group has been a member of the Pošta Slovenije Group since 13 November 2019.



1.3 LETTER FROM THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Shareholders and Business Partners,

Last year was a year of change, new opportunities, challenges and development for the Intereuropa Group. The most significant change was a change in ownership, while new opportunities were identified in all business lines, both in terms of new transactions and optimisation. We successfully addressed the challenges we faced and found solutions across the entire Group. We also took major steps forward in development, particularly in the computerisation of the Group.

The Company will remember 2019 most as the year it gained a strategic owner in Pošta Slovenije, d. o. o. Following several years of financial rehabilitation of the Company, the purchase of a majority holding of shares of Intereuropa, d. d. by Pošta Slovenije, d. o. o. was completed on 13 November 2019. As a result, Intereuropa became part of the financially stable Pošta Slovenije Group, which gives the Company ample opportunity for future growth and development.

The Intereuropa Group is one of the largest logistics groups in Slovenia, and is gaining in importance in the wider region where it has been present for many years. The Group's operations in 2019 were characterised by deleveraging and the generation of sales revenue in the amount of EUR 160.4 million, similar to the level of the previous financial year when the Albanian subsidiary, which records close to a half million euros in annual sales revenue, was included in consolidation. The highest growth in sales revenue was generated in Croatia, confirmation of the successful restructuring of the subsidiary's operations in recent years. Unfortunately, a case of fraud in the form of embezzlement was identified at the same subsidiary in autumn 2019 and had a negative impact on the operating results of that company and the Group.

The Group generates the majority of its sales revenue in the land transport segment where the volume of sales was up in 2019, primarily as the result of growth in the physical number of transactions in international transport. Growth in sales revenue was also recorded in the logistics solutions segment where numerous activities were carried out to utilise storage capacities and secure new transactions with higher value added. We succeeded in expanding the volume of warehousing and distribution transactions with major customers in both Slovenia and Croatia. The intercontinental transport segment also accounts for a significant proportion of sales revenue, although the sales revenue generated by that segment in 2019 was down relative to the previous financial year. Having a significant impact on the drop in volume during the second half of the year was the trade war between China and the US, while also affecting the sea freight segment were the preparations of shipping companies for the IMO 2020 environmental regulation and changes in the trade flows of major customers.

The Intereuropa Group had an average of 1,293 employees (FTE) in 2019. Their competences, expertise, potential, commitment, values and culture represent the central pillar of the Intereuropa Group's development. A great deal of attention is therefore dedicated to the training of employees (for which we introduced e-learning in 2019), and to their health and well-being in the workplace.

The Group continued with activities in 2019 aimed at the optimisation and computerisation of business processes, with a focus on the centralisation and consolidation of IT systems. With regard to the Group's core activity, this means the continuation of the introduction of an integrated information solution to support basic logistics processes, a CRM system and a business information system at the parent company and Group subsidiaries. A total of EUR 0.6 million was invested in development and the upgrading of information technology in 2019.

The Intereuropa Group earmarked EUR 2.9 million for investments in 2019. The majority of investments were intended for the modernisation of warehouses and warehouse equipment, and the previously mentioned development and upgrading of information technology.

The Intereuropa Group generated EBITDA of EUR 14.0 million in 2019, the highest level of the last six years and an increase of 13% relative to the 2018 financial year. It generated an operating profit of EUR 7.5 million and a net profit of EUR 4.2 million. The Group continued with deleveraging activities in 2019 and reduced financial liabilities by EUR 9.4 million. Successful deleveraging was also seen in an improvement in the net debt / EBITDA ratio, which was down by 19.9% in 2019, from 4.9 to 3.9.

Numerous activities were carried out in 2019 to refinance loans arranged under the financial restructuring agreement in 2012. Refinancing was successfully completed in January 2020. Pošta Slovenije, d. o. o. contributed to that success by issuing a guarantee covering 80% of the amount of that loan.

In its operations, the Intereuropa Group follows the highest standards of corporate governance, which apply to all Group companies. To that end, the Corporate Integrity Policy of the Intereuropa Group and the Rules on the Management of Conflicts of Interest were adopted in 2019. The Group strives for the systematic implementation of activities and the establishment of a system that ensures the compliance of the Group's operations with the law, regulations and internal acts. Corporate governance also includes risk management, to which we give special attention, as the timely identification of risks and the correct measures are crucial for the successful operations of the Group.

We are planning 6.4% growth in sales revenue in 2020, which in the current extraordinary conditions due to the spread of the COVID-19 virus seems to be an overly ambitious objective. The COVID-19 virus pandemic was declared in Europe during the compilation of the annual report. The effects of the coronavirus on the Intereuropa Group's operations cannot be assessed at the moment.

The Group has responded to the outbreak of the virus by implementing measures to protect employees, customers and other stakeholders, and by implementing activities to ensure the business continuity of the Group. The success of the Intereuropa Group's operations is directly linked to human resource capacities, meaning the health and safety of its employees is crucial.

The Strategic Business Plan of the Intereuropa Group for the period 2018 to 2022 was drafted in 2018 and outlines core guidelines on the development of the Group. The Group's strategy is very ambitious but attainable. All employees will strive in their own areas to contribute to the achievement of established objectives.

Due to the acquisition of Intereuropa, d. d. by Pošta Slovenije, the Intereuropa Group is expected to draw up a new strategy by the end of 2020 that will take into account synergies within the Pošta Slovenije Group.

Activities in 2020 will focus on the integration of the Intereuropa Group in the Pošta Slovenije Group, and on integration synergies that will lead to the further growth of both groups and the achievement of established plans.

I would like to thank all stakeholders for their trust and support of the Management Board in activities aimed at the long-term development of the Intereuropa Group. Together with the other members of the Management Board and all Group employees, we ensure you that we will continue to work this year to generate sustainable value for our shareholders, for our customers and partners, and of course for all employees of the Intereuropa Group.

Marko Cegnar
President of the Management Board

1.4 REPORT OF THE SUPERVISORY BOARD FOR 2019

The Supervisory Board prudently and responsibly managed the business of Intereuropa, d. d. and the Intereuropa Group. 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.

1.4.1 COMPOSITION OF THE SUPERVISORY BOARD

The Company's Supervisory Board functioned in a composition of six members in 2019. 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.

The composition of the Company's Supervisory Board changed in 2019. Following the expiry of Jure Fišer's term of office as member of the Supervisory Board, the General Meeting of Shareholders appointed Jože Golobič to serve as new member on 27 June 2019. Following the submission of resignations by Vojko Čok, Matija Vojsk, MSc, Rok Rape, DSc and Jože Golobič from their positions as members of the Supervisory Board, the General Meeting of Shareholders elected the following persons to serve as members of the Supervisory Board for a period of four years beginning on 30 December 2019: Boris Novak, MSc, Andrej Rihter, MSc, Vinko Filipič and Milan Perović. On 13 January 2020, Boris Novak, MSc was unanimously appointed to serve as Chairman of Intereuropa, d. d.'s Supervisory Board.

1.4.2 WORK OF THE SUPERVISORY BOARD IN 2019

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 and 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 decisions.

The Supervisory Board met at 15 sessions, four of which were correspondence sessions. Members were appropriately 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.

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 2018, 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 32nd General Meeting of Intereuropa, d. d., which was held on 27 June 2019.
- It adopted the revised Rules of Procedure of the Supervisory Board's Audit Committee.
- 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.
- The Supervisory Board adopted the revised plan of the Intereuropa Group for 2019, which was drawn up solely to reconcile the plan with the transition to new IFRS 16 and to reconcile plan assumptions regarding the sale of non-essential assets with the actual situation.
- It gave its consent to the semi-annual and annual report on the work of the Internal Audit Department.

- It gave its consent to the Internal Audit Department's Charter and the work plan of the Internal Audit Department for 2019.
- The Supervisory Board gave its consent to the remuneration criteria for 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 regularly monitored the implementation of strategic projects, giving particular attention to the corporate governance project within the Group.
- The Supervisory Board was briefed on the Policy on the Governance Intereuropa Group Subsidiaries.
- It was briefed on the report of the Works Council of Intereuropa, d. d. as it relates to employee participation in management.
- 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 its session held on 6 June 2019, Supervisory Board gave its consent to the signing of an employment contract with President of the Management Board, Ernest Gortan, MSc.
- Due to delays in the introduction of an appropriate corporate governance system and an appropriate system for the detection and prevention of fraud, the Supervisory Board, at its session held on 11 November 2019, relieved the President of the Management Board, Ernest Gortan, MSc of his function. It appointed current member Marko Cegnar to the position of temporary president of the Management Board, as well as new member Matija Vojsk, MSc to the Management Board. The latter's position on the Supervisory Board was suspended during his tenure on the Management Board.
- It approved the financial calendar for 2020, in which the Company's major public announcements are planned.
- At the end of the calendar year, it adopted its own work plan, including the planned content of sessions in 2020.
- The Supervisory Board monitored and was actively included in the sale of Intereuropa, d. d., a process that required a great deal of engagement by both the Management Board and Supervisory Board.
- 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 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. Those costs amounted to EUR 27,167 in 2019.

Two committees functioned under the aegis of the Supervisory Board in 2019: 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 OPERATIONS OF THE INTEREUROPA GROUP IN 2019

The operations of the Intereuropa Group were characterised in 2019 by deleveraging and maintaining the previous level of sales revenue. The Intereuropa Group generated EUR 160.4 million in sales revenue last year, similar to the level recorded in 2018, when sales revenue reached its highest level of the last six years. It generated EBITDA of EUR 14.0 million, an increase of 13% relative to 2018. The Group is successfully reducing its debt. Net debt amounted to EUR 54.4 million at the end of 2019, a decrease of EUR 5.8 million relative to the end of 2018. This was seen in an improvement in the net debt / EBITDA ratio, which stood at 3.9 at the end of 2019. The Intereuropa Group is successfully strengthening its position as the leading provider of comprehensive logistics solutions in Slovenia and Southeast Europe.

1.4.4 APPROVAL OF THE 2019 ANNUAL REPORT

Pursuant to paragraph 3 of Article 272 of the Companies Act (ZGD-1), Intereuropa, d. d.'s Management Board submitted the annual report of the Intereuropa Group and Intereuropa, d. d. for 2019, together with the auditor's report for 2019, immediately after compilation and the issuance of the auditor's opinion. The annual report was discussed by the Supervisory Board at its seventh regular session of 16 April 2020. The annual report of the Intereuropa Group and Intereuropa, d. d. for 2019 was audited by the audit firm Ernst & Young revizija, poslovno svetovanje, d. o. o., which issued an unmodified opinion regarding the financial statements of the Intereuropa Group and Intereuropa, d. d. for 2019. At its sixth regular session of 16 April 2020, the Audit Committee of Intereuropa, d. d.'s Supervisory Board discussed the audited annual report of the Intereuropa Group and Intereuropa, d. d. for 2019 and found that the annual report was compiled in a timely, clear and transparent manner, and in accordance with the provisions of the Companies Act (ZGD-1), the applicable International Financial Reporting Standards, as adopted by the European Union, and other relevant legislation. The Audit Committee had no comments with respect to the annual report of the Intereuropa Group and Intereuropa, d. d. for 2019, and proposed that the Supervisory Board adopt a decision in accordance with Article 282 of the Companies Act (ZGD-1) regarding the approval of the annual report of the Intereuropa Group and Intereuropa, d. d. for 2019. Based on the auditor's opinion, the position of the Audit Committee of Intereuropa, d. d.'s Supervisory Board, and data and disclosures in the annual report of the Intereuropa Group and Intereuropa, d. d. for 2019, the Company's Supervisory Board assesses that the auditor performed its work independently and professionally in accordance with valid legislation and business practices, that the annual report was compiled, in all material aspects, in accordance with the requirements of the Companies Act (ZGD-1), and that the financial statements fairly present, in all material aspects, the financial position of the Intereuropa Group and Intereuropa, d. d. as at 31 December 2019, and their operating results and cash flows for the year then ended in accordance with the International Financial Reporting Standards, as adopted by the European Union. The Supervisory Board has no remarks regarding the auditor's report. It also has no comments regarding the annual report of the Intereuropa Group and Intereuropa, d. d. for 2019 that would in any way inhibit its decision to approve the annual report. Thus, in accordance with paragraph 3 of Article 282 of the Companies Act (ZGD-1), the Supervisory Board of Intereuropa, d. d. has approved the annual report of the Intereuropa Group and Intereuropa, d. d. for 2019. The annual report for 2019 was approved by the prescribed deadline, i.e. within one month from its submission to Intereuropa, d. d.'s Supervisory Board by the Company's Management Board.

When adopting 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 2019, and assessed that they reflect the actual state of corporate governance in 2019.

Koper, 16 April 2020

Boris Novak, MSc
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 2019.

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 2019.

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 2019. By signing below, they hereby confirm that they agree with the aforementioned report in full.

Management Board of Intereuropa, d. d.

Koper, 7 April 2020

Marko Cegnar
President of the Management Board

Matija Vojsk, MSc
Member of the Management Board

Marko Rems
Member of the Management Board

1.6 SIGNIFICANT EVENTS IN 2019

- 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.
- Intereuropa, d. d. was a sponsor of the 2019 World Cup Ski Flying event in Planica, which took place from 21 to 24 March 2019.
- At its session held on 17 April, Intereuropa, d. d.'s Supervisory Board adopted the audited annual report of the Intereuropa Group for the 2018 financial year, together with the independent auditor's report.
- At its session held on 17 April, Intereuropa, d. d.'s Supervisory Board reappointed the current President of Intereuropa, d. d.'s Management Board, Ernest Gortan, MSc, to a new two-year term of office, effective 11 June 2019.
- Intereuropa, d. d. was the main sponsor of the Slovenian Logistics Congress held in Portorož from 3 to 4 April.
- On 10 May 2019, the Company received written notification from the sellers of shares in Intereuropa, d. d. (SID banka, d. d., Nova Ljubljanska banka, d. d., Gorenjska banka, d. d., Nova KBM, d. d., SKB Banka, d. d. and Banka Intesa Sanpaolo, d. d.) that those parties concluded an agreement on 10 May 2019 with the buyer, Pošta Slovenije, d. o. o., Slomškovo trg 10, 2000 Maribor, on the sale and purchase of 72.13% of all shares issued by Intereuropa, d. d. The sellers of those shares also informed the Company that the transfer of shares to the buyer will be carried out following the fulfilment of certain suspensive conditions, including receipt of a decision from the Slovenian Competition Protection Agency on the compliance of concentration with competition rules, and confirmation that the buyer will then publish a takeover bid for the purchase of the remaining shares of Intereuropa in accordance with the law. The Company was not notified by the sellers of the shares about the value of the transaction or other significant elements of the agreement on the sale and purchase of the shares.
- At its session held on 23 May, the Company's Supervisory Board adopted the Intereuropa Group's revised business plan for 2019. That revision was drawn up solely to reconcile the plan with the transition to the new IFRS 16 and to reconcile plan assumptions regarding the sale of non-essential assets with the actual situation.
- Intereuropa, d. d. and other Slovenian companies from the logistics and transport sector presented themselves at the Transport & Logistics trade fair in Munich from 4 to 7 June.
- Intereuropa's subsidiary Intereuropa Skopje, DOO opened a branch office at the Deve Bair border crossing between North Macedonia and Bulgaria on 6 June 2019. The Deve Bair border crossing has become increasingly important in recent years as a result of the growing trade in goods from EU companies destined for North Macedonia, Kosovo and Albania via Bulgaria.
- Intereuropa presented itself at the joint national exhibition area at the China – CEEC Expo 2019 event from 8 to 12 June 2019 in the Chinese city of Ningbo.
- At the General Meeting of Shareholders of Intereuropa, d. d. held on 27 June, shareholders approved the 2018 annual report of the Intereuropa Group and Intereuropa, d. d., conferred official approval on the Management Board and Supervisory Board for their work in 2018, and adopted a decision on the use of the distributable profit for 2018, which amounted to EUR 4,034,131.80 and will remain undistributed in full. Shareholders also appointed Ernst & Young Revizija, d. o. o. as official auditor for the 2019, 2020 and 2021 financial years. Shareholders appointed Jože Golobič as new member of the Supervisory Board due to the expiration of the term of office of Jure Fišer.
- At its 1st session held on 4 July, the newly constituted Works Council of Intereuropa, d. d. appointed a new president, Ms Tjaša Benčina.
- Between 10 and 15 September, Intereuropa began serving in its role as the official logistics partner of the 52nd International Trade Fair in Celje.
- Intereuropa, d. d. was informed on 23 September by Pošta Slovenije, d. o. o. that the latter and a consortium of sellers concluded an agreement on the purchase of shares in Intereuropa, d. d. Pošta Slovenije, d. o. o. will acquire 9,168,425 ordinary shares and 10,657,965 preference shares at the standard price of EUR 1.45 per share if the transaction under the agreement stated above is closed.
- At its session held on 11 November, the Company's Supervisory Board relieved the President of the Management Board, Ernest Gortan, MSc of his function due to delays in the introduction of an appropriate corporate governance system and an appropriate system for the detection and prevention of fraud. It appointed current member Marko Cegnar to the position of temporary president of the Management Board, as well as new member Matija Vojsk, MSc to the Management Board. The latter's position on the Supervisory Board was suspended during his tenure on the Management Board.

- On 11 November, Pošta Slovenije, d. o. o. informed Intereuropa, d. d. that it had fulfilled all the suspensive conditions to complete the transaction, i.e. for the purchase of a majority holding of shares in Intereuropa, d. d. by Pošta Slovenije, d. o. o. That transaction was completed on Wednesday, 13 November 2019.
- Pošta Slovenije, d. o. o.'s takeover bid for the purchase of the remaining shares of Intereuropa, d. d. was published in the daily newspaper Delo on 9 December 2019.
- Shareholders elected the following persons to serve as members of the Supervisory Board for a period of four years beginning on 30 December 2019: Boris Novak, MSc, Andrej Rihter, MSc, Vinko Filipič and Milan Perović. The General Meeting of Shareholders voted on the amended proposed resolution regarding the harmonisation of the company's articles of association with the provisions of the Act Governing the Earnings of Management Staff at Companies under the Majority Ownership of the Republic of Slovenia and Self-Governing Local Communities (ZPPOGD) and adopted that resolution.

Significant events after the end of the 2019 financial year

- On 16 January, Intereuropa, d. d. received a decision from the Securities Market Agency (SMA) regarding the takeover bid of the acquiring company Pošta Slovenije, d. o. o. for the shares of the target company Intereuropa, d. d., in which the SMA found the aforementioned bid successful.
- On 30 January, Intereuropa and Pošta Slovenije participated in a conference held in Ljubljana entitled 'Pošta Slovenije Group – regional link in logistics', to which representatives of the Ministry of Foreign Affairs were invited. The conference was also attended by Foreign Minister Miro Cerar, DSc, representatives of the Directorate for Economic and Public Diplomacy and representatives of the Department for Bilateral Economic Cooperation within the Ministry of Foreign Affairs.
- On 31 January, Intereuropa, d. d. successfully completed the refinancing of several loans arranged under the financial restructuring agreement in 2012. Intereuropa, d. d. and a syndicate of banks, including Nova Ljubljanska banka, d. d. acting as the organiser and agent, concluded a long-term loan agreement in the amount of EUR 54,850,000. The new loan comprises two tranches, one with a maturity of seven years and the other with a maturity of four years. Pošta Slovenije, d. o. o. contributed to that successful refinancing by issuing a guarantee covering 80% of the amount of that loan.
- On 10 February, the Management Board of Intereuropa, d. d. signed a new collective agreement with representatives of the ŠAK KS90 Trade Union and the Trade Union of Transportation and Communication Workers.
- On 10 February, the Supervisory Board of Intereuropa, d. d. adopted the Intereuropa Group's planning document for 2020.

Impact of COVID-19 on operations

The outbreak of the COVID-19 coronavirus is having a significant impact on health-related, economic and other developments across the world. The World Health Organisation declared a pandemic on 11 March 2020, and the Slovenian government followed suit the next day by declaring an epidemic. Intereuropa, d. d. and Intereuropa Group companies are carefully monitoring current events in Slovenia and around the world, and are doing everything necessary, in accordance with the measures adopted by the competent institutions and the recommendations of experts, to protect the health of employees and business partners, and to ensure the business continuity of all Group companies. Companies are regularly adjusting their activities to the situation in the countries where Intereuropa provides services, while carrying out all the key activities to meet the needs of customers. Even in these difficult conditions, they are ensuring the flow of goods along the entire supply chain, which in Slovenia, where Intereuropa is the largest logistics company with a comprehensive range of services, is crucial for the continuous functioning of those chains in extraordinary conditions.

Concern for the health and safety of employees in the workplace is paramount. We have enabled the employees of Group companies to work from home to the greatest extent possible, and provided protective equipment for employees who must be present in the business process due to the nature of their work. Employees are regularly informed of newly adopted measures and developments at individual companies.

In the period until the final compilation of the annual report, the senior management of the Company and Group assessed on the basis of current data regarding orders and information from the environment that the epidemic could have the following effects on the operations of the Intereuropa Group and Intereuropa, d. d.:

- A drop in economic activity will be seen in falling demand for services and lower sales revenue. Given that Intereuropa has a highly diversified structure of customers and the Group continues to provide its customers all services despite the epidemic, a gradual increase in demand can be expected towards the end of the second quarter.
- We do not expect any major problems in ensuring capacities on the side of suppliers of transport services.
- Due to the declining scope of operations, the Intereuropa Group and Intereuropa, d. d. are continuously adapting the number of active employees and agency workers to the volume of business. Countries have and continue to adopt measures to subsidise labour costs for employees on furlough or sick leave.
- Increased credit risk and the resulting additional impairment losses on receivables. There has been a temporary deterioration in the payment discipline of customers as the result of a liquidity crunch in the economy. A portion of that effect may be passed through to suppliers, while the government is adopting and announcing additional measures to ease that crunch.

On 20 March 2020, the National Assembly of the Republic of Slovenia adopted the Intervention Measure Act on the Deferral of Payments of Borrowers' Obligations (ZIUOPOK), which was supplemented to a lesser degree by the Intervention Measures to Mitigate the Effects of the COVID-19 Infectious Disease Epidemic on Citizens and the Economy Act (ZIUZEOP) adopted on 2 April 2020. Based on the ZIUOPOK, Intereuropa, d. d. submitted a request for the deferral of loan repayment to the agent of a syndicated loan on 30 March 2020, in which it asked for a 12-month deferral of the payment of principal and interest in accordance with the aforementioned law.

The Management Board assesses that the epidemic could have a significant impact on the operating results of the Intereuropa Group and Intereuropa, d. d. A reliable assessment regarding the impact of the epidemic could not be given during the final compilation of the annual report because the scope and duration of the impact of the COVID-19 coronavirus and announced government measures remain uncertain.

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 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 2019, 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.

The Company formally began to apply the Corporate Governance Code for Companies with Capital Assets of the State (SDH Code) in 2020. The SDH Code was first adopted by the Management Board of SDH on 17 December 2014. That code has been updated a total of three times. The Company will begin implementing the recommendations of the SDH Code in 2020. Based on a gap analysis between the previously applied Slovenian Corporate Governance Code and the SDH Code, it will implement those recommendations it deems appropriate with respect to the Company's ownership structure, the activities that it performs and other potential specificities of the Company. The Company will apply the Corporate Governance Code for Companies with Capital Assets of the State as its reference code in 2020. Potential deviations will be explained in substantive terms in the corporate governance statement in the 2020 annual report.

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

Shareholders exercise their right to participate in the management of the Company 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 Procedure 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:

- amendments to the Articles of Association;
- decreases or increases in share capital;
- changes to the Company's status;
- the early recall of members of the Supervisory Board; and
- other cases, 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 2019

Two general meetings were held in 2019. The 32nd annual General Meeting of Shareholders of Intereuropa, d. d. was held on 27 June 2019. 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 82.21% of shareholders with voting rights were present. 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 2018, together with the auditor's opinion, and on the Supervisory Board's written report on the verification of the annual report compiled for 2018.
- It adopted a resolution, whereby distributable profit in the amount of EUR 4,034,131.80 will remain undistributed.
- It approved the work of the Company's Supervisory Board and Management Board during the 2018 financial year, and conferred official approval on both bodies for their work in 2018.
- It appointed the audit firm ERNST & YOUNG Revizija, poslovno svetovanje, d. o. o., Dunajska cesta 111, 1000 Ljubljana as auditor for 2019, 2020 and 2021.
- It appointed Jože Golobič to serve a four-year term of office as member and shareholder representative of the Supervisory Board, effective 27 June 2019.
- It adopted amendments to the Articles of Association, through which the General Meeting of Shareholders introduced joint representation of the Company by two members of the Management Board.

Based on the proposal of the majority shareholder Pošta Slovenije, d. o. o., an extraordinary General Meeting of Shareholders was convened on 30 December 2019. 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 72.17% of shares with voting rights were represented at the 33rd General Meeting of Shareholders. The General Meeting of Shareholders discussed the following points and adopted the following significant resolutions:

- It was briefed on the letters of resignation from members and shareholder representatives of the Supervisory Board, and opted to terminate their membership on the Supervisory Board.
- It appointed the following persons to serve four-year terms of office as members and shareholder representatives on the Supervisory Board, effective 30 December 2019.
 - Boris Novak, MSc
 - Andrej Rihter, MSc
 - Vinko Filipič, and
 - Milan Perović.
- A minor change to the Articles of Association was also adopted for the purpose of harmonisation with valid legislation.

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 2019 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 (from 25 October 2017)	10 September 2017	29 December 2019	Shareholder representative	15/15	M	Slovene	1948	bachelor's degree in economics
Matija Vojsk, MSc	Member	30 June 2017	12 November 2019	Shareholder representative	13/15****	M	Slovene	1963	MSc, MBA
Rok Rape, DSc	Member	10 September 2017	29 December 2019	Shareholder representative	15/15	M	Slovene	1965	DSc, MBA
Jure Fišer	Member	20 June 2015	19 June 2019	Shareholder representative	7/7****	M	Slovene	1971	bachelor's degree in economics
Jože Golobič	Member	20 June 2019	30 December 2019	Shareholder representative	8/8****	M	Slovene	1973	bachelor's degree in law
Tjaša Benčina	Deputy Chairperson until 12 January 2020	20 November 2017	19 November 2021	Employee representative	15/15	F	Slovene	1968	Hold a degree in economics.
Zlatka Čretnik	Member	20 November 2017	19 November 2021	Employee representative	15/15	F	Slovene	1968	degree in economics (higher education)
Boris Novak, MSc	Chairman (since 13 January 2020)	30 December 2019	29 December 2023	Shareholder representative	/	M	Slovene	1963	bachelor's degree and master's degree in law
Andrej Rihter	Deputy Chairman (since 13 January 2020)	30 December 2019	29 December 2023	Shareholder representative	/	M	Slovene	1970	bachelor's degree and master's degree in traffic technology engineering
Vinko Filipič	Member (since 30 December 2019)	30 December 2019	29 December 2023	Shareholder representative	/	M	Slovene	1971	bachelor's degree in economics
Milan Perović	Member (since 30 December 2019)	30 December 2019	29 December 2023	Shareholder representative	/	M	Slovene	1964	bachelor's degree in economics

* The Supervisory Board met at a total of 15 sessions in 2019.

** The Supervisory Board's Audit Committee met at 14 sessions.

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

****Present at all sessions in their function as member of the Supervisory Board.

The Supervisory Board had two functioning committees in 2019: the Audit Committee and the Nomination and Remuneration Committee.

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 from 25 October 2017 to 29 December 2019	Member	/	4/4
Sales and marketing, procurement, corporate governance, business restructuring, performance management	Yes	No	/	Member of the Audit Committee and chairman from 25 October 2017 to 12 November 2019	Chairman	12/12****	/
Management, restructuring and development of operations	Yes	No	/	Member of the Audit Committee and deputy chairman from 25 October 2017 to 30 December 2019	Deputy chairman	14/14	/
Corporate governance and management	Yes	No	/	Chairman of the Nomination and Remuneration committee from 25 October 2017 to 19 June 2019	Member of the Audit Committee and chairman of the Nomination and Remuneration Committee	/	3/3****
Legal affairs, corporate governance and corporate customers	Yes	No	Member of the Supervisory Board of Elektro Maribor, d. d. and member of the Supervisory Board of Unior, d. d.	Chairman of the Nomination and Remuneration committee from 19 July 2019 to 29 December 2019	Chairman	/	1/1****
Finance and logistics	Yes	No	Member of the Supervisory Board of the Municipality of Koper	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	14/14	/
Corporate governance	No	No	Športna loterija, d. d.	Member of the Nomination and Remuneration Committee since 13 January 2020	Member	/	/
Logistics, investments and procurement	No	No	SiDG, d. o. o.	Chairman of the Nomination and Remuneration Committee since 13 January 2020	Chairman	/	/
Finance, accounting, controlling, internal auditing	No	No	/	Member of the Audit Committee and deputy chairman of the Audit Committee since 13 January 2020	Deputy chairman	/	/
Finance and controlling	Yes	No	/	Member of the Audit Committee since 13 January 2020	Chairman	/	/

1.7.2.2 Audit Committee

The Audit Committee functioned in the following composition in 2019:

- Matija Vojsk, MBA (member and chairman until 11 November 2019),
- Milan Perović (member and chairman since 13 January 2020),
- Rok Rape, DSc (member and deputy chairman until 29 December 2019),
- Vinko Filipič (member and deputy chairman since 13 January 2020),
- Zlatka Čretnik (member),
- Barbara Nose (independent expert and member until 12 January 2020), and
- Barbara Gorjup, MSc (independent expert and member since 13 January 2020).

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.

1.7.2.3 Nomination and Remuneration Committee

The Nomination and Remuneration Committee met at four sessions in 2019, where it primarily discussed topics relating to the appointment of the President of the Management Board and the conclusion of contracts with members 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 until 19 June 2019),
- Jože Golobič (chairman from 19 July 2019 to 29 December 2019),
- Vojko Čok (member until 29 December 2019),
- Tjaša Benčina (member),
- Andrej Rihter, MSc (chairman since 13 January 2020), and
- Boris Novak, MSc (member since 13 January 2020).

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 2019 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 2019. The Company's Management Board comprised the President and two other members. It 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.

1.7.3.1 Work of the Management Board in 2019

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 and 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 their tasks 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 2019 financial year is disclosed in the financial report of Intereuropa, d. d., in note no. 28 Other explanations.

TABLE 8: COMPOSITION OF THE MANAGEMENT BOARD DURING THE 2019 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
Marko Cegnar	President of the Management Board**	Forwarding and logistics, sales and marketing	19 March 2016	Until no later than 11 November 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
Matiija Vojsk, MBA	Member of the Management Board	Quality, legal affairs, corporate integrity and compliance, security and formal governance of subsidiaries	12 November 2019	Until no later than 11 November 2020	M
Ernest Gortan, MSc	President of the Management Board**	Human resource and general affairs, quality, legal affairs, internal auditing, public relations.	10 June 2009	11 November 2019	M

* The term of office of Ernest Gortan, MSc was terminated early following his recall on 11 November 2019.

** Marko Cegnar was appointed to the function of President of the Management Board on 12 November 2019 for a period of no more than one year. He served as a member of the Management Board from 19 March 2016 until 11 November 2019, inclusive.

1.7.3.3 Members of the Management Board in 2019



Marko Cegnar,

President of the Management Board since 12 November 2019 (member until 11 November 2019):

- 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 as President of the Management Board: from 12 November 2019 to 11 November 2020;
- term of office as member of the Management Board: from 19 June 2016 to 11 November 2019;
- responsible for forwarding and logistics, sales and marketing, human resource and general affairs, and public relations.



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 Slovenica, 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.

Nationality	Year of birth	Qualifications	Professional profile	Membership in supervisory bodies of company/ unaffiliated companies
Slovene	1973	master's degree in management	Sales, marketing and logistics	Not a member
Slovene	1967	bachelor's degree in economics	Financial management with more than 20 years of experience in financial and information systems, implementation and management of financial restructuring, and reorganisation in demanding environments.	Not a member
Slovene	1963	master's degree in management, MBA, bachelor's degree in electrical engineering	Sales and marketing, procurement, corporate governance, business restructuring, performance management	Not a member
Slovene	1968	master's of science	Corporate governance, financial and business restructuring, and development of operations.	Not a member



Mag. Matija Vojsk,

MSc, member of the Management Board:

- Year of birth: 1963;
- master's degree in management, MBA, bachelor's degree in electrical engineering
- his business experience includes strategic and operational sales, marketing, strategic procurement and corporate governance. He served in executive roles in various economic sectors as a member of management boards and as executive director;
- he also worked for several years as a business consultant, four of those in a leading global network for auditing and consultancy services;
- term of office: since 12 November 2019 for a maximum of one year;
- responsible for quality, legal affairs, corporate integrity and compliance, security, formal governance of subsidiaries and internal auditing in organisational terms.

Mag. Ernest Gortan,

MSc, President of the Management Board from 1 January 2019 to 11 November 2019:

- 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.;
- responsible for human resource and general affairs, quality, legal affairs, internal auditing and public relations.

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

Intereuropa, d. d. is aware of the importance of diversity in the composition of the Management Board and Supervisory Board. Diversity increases the efficiency of the functioning of these bodies and fosters a more comprehensive understanding of the business environment, and risks and opportunities connected with the Intereuropa Group's operations. Accordingly, the Policy Governing the Diversity of Management and Supervisory Bodies is an integral part of the Corporate Governance Policy of Intereuropa, globalni logistični servis, d. d.

The following aspects are taken into account when determining the composition of the Management Board and Supervisory Board:

- professional diversity such that the members have different knowledge, skills, competences and experience;
- diversity in terms of gender and age;
- the generally adopted principles of non-discrimination; and
- efforts to ensure the continuity of the work of bodies by staggering the process of replacing members.

The Supervisory Board's Nomination and Remuneration Committee and the Supervisory Board take into account diversity policies primarily in relation to the following:

- the appointment of members to the Company's Management Board;
- the recruitment, selection and submission of proposed candidates for members of the Supervisory Board to the General Meeting of Shareholders; and
- the self-assessment of the Supervisory Board's work, which should also include an assessment of the composition of the Management Board and Supervisory Board in terms of diversity.

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. The Policy on the Governance of Intereuropa Group Subsidiaries includes the basic elements of the governance of subsidiaries. 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. A project was implemented in 2019 aimed at updating corporate governance within the Intereuropa Group. 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 and the introduction of the four-eyes principle. Established during the introduction of the matrix management system was a subsidiary governance system with the centralised management of certain processes, and an increase in the competences and responsibilities of functional managers at the Group level. The centralisation of the most important decisions 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, functional managers, and the 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, the Policy on the Governance of Intereuropa Group 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.

1.7.6 AUDITING

1.7.6.1 External auditing

The Company's General Meeting of Shareholders appointed the audit firm ERNST & YOUNG Revizija, poslovno svetovanje, d. o. o., Dunajska cesta 111, 1000 Ljubljana to audit the financial statements of Intereuropa, d. d. and the Intereuropa Group for 2019, 2020 and 2021.

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

Internal auditing tasks are performed within the Group by the parent company's autonomous and independent Internal Audit Department, which reports organisationally to the Management Board and functionally to the Supervisory Board's Audit Committee. The basis for the department's work is set out in the Internal Audit Department's Charter and Rules of Procedure. In addition to the aforementioned core documents, the Internal Audit Department also takes into account 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 internal acts. An independent external assessment in 2019 confirmed that the department's work is in line with the International Standards for the Professional Practice of Internal Auditing.

The core task of the Internal Audit Department is to study and assess the appropriateness, success and effectiveness of internal controls in terms of managing all types of risks to which Intereuropa Group companies are exposed. The department's objective is to help the senior management of Intereuropa Group companies improve corporate governance and risk management, and to improve performance and the efficiency of operations in the scope of the Group's adopted development strategy, and business and financial plans.

The areas of auditing for 2019 were defined in the department's work plan, which was adopted by the Management Board, discussed by the Audit Committee of the Supervisory Board and approved by the latter. The tasks of the Internal Audit Department in 2019 included the completion of internal audits from the previous year, the performance of current internal audits and advisory tasks, the monitoring of the implementation of recommendations from internal and external audits, and operational and other tasks. Internal audits were performed at the parent company and at three subsidiaries. One internal audit was performed by an external IT auditor, while other audits were performed by internal human resources who received professional training in accordance with the work plan. 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, and the management thereof, 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. Areas subject to auditing included groupage and road transport, the management of customs terminals, the public customs warehouse, the automated controls of the information system, the procurement and sales functions, and technical and physical security. The Internal Audit Department reports regularly to the Management Board, Audit Committee and Supervisory Board regarding its work.

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 2019, representing 0.1077% of ordinary shares and 0.0660% of all shares. Intereuropa, d. d. did not purchase or sell treasury shares in 2019.

As at 31 December 2019, 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 paragraph 2 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 34th General Meeting of Shareholders held 30 December 2019, 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 2019

Shareholder	No. of ordinary shares 31 December 2019	No. of preference shares 31 December 2019	No. of voting rights 31 December 2019*	Proportion of voting rights 31 December 2019
Pošta Slovenije, d. o. o.	9,168,425	10,657,965	19,826,390	72.2%

* 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.

Intereuropa, d. d. is the target company in takeover proceedings. For this reason, the shares of certain shareholders who represent the acquiring party were deposited on a fiduciary account at KDD on 31 December 2019 (Pošta Slovenije, d. o. o., Kapitalska Družba, d. d., SDH, d. d., Luka Koper, d. d., Luka Koper INPO, d. o. o., Zavarovalnica Triglav, d. d. and Triglav RE, d. d.).

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 (hereinafter: the Company) 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: On 7 March 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. The latter defines the target level of diversity in terms of age, education, other personal traits and gender, but does not define the ratio between genders, the specific objectives of diversity or the impact on human resource and other processes at the Company (point 4.2 of the Code).

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: Intereuropa, d. d. was acquired by Pošta Slovenije, d. o. o. in 2019. It is therefore expected that Intereuropa, d. d. will cease to be a public limited company in 2020. For this reason, the Company decided that an external assessment of the adequacy of its corporate governance statement for 2019 will not be carried out.

Recommendation: In the proposed new composition of the supervisory board for the general meeting of shareholders, all candidates for members of the supervisory board must be independent. The recommendation to appoint independent members applies both to shareholders as well as works councils. If the general meeting of shareholders or works council does not follow recommendations regarding the appointment of independent members to the supervisory board, a company must disclose this in its corporate governance statement (points 9.2 and 9.3 of the Code).

Deviation: At the General Meeting of Shareholders held on 30 December 2019, three members of the majority shareholder's executive management were appointed to serve as members of Intereuropa, d. d.'s Supervisory Board.

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, and the education and training of supervisory board members (point 12.2 of the Code).

Deviation: The Rules of Procedure of the Supervisory Board were last reviewed and updated in 2018. The Supervisory Board's position during the most recent update of its Rules of Procedure in 2018 was that a list of all transactions for which the Management Board requires the prior consent of the Supervisory Board and a system for ordering the services of external experts need not be included in those rules. Instead, the list of transactions for which the Management Board requires the Supervisory Board's prior consent is governed by a resolution adopted by the latter. Because the scope of services ordered from external experts for the needs of the Supervisory Board is negligible, the aforementioned body believes that there is no logical reason for a separate system for ordering services solely for the Supervisory Board to be included in that body's Rules of Procedure. The method and scope of the education and training of Supervisory Board members are set out in the General Meeting of Shareholders resolution of 20 June 2014 and are not governed separately in the Rules of Procedure of the Supervisory Board.

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: At least every three years, the supervisory board organises an external assessment in which it cooperates with an institution or external experts with the requisite experience regarding the work of supervisory boards, in-depth knowledge of corporate governance and the functioning of supervisory boards and their committees (point 14.4 of the Code).

Deviation: The work of the Supervisory Board was not subject to an external assessment in 2019 nor will it be for its work in 2019. The General Meeting of Shareholders appointed new members to the Company's Supervisory Board on 30 December 2019.

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 in 2019 was a member appointed by employee representatives in accordance with Intereuropa, d. d.'s established practice. On 30 December 2019, the General Meeting of Shareholders appointed new members to the Supervisory Board, who at their first regular session elected a shareholder representative to serve as Deputy Chairman of the Supervisory Board.

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.

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 2019 annual report and is published on the Company's website at www.intereuropa.si.

Intereuropa, Globalni logistični servis, d. d.

Koper, 6 March 2020

Marko Cegnar,
President of the Management Board

Matija Vojsk, MSc
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 HR and social matters, and environmental matters and energy efficiency are presented in section 3 Sustainable development.

1.8.1 BUSINESS MODEL

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

The range of logistics products is based on the development of three business lines, as follows: (1) land transport, which relies on a broad base of subcontractors, the Group's own extensive network in the countries of the Western Balkans 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. Trends in the business environment require logistics companies to ensure a high level of responsiveness, innovation and increasingly complex services. To that end, the lifelong learning of employees, flexibility, responsibility and excellence in team work are promoted.

The key competences of employees are assessed and systematically developed. Those competences primarily include the ability to achieve established common objectives, excellent knowledge of one's work area, self-initiative and responsibility. Special attention is also 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 HR matters. Data regarding the employees of subsidiaries are analysed every quarter, including the number of employees, employee turnover, organised education and training courses, absenteeism, the number of work accidents, etc. Key areas of employee-related risks are identified based on the aforementioned indicators and the necessary measures implemented. 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	2018	2019	Plan for 2019
No. of hours of functional training (seminars, courses, professional meetings, etc.) per employee per year	11	9	10
Absenteeism rate due to sick leave (large companies with more than 100 employees)			up to 4.5%
Intereuropa, d. d.	6.2%	5.9%	
Intereuropa, logistične usluge, d. o. o., Zagreb	5.2%	5.1%	
Intereuropa RTC, d. d., Sarajevo	4.8%	4.8%	
Zetatrans A.D., Podgorica	3.0%	3.8%	
Rate of workplace accidents*	0.9%	0.85%	less than 1.5%

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

The sick leave rate was down at the parent company for the first time in several years, by 0.3 percentage points relative to 2018. The parent company and other Group companies continue to implement activities in the scope of the plan to promote health with the aim of managing the aforementioned risks.

The new health promotion plan for the period 2019 to 2022 includes numerous measures to reduce sick leave and improve occupational health at Intereuropa Group companies.

The proportion of accidents within the Group in 2019 remained close to the level recorded in 2018.

The main HR-related risks include the higher turnover of key and perspective employees, 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 2020

The Intereuropa Group's focus in 2020 with regard to employees will continue to 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, expand information support for employee records within the Group, invest in the development and retention of employees, and implement a plan of measures to ensure their health and well-being.

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 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. Old forklifts are being replaced with more modern and energy efficient models, taking into account environmental impacts.

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 self-awareness, and through the implementation of waste and energy management plans at individual companies.

1.8.3.3 Objectives for 2020

The Intereuropa Group will continue to implement energy efficiency measures, and update and supplement existing environmental management rules. It will follow a policy of gradually replacing old forklifts with models that are more technologically and energy efficient, install new and replace existing cooling and heating systems, purchase more efficient lighting, replace roofing on warehouses and install new building fixtures, all with the aim of reducing energy costs, increasing the productivity of work equipment, improving work conditions for employees and providing logistics services. The investment plan for 2020 envisages EUR 1,517 thousand for those purposes.

1.8.4 CORPORATE INTEGRITY, HUMAN RIGHTS AND THE FIGHTS AGAINST CORRUPTION

1.8.4.1 Policy

Amongst a group of the 28 most influential companies in Slovenia, Intereuropa, d. d. was one of the first back in 2014 to commit to complying and acting in accordance with the Slovenian Corporate Integrity Guidelines. With its approach to those guidelines, it became an ambassador for corporate integrity. Through operations that are in line with legislation, other rules, applicable recommendations and internal regulations, and that are in accordance with best business practices and ethical principles, the Company serves as a role model for the environment in which it operates and contributes to the strengthening of responsible business practices.

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.

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 document in this respect is the Code of Ethics, which defines the basic ethical values of the Intereuropa Group such as fairness, confidentiality, impartiality, compliance, responsibility and transparency. The Code of Ethics was translated into English and into the majority of languages of the countries in which subsidiaries operate. It applies to employees and customers that establish business contacts with Intereuropa Group companies. The code is accessible by customers and employees on the Company's website, and by the latter via an internal collection of the Company's binding documents. The Code of Ethics was last updated in 2017 and will be subject to the verification of its appropriateness again in 2020.

Other key documents in the area of corporate integrity are the Corporate Integrity Policy of the Intereuropa Group and the Rules on the Management of Conflicts of Interest, both of which were adopted in 2019. The latter also sets out rules limiting the acceptance of gifts by the employees of Group companies. With the adoption of Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law, the Company began to update its previously valid Rules on the Handling of Reports of Suspected Breaches.

The corporate integrity and compliance officer is responsible for the area of corporate integrity at Intereuropa. By authorisation of the Management Board, the function of officer was performed by the head of the Legal Department from 2014 until the middle of April 2019. By establishing a separate corporate integrity and compliance officer function,

the Company ensures high ethical standards and the responsible operations of the Group. The aforementioned officer is independent in organisational terms and reports directly to the Company's Management Board. They also have the autonomous right of reporting to the Company's supervisory bodies. The corporate integrity and compliance officer is responsible for the co-formulation of a policy, rules and procedures for ensuring and monitoring corporate integrity, and for establishing internal controls for verifying corporate integrity at Intereuropa Group companies.

The function of corporate integrity and compliance officer was assumed in April 2019 by a person who performs that function exclusively.

Intereuropa Group companies comply with the law and international conventions, including provisions that relate to human rights. Intereuropa Group companies oppose any form of forced labour, child labour or discrimination. Employees are treated equally irrespective of their nationality, race or ethnic origin, national or social affiliation, gender, skin colour, health status, disability, religion or other beliefs, age, sexual orientation, family status, trade union membership or material standing, or other personal circumstances. Companies respect the dignity and personal integrity of the individual, and their privacy and freedom to express their opinions. The employees of Group companies are committed to mutually respectful relationships and respectful conduct towards third parties (customers, suppliers, etc.).

Intereuropa Group companies respect the rules of fair competition, and are committed to fair and open competition at home and abroad. They reject all forms 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 the personal interests of an individual and the interests of the Company.

In 2017, Intereuropa, d. d. was one of the first companies in Slovenia to introduce an application for the anonymous reporting of suspected breaches (Internal Whistleblower), which is accessible 24 hours a day on the Company's website at <https://interzvizgac.intereuropa.si/>. The application has been translated into English and into four other languages spoken in countries in which subsidiaries operate (Croatian, Bosnian, Serbian and Macedonian). A link to the application is published on the websites of the majority of companies. This makes it easier for all employees and business partners of Intereuropa Group companies to access the application and file reports.

In accordance with the Code of Ethics and sectoral rules, the Ethics Board, which is coordinated by the corporate integrity and compliance officer, is responsible for handling reports relating to breaches of integrity. The director of the Human Resources and General Affairs Sector is responsible for reports in connection with HR-related breaches. The Ethics Board drafts a report for the Management Board regarding the handling of reported breaches. That report includes recommendations and/or proposed measures. The Ethics Board places special emphasis on protecting the anonymity of bona fide whistleblowers. It also monitors the resolution of reports relating to HR matters.

1.8.4.2 Results of policies, due diligence, indicators and risks

With regard to the development of the area of corporate integrity, activities continued in 2019 to ensure the protection of personal data in accordance with the EU's General Data Protection Regulation (GDPR) and the implementation of a system for managing conflicts of interests, as well as the updating of the monitoring of received disclosures.

Social responsibility was not assessed at Intereuropa in 2019. In the past, the assessment of social responsibility included an assessment of environmental impacts, an assessment of the rights of employees and human rights, and an assessment of ethics and sustainable procurement.

In the broader scope of training, the area of corporate integrity was presented via the topics 'The Importance of Integrity within the Intereuropa Group' and 'Anonymous Reports of Suspected Breaches via the Internal Whistleblower Application'. That training was attended live by 60 employees. E-training courses were organised on the subject of conflicts of interest in 2019 and will be accessible by all of the Company's employees in 2020. Employees were continuously kept abreast of corporate integrity topics through forwarded information and reminders, and through infographics. Infographics are a way of disseminating information. By combining short texts and graphics, they help employees visually process increased volumes of data or information. The use of graphic elements helps employees remember key information quicker. Infographics regarding limits on the receiving and giving of gifts and on conflicts of interest are accessible by all employees on the Company's electronic message board.

The Ethics Board met seven times in 2019. It discussed reports of breaches of integrity and was briefed on suspected breaches of labour law. A total of 50% of suspected reported breaches related to the parent company, while the remaining 50% related to subsidiaries.

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 Intereuropa Group companies' transactions are executed in European countries 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 of breaches, inspection proceedings, labour law proceedings before the courts, strikes, protests, the number of overtime hours in excess of legal limits, the number of workplace injuries, the inability to exercise the right to annual leave, etc. One proceeding was initiated before the competent labour court in 2019 due to the unjustified termination of an employment contract. Those proceedings are still pending. There were no inspections of employment relationships or controls of occupational health and safety conducted at the Company in 2019.

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 periodic measures to raise awareness and educate employees. At the same time, the 'Interžvižgač' (Internal Whistleblower) application was established, and is accessible on the websites of Group companies 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 unwavering. Group companies do not support corrupt acts, if even if this might mean the loss of business. In connection with risks at the third level, the Group began the establishment of a system in 2019 for monitoring the risk of fraud. The majority of the project will be implemented in 2020 with the help of external sources.

Indications of risk associated with fraud and corruption include reports and the identification of breaches via internal controls performed by an individual company and controls performed by the parent company. One report of the suspicion of corruption was received in 2019. During the processing of that report, it was determined that it was unjustified. One case of fraud was identified during the performance of regular controls.

1.8.4.3 Objectives for 2020

The majority of Intereuropa's attention in the development of corporate integrity in 2020 will be on the introduction of a system for managing the risk of fraud at all Group companies and the continuation of activities in the area of personal data protection.

The focus of the project aimed at managing the risk of fraud is on the identification of inherent risks of fraud, limiting those risks and mitigating the subsequent potential consequences of a case of fraud, a review of organisational procedures, the organisation of continuous and periodic internal controls and the training of employees on the identification of fraud, the avoidance of fraud or the appropriate communication according to planned protocols should a case of fraud occur.

Activities in the area of personal data protection will focus on the awareness of employees in Slovenia and Croatia. Training will be based primarily on the identification of breaches of personal data protection and the appropriate measures to mitigate the associated consequences for an individual whose rights may have been violated in the event of a breach.

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

Management Board of Intereuropa, d. d.

Koper, 6 March 2020

Marko Cegnar,
President of the Management Board



Matija Vojsk, MSc
Member of the Management Board



Marko Rems,
Member of the Management Board



1.8.5 STATEMENT REGARDING RELATIONS WITH AFFILIATES

On 13 November 2019, Intereuropa, d. d. became a subsidiary of Pošta Slovenije, d. o. o. As a result, the Company is obliged to draft a report regarding relations with affiliates in accordance with Article 545 of the Companies Act. Intereuropa, d. d. concluded the following agreements with Pošta Slovenije, d. o. o. in 2019:

- An interim period agreement with respect to the conducting of business during the sale and purchase of shares in Intereuropa, d. d. of 10 May 2019 (hereinafter: the IPA), regarding the conduct of Intereuropa, d. d., as the target company, during the interim period, i.e. from the signing of the agreement on the purchase of the shares of Intereuropa, d. d. (10 May 2019) until the conclusion of the transaction (13 November 2019). In the IPA, Pošta Slovenije, d. o. o. and Intereuropa, d. d., as the target company, agreed on the operations of the target company during the interim period, where Pošta Slovenije, d. o. o. did not influence the adopted business policy or ordinary operations of the Company. The IPA states that during the aforementioned period, Intereuropa, d. d. will continue to operate in accordance with its adopted business plans. However, the parties to the agreement agreed on limitations in the operations of the target company in connection with conduct and activities outside the scope of adopted business plans and ordinary operations.
- An agreement on consulting activities in the period until the conclusion of the transaction of 18 July 2019, which allowed Pošta Slovenije, d. o. o.'s external consultants to obtain information and analyse data that will allow the acquirer to carry out integration activities following the conclusion of the transaction more quickly.
- An agreement on the protection of confidential data in cooperation following the conclusion of the transaction, the purpose of which is to reach agreement on the method and processes of cooperation between Intereuropa, d. d. and Pošta Slovenije, d. o. o. in projects aimed at achieving synergistic effects and the restructuring of the group.
- Intereuropa, d. d. signed a statement regarding its entry into an agreement on participation in the issuance of takeover bids for shares of Intereuropa, d. d. and its subsidiaries. That agreement governs relations between affiliates in binding takeover bids for the shares of Intereuropa, d. d. and its subsidiaries AD Intereuropa, Belgrade, Zetatrans, Podgorica and Intereuropa RTC, Sarajevo.

All of the above-described legal transactions relate to the purchase of the shares of Intereuropa, d. d. by Pošta Slovenije, d. o. o. in the scope of takeover proceedings initiated by the latter, and to projects aimed at achieving synergistic effects and the restructuring of the operations of the Pošta Slovenije Group, which Intereuropa, d. d. and its subsidiaries became part of on 13 November 2019.

In accordance with local legislation, Pošta Slovenije, d. o. o. also submitted takeover bids for AD Intereuropa, Belgrade, Zetatrans, Podgorica and Intereuropa RTC, Sarajevo. The Securities Commission of the Federation of Bosnia and Herzegovina decided that Pošta Slovenije, d. o. o. may not submit a takeover bid. That bid must be submitted by a company that is already a shareholder of Intereuropa RTC, d. d. Intereuropa, d. d. held 95.7754% of the shares of Intereuropa RTC, d. d. as at 31 December 2019. For this reason, Intereuropa, d. d. will publish a takeover bid for the remaining shares of Intereuropa RTC, d. d. in 2020. That takeover bid is for 6,567 shares or 4.2246% of total shares. Intereuropa, d. d. will offer BAM 145.34 per share, which represents the book value of one share. The total value of the takeover bid will be BAM 954,513.45. Pošta Slovenije, d. o. o., Intereuropa, d. d. and their affiliates are working together in the scope of ordinary operations. Business relations in the scope of ordinary operations were already in place before a dependent relationship arose, while mutual transactions are conducted under market conditions.

The Management Board of Intereuropa, d. d. hereby declares that Intereuropa, d. d. did not suffer any deprivation on account of the above-described transactions and facts.

Management Board of Intereuropa, d. d.

Koper, 6 March 2020

Marko Cegnar,
President of the Management Board

Matija Vojsk, MSc
Member of the Management Board

Marko Rems,
Member of the Management Board



Business Report

Building success on the journey with you

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

02





02 BUSINESS REPORT

2.1 DEVELOPMENT STRATEGY OF THE INTEREUROPA GROUP

The 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. Because Intereuropa was taken over by Pošta Slovenije in November 2019, the Company is expected to draft an updated strategy by the end of 2020 that will take into account synergies within the Pošta Slovenije Group.

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

VISION

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

MISSION

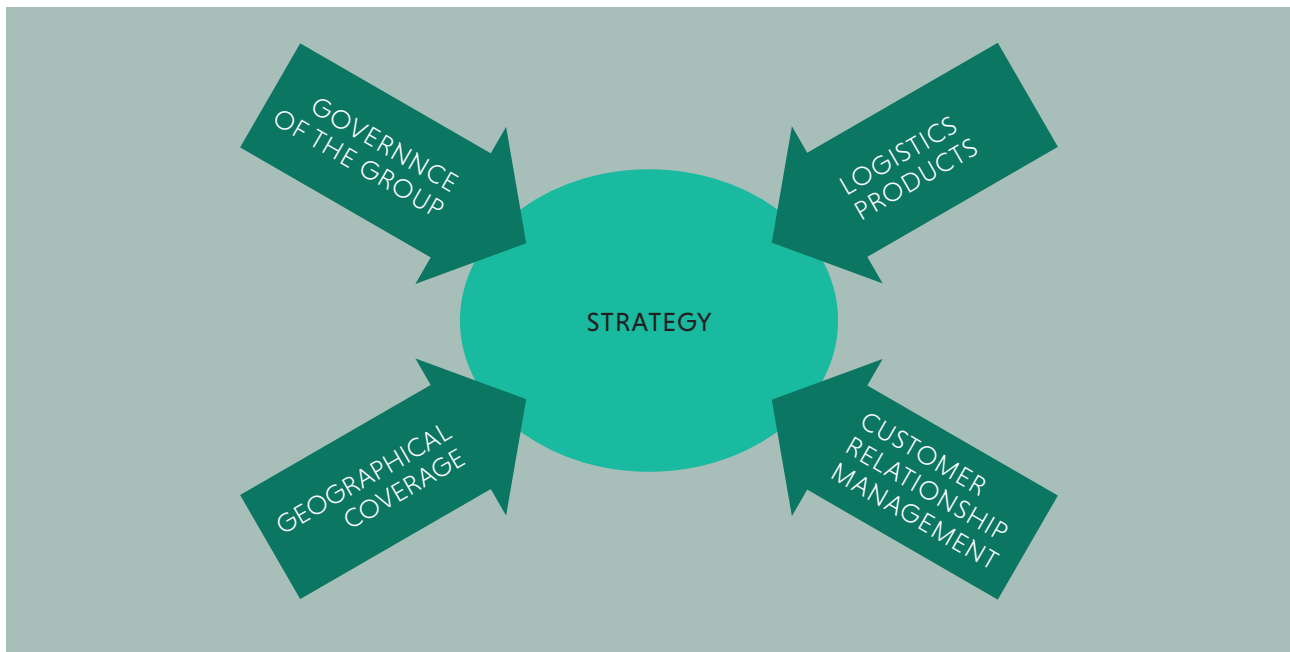
To satisfy the need for logistics services and ensure the optimal functioning of supply chains to the complete satisfaction of customers, while creating value for the owner, employees and other stakeholders in a socially responsible manner.

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 the opportunity for growth (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 opportunities for growth through its subsidiaries on the majority of existing markets where it is present. Focus is on the markets of the Western Balkans. 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 condition 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 and WexWMS solutions to support core logistics processes, a CRM system and a business intelligence (BI) system.

The Intereuropa Group sees opportunities 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	Strategy until 2022
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

In 2019, which was characterised by the sale of a majority holding of the shares of Intereuropa, d. d. in which Pošta Slovenije, d. o. o. acquired 9,168,425 ordinary shares and 10,657,965 preference shares of Intereuropa, d. d. on 13 November 2019, Intereuropa, d. d. gained a strategic owner whose capital strength will facilitate the continued development of the Intereuropa Group.

2.2 IMPLEMENTATION OF PLANS IN 2019

The following key objectives for 2019 were outlined in the business plan:

- To generate EUR 169.5 million in sales revenue through growth in revenues on all markets 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;
- To develop the competences of employees, include more employees in lower positions in training activities and ensure health and well-being in the workplace, with the aim of increasing employee productivity, while simultaneously optimising the organisation of working hours and work processes, and establishing a model for monitoring employee performance according to measurable key indicators. To employ 1,380 employees at the Group level at the end of 2019 and to maintain the proportion of flexible forms of employment at a minimum of 10%;
- 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 14.2 million and an operating profit (EBIT) of EUR 7.6 million, and to effectively manage working capital and meet the commitments set out in the financial restructuring agreement;
- To earmark EUR 5.9 million for investments, the majority in the warehouse infrastructure, warehouse equipment, IT equipment and intangible assets;
- To enhance activities aimed at the sale of commercial real estate that is not used in the performance of the logistics activity and certain commercial real estate that is not of strategic importance and generates low returns; and
- To reduce the net debt / EBITDA ratio for 2019 to 3.4.

The sales revenue generated by the Intereuropa Group in 2019 was at the level recorded the previous year, but EUR 9.1 million or 5% lower than planned. The majority of Group companies lagged behind plans, most notably the parent company and the subsidiary in Serbia. All three of the parent company's business lines failed to achieve planned targets, most notably the intercontinental transport segment, which also lagged most behind planned sales revenue at the Serbian subsidiary.

Despite pressure from customers to reduce selling prices and from suppliers to raise the purchase prices of transport services, the Group exceeded the planned sales margin significantly in 2019, by 1.1 percentage points, most notably at the Croatian subsidiary as the result of successful restructuring in recent years, and at the parent company, which generates 70% of the Group's total sales revenue.

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.

The Intereuropa Group generated EBITDA of EUR 14.0 million in 2019, which was 1.7% lower than planned, primarily as the result of a lag in sales and an increase in other operating expenses at the subsidiary in Croatia, where fraud in the form of embezzlement was discovered at the end of October 2019. This had a negative effect on that company's 2019 operating results in the amount of EUR 0.4 million. Having a positive effect on EBITDA were revenues from the recovery of operating receivables from previous years in the amount of EUR 0.6 million, which had been impaired in full in the past. The lag behind planned EBITDA was also reflected in operating profit, which was EUR 0.1 million lower than planned. The net positive effects of the revaluation of real estate in the amount of EUR 0.8 million reduced the aforementioned lag.

The Intereuropa Group generated a net profit of EUR 4.2 million in 2019, which was EUR 1.4 million or 25% lower than planned. The lag behind planned profit was further exacerbated by deferred tax expenses, as the result of a change in Slovenian tax legislation in 2019. The Group's finance costs amounted to EUR 1.9 million in 2019, which was 4% or EUR 0.1 million higher than planned. Finance income in the amount of EUR 0.8 million was EUR 0.7 million higher than planned, primarily on account of interest income (effect of the repayment of old receivables) and positive exchange rate differences.

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. In accordance with plans, the parent company began activities in September 2019 to refinance financial liabilities. That process was successfully completed in January 2020.

The Group reduced its debt by EUR 9.4 million in 2019. Net debt amounted to EUR 54.4 million at the Group level at the end of the year. That amount was 13% higher than planned, as the result of higher liabilities from loans and a change in IFRS 16 with respect to the disclosure of non-current financial liabilities from leases. The net debt / EBITDA ratio was 3.9 in 2019.

The Intereuropa Group made investments in 2019 in the amount of EUR 2.9 million, representing 48.9% of the annual investment plan. A total of EUR 0.7 million was invested in real estate, while EUR 2.2 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 equipment and capacities, and the development and upgrading of information technologies.

The Group had a total of 1,356 employees at the end of 2019, which is 1.7% less than planned and 2.2% more than the number of employees at the end 2018.

2.3 OBJECTIVES AND BUSINESS PLANS FOR 2020

2.3.1 POINTS OF DEPARTURE OF THE BUSINESS PLAN

While drafting the business plan for 2020, the Intereuropa Group took into account the starting position of the Group as a whole at the end of 2019 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. The business plan for 2020 did not take into account synergies and other effects of Intereuropa's inclusion in the Pošta Slovenije Group, nor did it take into account the effects of the COVID-19 epidemic, as the plan was adopted prior to the outbreak of that virus.

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

Country	GDP growth		Inflation		Growth in merchandise imports		Growth in merchandise exports	
	2019	2020	2019	2020	2019	2020	2019	2020
EU	1.5	1.6	1.6	1.6	2.6*	3.3*	2.1*	2.9*
Slovenia	2.8	3.0	2.3	2.2	9.9	5.8	8.1	4.9
Croatia	3.0	2.7	1.2	1.3	6.2	5.8	7.9	7.4
Bosnia and Herzegovina	2.8	2.6	1.2	1.4	3.5	4.7	2.5	4.6
Serbia	3.5	4.0	2.0	2.2	8.5	7.1	6.7	8.1
Kosovo	4.2	4.0	1.6	1.7	-2.4	3.2	0.4	5.5
Montenegro	3.0	2.5	2.3	1.6	5.5	-0.7	0.6	2.7
North Macedonia	3.2	3.4	1.4	1.8	10.4	6.0	12.4	6.7
Albania	3.0	4.0	1.8	2.2	2.2	4.6	-4.6	13.1
Ukraine	3.0	3.0	7.0	5.6	7.6	6.9	1.1	4.3

* Data for the euro area.

Sources:

- International Monetary Fund, World Economic Outlook Data, October 2019;
- Institute of Macroeconomic Analysis and Development, Autumn forecast of economic trends in 2019, September 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 2020:

- to generate EUR 170.7 million in sales revenue through growth in all business lines of the core activity, on all markets except Bosnia and Herzegovina and at the majority of companies. To strengthen cooperation with customers that require integrated logistics solutions through the entire supply chain in the region, to increase emphasis on the development and expansion of the partner and agent network, and to actively secure new business (cross selling);
- to develop products with higher value added in categories where the Group enjoys a competitive advantage, and to achieve higher growth in products where there are numerous opportunities for growth;
- to control direct costs and the sales margin in the context of growth in sales, through the active management of the costs of direct services via more favourable purchasing terms, in particular on account of the centralisation of certain procurement functions; and
- to generate EBITDA of EUR 13.0 million and an operating profit (EBIT) of EUR 6.4 million. The planned values of EBITDA and EBIT for 2020 are lower than the target values for 2019, to a large extent due to the planned drop in revenues and EBITDA at the subsidiary in Bosnia and Herzegovina, and due to diminishing dependence on custom terminal transactions and rising labour costs at Group companies in Slovenia due to changes in the Minimum Wage Act; and
- to ensure financial stability and reduce debt, including through the divestment of real estate that is not used in the performance of the logistics activity.

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

- investments of EUR 6.9 million in property, plant and equipment and intangible assets, primarily in the upgrading and renovation of the warehousing infrastructure and warehouse equipment, in the upgrading of IT equipment and in intangible assets;
- ensuring the optimal number of competent and motivated employees;
- investments 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;
- an increase in employee productivity through the computerisation and optimisation of processes, taking into account limits on overtime hours and the sound organisation of employees' work time;
- maintaining the proportion of flexible forms of employment at a minimum of 10%;
- the continued centralisation of IT management within the Group and the implementation of shared IT solutions;
- the continued updating and promotion of corporate integrity and compliance at all Group companies. Crucial in this regard are the project to implement legislation in the area of personal data protection (GDPR) and the project to introduce fraud management;
- the continued intensive identification of risks to which Group companies are exposed and the management of those risks, with a greater emphasis on monitoring the success of measures;
- 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 2020

Indicator	2020 plan
Sales revenue	EUR 170.7 million
EBITDA	EUR 13.0 million
Operating profit (EBIT)	EUR 6.4 million
Investments	EUR 6.9 million
No. of employees at the end of the year	1,371

2.4 ECONOMIC CONDITIONS IN 2019 AND FORECASTS FOR 2020²

Due to the outbreak of the COVID-19 virus, which spread across Europe in March 2020, and the global pandemic, likewise declared in March 2020, it can be expected that the forecasts of economic growth presented in the text below will be lowered. According to figures from the Institute of Macroeconomic Analysis and Development in its spring forecast of economic trends in 2020 (published in March 2020), significantly lower economic growth is forecast for Slovenia than in the autumn forecast. That forecast depends on how fast the spread of the coronavirus is stopped. If the spread of the virus is limited and conditions stabilise during the second half of this year, economic growth would slow to 1.5% this year and would be slightly higher during the next two years. The International Monetary Fund did not publish any new data in mid-March.

According to estimates of the International Monetary Fund (IMF) from January 2020, global economic growth was 2.9% in 2019. Projections of global economic growth for 2020 and next year are 3.3% and 3.4%, respectively. In addition to natural disasters, the risks highlighted by the IMF included protests in a number of countries, the recent deterioration of relations between the US and Iran, and trade tensions between the US and China.

Weak growth in economic activity continued in the euro area at the end of 2019. The economic growth recorded by all of Slovenia's main trading partners from the euro area was primarily driven by growth in private consumption. According to estimates from the Slovenian Institute of Macroeconomic Analysis and Development from September 2019, the European economy recorded subdued growth of 1.0% in 2019, while growth in the coming years will be slightly higher due to the expected diminishing effect of negative factors and the positive effect of a higher number of business days. Growth will continue to be driven by domestic demand. In the context of continuing favourable conditions on the labour market, the relatively positive mood of consumers and affordable terms of financing, private consumption will contribute most to that growth. Expansionary fiscal policy will have a favourable impact on the contribution of government consumption. In the context of increased uncertainty, the contribution of investments will be lower, while the contribution of net exports will be slightly negative due to weak foreign demand. The risks associated with the realisation of forecasts are markedly negative (increasing trade and geopolitical tensions, a sharper slowdown in economic growth in China than expected, the disorganised withdrawal of the United Kingdom from the EU and the possibility of a more significant slowing of growth in services).

Economic growth also slowed in Slovenia towards the end of 2019 to stand at 2.8%, and will remain at a similar level during the next two years (3.0% and 2.7%). Slowing growth is primarily a reflection of slowing economic growth in Slovenia's trading partners. Growth in gross investments is lower, while the negative contribution of foreign trade is more pronounced. At the same time, growth in private consumption has remained relatively high. GDP growth will be up slightly in 2020, albeit temporarily, due to the positive effect of a higher number of business days. Domestic consumption will slow gradually over the next two years, primarily due to expected lower growth in employment in addition to slightly lower growth in social transfers. Employment growth will gradually slow as a reflection of lower growth in economic activity, and to an increasing extent as the result of demographic changes. Subdued growth in investments (in particular in the construction sector) is expected to continue. After rising last year, growth in exports and, to a lesser extent, growth in imports will slow in the coming years, while the contribution of foreign trade to GDP growth will remain negative. Inflation will rise slightly next year.

Economic growth in Slovenia could be lower than forecast if any of the predominantly negative risks in the international environment were realised. Uncertainties in the international economic environment have been rising recently. In the global economic environment, those uncertainties primarily relate to protectionist measures and the general unpredictability of economic measures in the US (i.e. a potential increase in US tariffs on imports of cars and spare parts, and the escalating tariff war between the US and China), and in the euro area to uncertainty regarding the UK's withdrawal from the EU. Factors that could contribute to lower economic growth in Slovenia's trading partners, as international institutions are currently forecasting, also include a more rapid slowing of Chinese economic growth, volatility on the financial markets and geopolitical risks, particularly in connection with Iran, with which the risk of higher oil prices is also linked. Political changes also represent a medium-term risk for lower economic growth throughout the euro area.

² The section Economic conditions in 2019 and forecasts for 2020 is summarised from the following publications:

- Institute of Macroeconomic Analysis and Development, Autumn forecast of economic trends in 2019, September 2019;
- Institute of Macroeconomic Analysis and Development, Slovenian Economic Mirror No 8/2019, edition XXV, 2019, December 2019;
- International Monetary Fund, World Economic Outlook Update, January 2020; and
- Focus Economics, "Economic Data by Region and Country", January 2020.

The Croatian economy recorded solid economic growth in 2019, while the labour market continued to improve, wages rose and the unemployment rate fell. The latter drove growth in domestic consumption. On the other hand, both merchandise exports and tourism revenues were down. The Croatian economy is expected to stagnate, while private consumption is expected to hold steady in the context of rising income and wage growth in the public sector, and a reduction in taxes. The tourism industry, which is facing increasing competition from other destinations in the Mediterranean, and weakening demand in the euro area could hinder exports.

Growth in the Serbian economy strengthened during the final quarter of 2019. Industrial output strengthened thanks to the recovery of the oil and chemical industry. Household consumption was also strong, wages rose between July and August, retail sales were up and consumer lending remained strong in the context of favourable lending terms. Growth in merchandise exports was down slightly in the final quarter of the year. In mid-November, the government unveiled its proposed budget for 2020, which lays out an increase in public-sector wages and pensions, and an increase in spending for the road and rail infrastructure. Moderate growth is expected to continue. The recovery in industrial output and strong foreign direct investment should help strengthen growth. A tighter labour market and higher wages should preserve household consumption at current levels. On the contrary, growth in exports could slow due to a decline in Europe and trade tensions with Kosovo.

The economy in Montenegro lost steam during the final quarter of 2019, after growing during the first half of the year. Industrial output suffered due to weak foreign demand from the European car industry, while the supply of electricity and natural gas strengthened, as did tourism. Diminishing stimulus for growth is expected, primarily due to a reduced scope of investment and tightening taxation. In addition, weaker global growth could lead to weakening foreign direct investment and lower growth in tourism. On the other hand, growth could be expected in the energy and tourism sectors on account of the completion of the Bar–Boljaře motorway, which could lead to an improvement on the labour market.

Economic growth slowed in Bosnia and Herzegovina. Energy production was down, while merchandise exports also fell. Political uncertainty has led to a deterioration in the business climate and investment plans. Economic growth will remain moderate in 2020. Private consumption should remain solid due to declining unemployment and rising wages. Growth in investments is expected to slow, which will cripple the economy.

The economy of North Macedonia maintained strong growth. Industrial output, particularly the production of electricity, was up, while higher wages stimulated private consumption. On the other hand, the tourism sector recorded slower growth. Steady economic growth is expected on account of continued private consumption, which is driven by higher wages and pensions, and due to recovering investments and a more favourable tax policy.

Following subdued growth during the first half of 2019, economic growth strengthened in Kosovo during the third quarter of the year, primarily due to growth in consumer loans and thus household consumption. The economy is expected to cool in 2020 due to the Europe's influence on local tourism and exports. Delays in the formation of new government and the postponement of necessary reforms will further hinder private consumption.

The Albanian economy continued to cool during the third quarter of 2019. Growth in tourism slowed notably, while a severe drought limited the production of electricity and merchandise exports were down. Albania signed a declaration with North Macedonia and Serbia that will ensure the free flow of goods and people in the region in 2021. That agreement should strengthen regional economic growth and trade. An increase is expected in domestic consumption in the context of wage growth, a more flexible monetary policy and infrastructure investments. However, the economy's over-dependence on the hydroelectric power plant sector, corruption and a cumbersome tax system blur that forecast.

Ukraine saw notable growth in GDP, sharp growth in wages and improved consumer confidence in 2019. On the other hand, industrial output recorded a sharp fall. Stable growth supported by continuous foreign investments is expected. Household consumption is expected to remain unchanged on account of falling inflation and the tightening of the labour market.

2.5 MARKETING AND SALES

The Intereuropa Group generated EUR 160.4 million in revenues from sales of its services in 2019, similar to the level recorded the previous year. The companies in Croatia, Ukraine, Kosovo and Montenegro exceeded the previous year's sales revenue. Sales at the subsidiaries in North Macedonia, Serbia and Bosnia and Herzegovina were down relative to the previous year. The parent company generated EUR 111.8 million in sales revenues, similar to the sales results recorded the previous year.

At 53%, the highest proportion of the Intereuropa Group's sales revenue in 2019 was accounted for by the land transport segment, which generated EUR 85.0 million in sales revenue, an increase of 1% relative to 2018. Growth in sales revenue in the land transport segment was primarily the result of growth in the number of physical transactions in the area of international transport. The highest growth in absolute terms was recorded in the road transport segment at the parent company and in Serbia, while the sharpest decline in sales was recorded in the domestic transport segment at the subsidiary in North Macedonia and in Bosnia and Herzegovina.

Sales revenue in the intercontinental transport segment totalled EUR 41.8 million in 2019, a decrease of 9% relative to the previous year. The intercontinental transport segment accounted for 26% of total sales revenue. The drop in sea and air freight during the second half of the year was partially the result of the trade war between the US and China, while the preparations of shipping companies for the IMO 2020 environmental regulation also contributed to the decline in the sea freight segment.

The sharpest increase in sales revenue was recorded in the logistics solutions segment, where sales revenue totalled EUR 26.7 million in 2019, an increase of 14% relative to the previous year. That segment accounted for 17% of the Group's total sales revenue. Numerous activities, primarily at the parent company, to utilise warehouse capacities and secure new transactions with higher value added contributed to the aforementioned increase.

TABLE 14: SALES REVENUE OF THE INTEREUROPA GROUP IN 2019 BY BUSINESS LINE

Business line	2019 in EUR thousand	Structure	Index 2019/plan	Index 2019/2018
Land transport	85,020	53%	96	101
Logistics solutions	26,666	17%	94	114
Intercontinental transport	41,777	26%	92	91
Other services	6,890	4%	101	102
TOTAL SALES REVENUE	160,353	100%	95	100

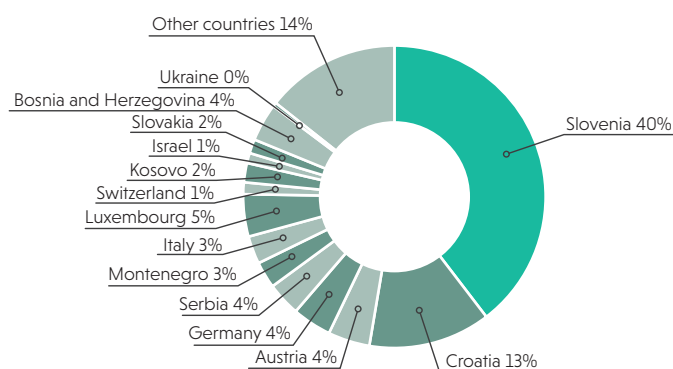
Companies in Slovenia generated more than two thirds of the Group's total sales revenue. The total sales revenue generated by companies in Slovenia was at the level recorded the previous year.

TABLE 15: SALES REVENUE OF THE INTEREUROPA GROUP IN 2019 BY COUNTRY (WITH RESPECT TO A COMPANY'S HEAD OFFICE)

Country	2019 in EUR thousand	Structure	Index 2019/2018
Slovenia*	108,876	68%	100
Croatia	24,066	15%	102
Bosnia and Herzegovina	7,073	4%	96
Serbia	5,097	3%	94
Montenegro	6,284	4%	103
Ukraine	3,694	2%	117
Other countries	5,263	3%	89
EU countries	132,942	83%	100
Non-EU countries	27,410	17%	98
TOTAL SALES REVENUE	160,353	100%	100

* Data include consolidation adjustments.

FIGURE 5: STRUCTURE OF SALES REVENUE OF THE INTEREUROPA GROUP BY COUNTRY IN 2019 (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 and was little changed relative to 2018. A total of 66% of customers in 2019 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 facilitates 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

Sales revenue in the land transport segment totalled EUR 85.0 million at the Group level in 2019, an increase of 1% relative to the previous year. The land transport segment generates 53% of the Intereuropa Group's total sales revenue.

The highest proportion or 58% of the total sales revenue of the land transport segment was generated by the parent company in Slovenia, with revenues of EUR 52 million in 2019. The sales revenue generated by the parent company was up 1.3% relative to 2018. The companies in Croatia, Ukraine, Kosovo and Montenegro also exceeded the sales revenue they generated in 2018.

Growth in sales revenue in the land transport segment was primarily the result of growth in the number of physical transactions in the area of international transport in 2019. Sales revenue was up at the Group level in the groupage, road transport and railway transport segments, despite a change in the way sales revenue is disclosed due to the optimisation of implementing processes and the continued introduction of the standardised WexVS IT solution in the warehousing and storage segment. Those changes were reflected primarily in the reclassification of sales revenue from the road and railway transport segments to the distribution product within the logistics solutions segment. The sales results recorded by domestic transport and customs clearance services in 2019 were down on the results recorded in 2018.

The trend of falling selling prices on the customer side continued in 2019, as did the trend of rising energy prices, which had a negative effect on growth in sales margins. There was a drop in demand for transport and other logistics services in the region during the second half of the year.

The Group's key policies remain intensive sales activities on local markets and abroad, and on cross-selling with existing customers. The introduction of new IT solutions to support marketing and operational work at all Group subsidiaries will facilitate the increased effectiveness of corporate governance at all organisational levels.

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)

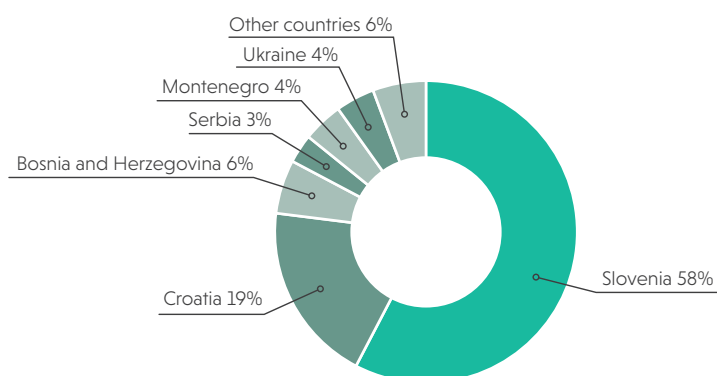
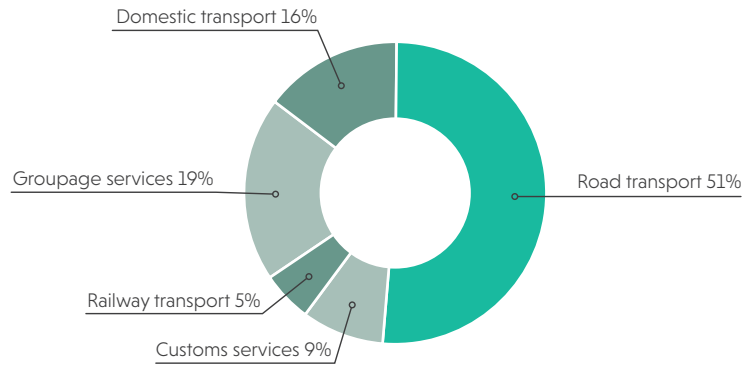


FIGURE 7: STRUCTURE OF SALES REVENUE OF THE INTEREUROPA GROUP BY INDIVIDUAL PRODUCT IN THE LAND TRANSPORT SEGMENT



2.5.1.1 Road transport

Net sales revenue in the road transport segment amounted to EUR 43.4 million in 2019, an increase of 2% relative to the previous year. The road transport segment thus maintained the highest proportion (27%) of the Group's total sales revenue, while road transport services account for 51% of the sales revenue generated by the land transport segment.

The parent company generated 73% of all sales revenue in the road transport segment, an increase of 1.5 percentage points relative to the previous year.

The road transport segment recorded the highest growth relative to 2018 in Slovenia and Serbia, where the road transport product achieved the highest growth by far relative to 2018 amongst all products. The companies in Montenegro, Bosnia and Herzegovina and Croatia also recorded better results than the previous year. The results of the companies in Ukraine, Kosovo and North Macedonia were down on the previous year.

The Intereuropa Group had a fleet of 30 heavy freight vehicles at its disposal in 2019, or eight fewer vehicles than the previous year. It is thus achieving the objective set out in the strategy for the period 2018 to 2022 to gradually reduce the number of company-owned vehicles and transition to the organisation of transport with the help of subcontracted transporters (asset-light model). The poorer sales results at the subsidiary TOV TEK ZTS, Uzhhorod were primarily the result of the reduction of the number of company-owned vehicles and the inability to replace them with subcontracted transporters. The company reduced its vehicle fleet from 18 to 11 heavy freight vehicles in 2019.

2.5.1.2 Groupage services

The groupage segment generated EUR 16.8 million in sales revenue in 2019, and thus exceeded the results achieved in 2018 by 4%. A total of 76% of total revenues from groupage services were generated by the parent company, where the number of shipments was up one percent and sales revenue was up one half of a percent. Contributing to lower growth at the parent company was the reallocation of certain international lines from Ljubljana to other Group companies. Those changes affected the disclosure of sales results between companies. The companies in Croatia and Kosovo also recorded growth in sales revenue from groupage services. The sales results recorded by the companies in Bosnia and Herzegovina and Montenegro were down slightly on the results achieved in 2018. The companies in Serbia and North Macedonia recorded more significant lags behind the results achieved the previous year.

Growth in the number of shipments within the partner network continued in 2019, which contributed significantly to the Group's positive results.

2.5.1.3 Domestic transport

The net sales revenue generated by the domestic transport segment in 2019 was down by 4% relative to the previous financial year. Domestic transport services represent an important support service for the Group's other products. As a stand-alone product, it faces significant price pressures on local markets.

The sales revenue generated by the parent company in 2019 from domestic transport services was similar to the level achieved the previous year, and up by 1% at the Croatian subsidiary. Sales revenue from domestic transport services was also up relative to the previous year at the subsidiary in Serbia. The results of the companies in Bosnia and Herzegovina, North Macedonia, and Montenegro were down on the previous year.

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 project aimed at optimising the logistics network was implemented in Slovenia and Bosnia and Herzegovina. A project was implemented at the subsidiary in Croatia to optimise the warehouse manipulation process, and a new transport technology introduced at the transshipment warehouse in Samobor.

2.5.1.4 Customs services

The land transport segment generated EUR 7.5 million in sales revenue from customs services in 2019, a decrease of 7% relative to 2018. The lag behind last year's results was primarily due to poorer sales results in Serbia and Bosnia and Herzegovina. The parent company generated EUR 2.6 million in sales revenues and thus exceeded the previous year's results by 3%. Growth in sales of customs services relative to the previous year was also recorded at the company in Kosovo, while other subsidiaries lagged behind the results achieved in 2018.

Subsidiaries face increasing competition in the area of customs clearance services, both in terms of providing basic customs clearance services for customers in customs proceedings and in customs terminal transactions. Increased competition will continue to have a negative effect on the level of selling prices and thus sales margins. It should not be forgotten, however, that subsidiaries have a significant advantage over the competition in the form of highly experienced employees, high-value customs guarantees and regional recognition of the Intereuropa brand in the area of customs clearance services.

One challenge faced by the parent company is the high average age of employees. For this reason, the majority of activities will focus on lowering the average age of employees in customs departments and on the adaptation of processes and the organisation of work. It also faces challenges in the area of customs clearance transactions.

2.5.1.5 Railway freight

Sales revenue generated by the railway freight segment in 2019 was up relative to the previous year. Having a positive effect on the favourable financial results was growth in sales at TOV TEK ZTS, Uzhhorod, which generates 60% of the Group's total sales revenue in the railway freight segment. The parent company in Slovenia generated 38% of the sales in this segment in 2019, but failed to achieve the results recorded in 2018.

2.5.1.6 Plans for 2020 in the land transport segment

Special attention in the development of land transport processes in 2020 will be given to activities aimed at the computerisation of support for field processes, the electronic exchange of data with partners and transporters, and the development of appropriate IT solutions to raise the quality of services:

- the upgrading of the web portal for transporters and the expansion of that solution to Group subsidiaries;
- the introduction of a mobile application to support field processes;
- the upgrading and expansion of the electronic exchange of data with partners; and
- the development of new IT solutions in the area of customs clearance.

With the aim of maintaining sales growth and achieving ambitious sales targets, the land transport segment will continue to invest in the development of the following:

- a solution for improving the effectiveness of the sales support process;
- tender management at the Group level;
- the centralisation of purchasing and the transporter management system at the Group level;
- a system for managing purchase prices within the Group; and
- the introduction of a new 'time-definite delivery' product to supplement groupage and domestic transport services.

The following additional organisational measures are planned with the aim of achieving increased productivity and the smooth implementation of work processes:

- a review of the operations of the customs clearance departments, the reorganisation of work and the definition of an action plan for managing HR challenges in the area of customs clearance in Slovenia;
- the continued centralisation of land transport processes;
- the centralisation of the complaints process at subsidiaries;
- the integration of sales and sales support departments at the product level;
- the transfer of knowledge and best practices within the Group; and
- 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.

A high degree of competition and customers' expectations for increasingly high-quality services will continue to dominate the land transport services market in the future. Investments in employee training, the improvement of processes and the development of the necessary IT solutions will thus be crucial for achieving objectives in this area.

2.5.2 INTERCONTINENTAL TRANSPORT

The intercontinental transport segment, which includes air and sea freight and car logistics services, generated sales revenues of EUR 41.8 million in 2019, a decrease of 9% relative to 2018. The sales of this business line account for 26% of the Intereuropa Group's total sales revenue, a decrease of 3 percentage points relative to the previous year.

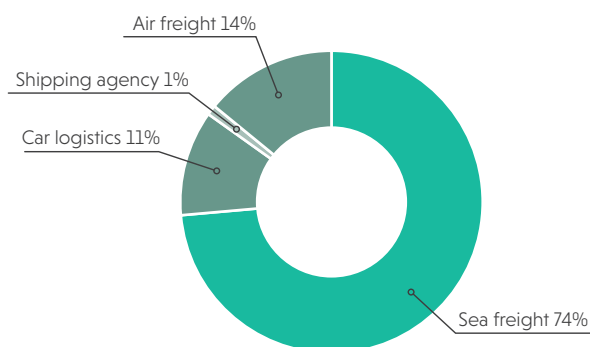
Economic indicators were weaker in 2019 than envisaged in forecasts: These negative trends contributed to lower demand for the transport of both passengers and freight, and the accompanying weaker growth in revenues, as transport was down by 5.0% on a global level relative to 2018.

The sea and air freight logistics industries operated more or less in line with expectations during the first half of 2019, but the consequences of the trade war between China and the US began to show during the second half of the year.

Also affecting sea freight services were preparations by shipping companies for the IMO 2020 environmental regulation. Those companies searched for a way to transfer higher costs to customers, primarily during the second half of the year. Shipping fees and supplemental sea freight fees fluctuated as a result. The volume of goods (expressed in tonnes) transhipped through the Port of Koper, where the Group generates the majority of its revenues in the sea freight segment, was down by 5.2% in 2019 relative to the previous year. This was seen primarily in the areas of general and bulk cargo.

Slowing economic growth, the trade war, geopolitical tensions, social unrest, and continuing uncertainty regarding Brexit also had a negative effect on the business environment in which air carriers operate. Lower demand and an altered structure of shipments (i.e. a drop in quantities) contributed to lower air freight prices, which in turn meant a drop in sales revenue. Despite lower sales revenue, the Intereuropa Group recorded an increase in the number of shipments and a higher sales margin.

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



2.5.2.1 Sea freight

Sales revenue from sea freight and shipping agency services together totalled EUR 31.2 million in 2019, a decrease of 7% relative to 2018. Sea freight services accounted for 19% of the Group's total sales revenue. 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.

Sales revenue from container transport services amounted to EUR 20.5 million in 2019, meaning a 3% increase in sales relative to the previous year. That growth was a reflection of additional sales activities on the markets of Croatia, Bosnia and Herzegovina and Montenegro, and the securing of certain new transactions via Koper for hinterland countries, while Slovenia, the Group's largest market, was subject to changes in transport routes and increased activities at competitive ports on the Adriatic Sea (Trieste and Rijeka) and in the north (Hamburg and Gdansk), which recorded an increase in transshipments in 2019. Also contributing to growth in sales revenue were changes in the way sales revenue is disclosed by product due to the optimisation of implementing processes and the continued introduction of the standardised WexVS IT solution.

Sales revenue from conventional freight services totalled EUR 8.6 million in 2019, a decrease of 28% relative to 2018. Contributing to lower sales revenue were changes in the way sales revenue is disclosed by product, as explained above in the explanation for container transport services.

Sales revenue from RO-RO services amounted to EUR 1.6 million, an increase of 51% relative to 2018. Several major projects were implemented in 2019, which had a positive effect on results.

Sales revenue from shipping agency services amounted to EUR 0.4 million in 2019, a decrease of 16% relative to 2018. That decrease was the result of fewer transshipments through and fewer ship arrivals at the Port of Koper, and the suspension of shipping services for Albania.

2.5.2.2 Car logistics

Sales revenue from car logistics services totalled EUR 4.7 million, a decrease of 22% relative to 2018. There was a negative trend in the transshipment of cars in global terms in 2019, which was reflected in the operations of the Intereuropa Group. Also affecting sales revenue from car logistics services were changes in the delivery routes of certain key customers of the Group and the suspension of cooperation with several customers.

The parent company in Slovenia accounted for the majority of sales of car logistics services.

2.5.2.3 Air freight

Sales revenue in the air freight segment totalled EUR 5.9 million in 2019, a decrease of 10% relative to 2018. That drop was primarily the result of major one-off transactions in 2018. On the key Slovenian market, where 61% of sales revenue in the air freight segment was generated, sales were down by 3% relative to the previous year. In Serbia, the second most important market in this segment, sales revenue generated in 2019 was down by 22% relative to 2018 and by 23% 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.

Active sales and an active presence on the local markets where the Group operates remains a core objective. The conditions required for increased sales activities will be ensured in part by the introduction of a CRM system at the Group's subsidiaries.

Growth in the air freight segment is planned in 2020 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 2020

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 2020, 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;
- the transfer of knowledge and best practices within the Group;
- support for and promotion of internal communication between countries and Group companies;
- the organisation of professional workshops within the Group with the aim of continuous employee education and training;
- the use of a CRM system for commercial activities in the intercontinental transport segment; and
- the centralisation of the complaints process at subsidiaries.

2.5.3 LOGISTICS SOLUTIONS

The Group generated revenues from the sale of logistics solutions in the amount of EUR 26.7 million in 2019, representing 17% of the Group's total sales revenue. The sales revenue generated by the Group in 2019 from logistics solutions exceeded the sales revenue generated in 2018 by 14% in part due to changes in the way sales revenue is disclosed as the result of the optimisation of implementing processes and the continued introduction of the standardised WexVS IT solution in warehousing operations.

There was a notable cooling of the business climate in 2019 on the markets where the Group operates in terms of demand for warehouse capacities, as well as a cooling of the business climate at existing customers.

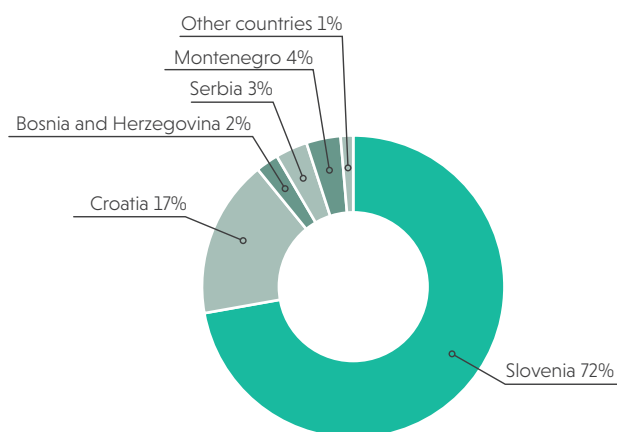
In Slovenia, as the largest key market accounting for 72% of sales of logistics solutions, the results achieved in 2018 were exceeded by 20%. Nearly all warehouse capacities in Slovenia are utilised.

The second largest market for logistics solutions is Croatia, which generates 17% of sales in this business line. Sales revenue generated in 2019 was similar to the level generated the previous year. Contributing significantly to this fact were pre-preparations of empty warehouse capacities for the needs of a major new transaction planned for the second quarter of 2020.

In addition of the above-mentioned markets, sales revenues from logistics solutions were up by 3% in Montenegro and by 33% in Kosovo. Sales revenues were down relative to 2018 in North Macedonia (by 10%), Bosnia and Herzegovina (by 7%) and Serbia (by 3%).

Primarily at companies in Slovenia, Croatia and Serbia, warehousing transactions were reviewed and numerous activities were implemented 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 2019, 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.

2.5.2.5 Warehousing

The Group generated sales revenue of EUR 21.1 million from warehousing and storage services in 2019, an increase of more than 5% relative to the previous year. Revenues from the sale of warehousing and storage services accounted for 13% of the Group's total sales and 79% of sales revenue from the logistics solutions segment.

2.5.2.6 Distribution

The Group generated sales revenue of EUR 5.5 million from distribution services in 2019, which represents 3% of the Group's sales and 21% of sales revenue from logistics solutions. Affecting revenues from distribution services were changes in the way sales revenue is disclosed as the result of the optimisation of implementing processes and the continued introduction of the standardised WexVS IT solution in warehousing operations.

2.5.2.7 Plans for 2020

The development of logistics solutions will focus 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 2020 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 and Serbia;
- the completion of the project to introduce IT support in Slovenia and Croatia;
- the start of the introduction of IT support for the needs of logistics solutions in Bosnia and Herzegovina;
- an increase in the number of clients using EDI (electronic data interchange);
- the improvement of energy efficiency (the introduction of LED lighting and the replacement of gas-powered forklifts with electric forklifts);
- the continued specialisation and optimisation of logistic processes by product category;
- the centralisation of the complaints process at subsidiaries; and
- the transfer of knowledge and best practices within the Group.

2.6 ANALYSIS OF OPERATIONS

The Intereuropa Group generated net sales revenue of EUR 160.4 million in 2019. Sales revenue was at the level recorded in 2018 when the Albanian subsidiary, which generated sales revenue of EUR 0.5 million, was included in consolidation. This was not the case in 2019. Operating cash flows (hereinafter: EBITDA) were up by 13% and totalled EUR 14.0 million. The Group continued deleveraging activities in 2019 and reduced its net debt to EUR 54.4 million, resulting in a net debt / EBITDA ratio of 3.9. Net debt was reduced by EUR 5.8 million in 2019.

2.6.1 PERFORMANCE

2.6.1.1 Significant operating indicators in the period 2016 to 2019

TABLE 16: OPERATING INDICATORS OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA, D. D. FOR THE PERIOD 2016 TO 2019 (IN EUR THOUSAND)

	Group				Parent company			
	2016	2017	2018 - A	2019	2016	2017	2018 - A	2019
Sales revenue	135,596	149,889	160,382	160,353	91,052	103,976	111,890	111,828
EBITDA	13,338	12,739	12,397	13,971	8,722	8,530	9,446	9,269
proportion of sales (in %)	9.8	8.5	7.7	8.7	9.6	8.2	8.4	8.3
Normalised EBITDA*	11,681	12,345	13,898	13,568	7,979	8,972	9,580	9,295
proportion of sales (in %)	8.6	8.2	8.7	8.5	8.8	8.6	8.6	8.3
EBIT	7,606	311	6,064	7,524	4,708	2,783	5,332	5,042
proportion of sales (in %)	5.6	0.2	3.8	4.7	5.2	2.7	4.8	4.5
Normalised EBIT**	5,524	5,991	6,383	6,344	4,045	4,932	5,043	4,868
proportion of sales (in %)	4.1	4.0	4.0	4.0	4.4	4.7	4.5	4.4
Net profit or loss	-1,604	-1,979	4,408	4,197	-3,455	340	4,144	3,388
proportion of sales (in %)	-1.2	-1.3	2.7	2.6	-3.8	0.3	3.7	3.0
Assets	242,099	229,672	232,927	223,351	190,731	180,279	185,114	176,748
ROA (in %)	-0.6	-0.8	1.9	1.8	-1.7	0.2	2.3	1.9
Equity	124,341	117,049	120,229	122,358	87,118	80,797	85,005	87,227
ROE (in %)	-1.2	-1.6	3.8	3.5	-3.7	0.4	5.1	4.0
Net debt**	73,490	67,114	60,197	54,352	74,412	69,670	64,631	57,293
Investments in fixed assets	3,741	2,690	5,374	2,889	2,325	1,578	4,198	1,603
No. of employees at the end of the year	1,374	1,369	1,327	1,356	606	589	599	609

* Group: excludes other operating revenues, other operating expenses from the creation of provisions, expenses for the participation of employees in profits, expenses associated with the effect of fraud at a subsidiary, expenses from the correction of errors from previous years at subsidiaries, revenues from the reversal of value adjustments as the result of the repayment of old operating receivables based on a court settlement, and expenses from the exclusion of a subsidiary from consolidation. Taken into account in 2018 is the effect of the introduction of IFRS 16 in the amount of depreciation of right-of-use assets under lease in 2019.

Parent company: excludes other operating revenues, other operating expenses from the creation of provisions, expenses for the participation of employees in profits, and revenues from the reversal of value adjustments as the result of the repayment of old operating receivables based on a court settlement. Taken into account in 2018 is the effect of the introduction of IFRS 16 in the amount of depreciation of right-of-use assets under lease in 2019.

** Group: excludes other operating revenues, revaluation operating expenses in connection with intangible assets and property, plant and equipment, other operating expenses from the creation of provisions, expenses for the participation of employees in profits, expenses from the correction of errors from previous years at subsidiaries, expenses associated with the effect of fraud at a subsidiary, revenues from the reversal of value adjustments as the result of the repayment of old operating receivables based on a court settlement, and expenses from the exclusion of a subsidiary from consolidation.

Parent company: excludes other operating revenues, revaluation operating expenses in connection with intangible assets and property, plant and equipment, other operating expenses from the creation of provisions, expenses for the participation of employees in profits, and revenues from the reversal of value adjustments as the result of the repayment of old operating receivables based on a court settlement.

*** Net debt: financial liabilities – loans granted and deposits – cash

A – Adjusted: note under the Table 1.

TABLE 17: NORMALISATION OF EBITDA AND EBIT

Intereuropa Group	Extraordinary effects (in EUR thousand)	2019	2018 (adjusted)
Gains from the derecognition of operating receivables	Adjustments to receivables due to the repayment of past-due receivables	570	0
Other operating revenues	Gains from the sale of fixed assets, reversal of provisions and all other revenues	2,892	2,031
Of which the reversal of impairments		2,031	0
Costs of goods, materials and services	Correction of errors from previous years at subsidiaries, the effect of leases under IFRS 16 in 2018 and the participation of agency workers in profit	-155	-1,703
Labour costs	Employee participation in profits, including contributions	-756	-1,111
Amortisation/depreciation	IFRS 16 in 2018	0	1,239
Loss due to the impairment of receivables	Adjustments to the value of receivables due to errors from previous years at subsidiaries	-25	0
Other operating expenses	Creation of provisions, effects of fraud at subsidiary in Zagreb, correction of errors from previous years at subsidiaries, exclusion of Albanian subsidiary from consolidation	-790	-718
Of which revaluation operating expenses for intangible assets and property, plant and equipment		-557	-56
Finance income	Revenues from default interest due to the repayment of past-due receivables	284	0
Finance costs		0	-76
Corporate income tax (including deferred taxes)	Deferred taxes and tax returns of subsidiaries	0	286
Impact on EBITDA		403	-1,501
Impact on EBIT		1,179	-318

Intereuropa, d. d.	Extraordinary effects (in EUR thousand)	2019	2018
Gains from the derecognition of operating receivables	Adjustments to receivables due to the repayment of past-due receivables	570	0
Other operating revenues	Gains from the sale of fixed assets, reversal of provisions and all other revenues	706	1,444
Of which the reversal of impairments		-251	0
Costs of goods, materials and services	Correction of errors from previous years at subsidiaries, the effect of leases under IFRS 16 in 2018 and the participation of agency workers in profit	-134	-468
Labour costs	Employee participation in profits, including contributions	-736	-1,097
Amortisation/depreciation	IFRS 16 in 2018	0	468
Other operating expenses	Creation of provisions, effects of fraud at subsidiary in Zagreb, correction of errors from previous years at subsidiaries, exclusion of Albanian subsidiary from consolidation	-181	-13
Of which revaluation operating expenses for intangible assets and property, plant and equipment		-52	-44
Finance income	Revenues from default interest due to the repayment of past-due receivables	284	0
Impact on EBITDA		-26	-134
Impact on EBIT		173	290

TABLE 18: INCOME STATEMENT OF THE INTEREUROPA GROUP FOR 2018 AND 2019 (IN EUR THOUSAND)

in EUR thousand	January–December 2019	January–December 2018 (adjusted)*	Index 2019/2018
Sales revenue	160,353	160,382	100
Losses from the derecognition of operating receivables and assets from contracts with customers	-46	-127	36
Other operating revenues	2,892	2,032	142
Costs of goods, materials and services	-116,356	-117,332	99
Labour costs	-28,934	-28,851	100
Amortisation/depreciation	-7,224	-6,276	115
Losses due to the impairment of receivables (including the reversal of impairment losses)	462	-523	-88
Other operating expenses	-3,623	-3,241	112
Operating profit	7,524	6,064	124
Interest income	454	134	339
Gains from the derecognition of loans granted and deposits	0	0	-
Other finance income	361	9	4,011
Finance costs – costs of financing	-1,857	-2,146	87
Losses due to the impairment of loans granted and deposits	-10	-2	500
Other finance costs	-30	-39	77
Loss from financing activities	-1,082	-2,044	53
Investment result recognised according to the equity method	0	8	-
Profit from ordinary operations	6,442	4,028	160
Corporate income tax (including deferred taxes)	-2,245	380	-
Net profit for the accounting period	4,197	4,408	95
Net profit pertaining to controlling interests	3,898	4,275	91
Net profit pertaining to non-controlling interests	299	133	225

* Adjusted: adjustments comprise disclosures in point II of the financial report – changes in accounting policies and correction of an error.

TABLE 19: INCOME STATEMENT OF THE PARENT COMPANY INTEREUROPA, D. D. FOR 2018 AND 2019 (IN EUR THOUSAND)

in EUR thousand	January–December 2019	January–December 2018	Index 2019/2018
Sales revenue	111,828	111,890	100
Losses from the derecognition of operating receivables and assets from contracts with customers	-46	-37	123
Other operating revenues	706	1,444	49
Costs of goods, materials and services	-83,393	-83,686	100
Labour costs	-18,915	-18,796	101
Amortisation/depreciation	-4,427	-4,070	109
Losses due to the impairment of receivables (including the reversal of impairment losses)	532	-288	-
Other operating expenses	-1,244	-1,125	111
Operating profit	5,042	5,332	95
Interest income	475	146	325
Gains from the derecognition of loans granted and deposits	0	0	-
Other finance income	1,843	904	204
Finance costs – costs of financing	-1,759	-1,945	90
Losses due to the impairment of loans granted and deposits	-151	0	-
Other finance costs	-342	-129	265
Profit or loss from financing activities	65	-1,024	-
Profit from ordinary operations	5,107	4,308	119
Corporate income tax (including deferred taxes)	-1,719	-164	1,048
Net profit for the accounting period	3,388	4,144	82
Basic and diluted earnings per ordinary share (in EUR)	0.12	0.15	80

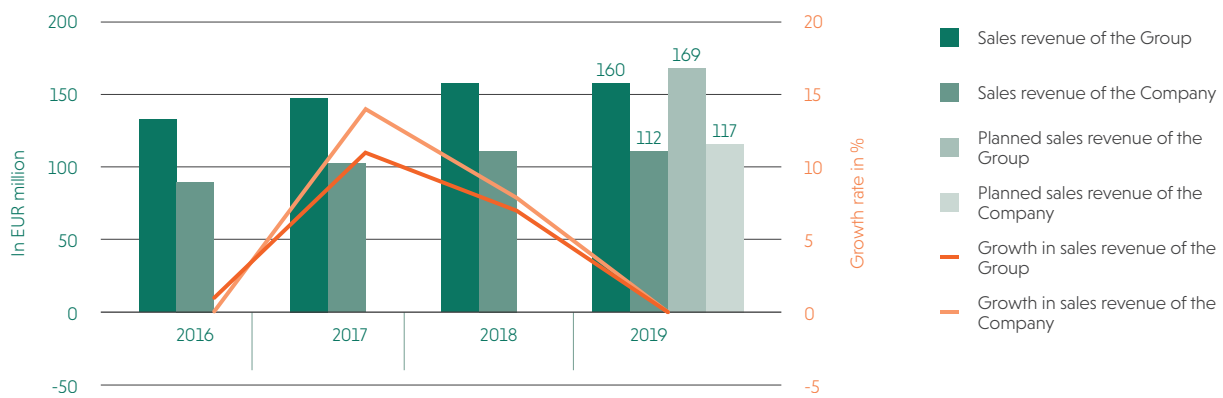
2.6.1.2 Operating revenues, operating expenses, operating profit and EBITDA

The Group generated sales revenue of EUR 160.4 million in 2019, the same as in 2018. The most significant rise in sales revenue in 2019 relative to 2018 was recorded by the subsidiary in Croatia, which has been successfully restructuring its operations for several years. An increase in sales revenue was also recorded by the subsidiaries in Ukraine, Kosovo and Montenegro, while a drop was recorded by the subsidiaries in North Macedonia, Serbia and Bosnia and Herzegovina.

The highest growth in sales revenue was recorded by the logistics solutions segment, while sales revenue was also up in the land transport segment. Revenues were down in the intercontinental transport segment.

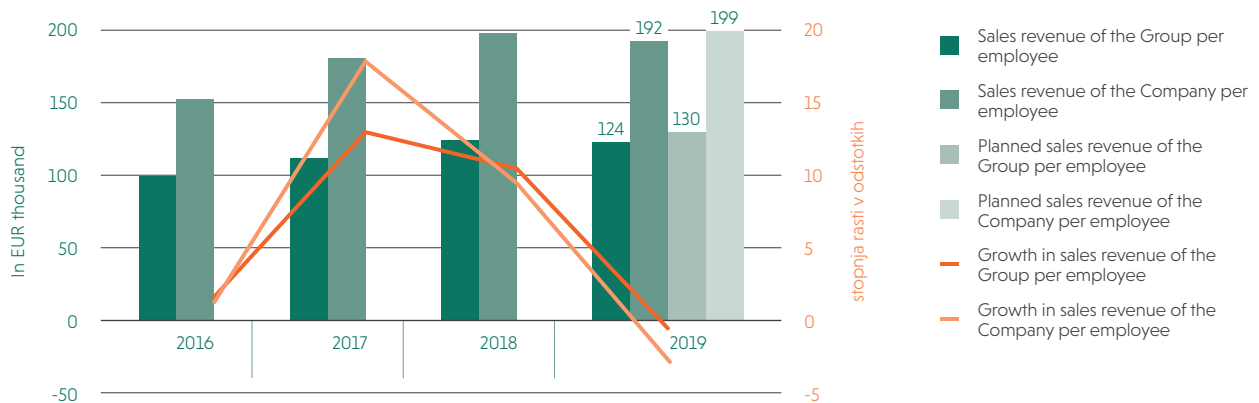
In 2019, the Intereuropa Group successfully halted the trend of a declining average sales margin from previous years, and recorded an increase in the average sales margin in 2019 by 0.2 percentage points relative to 2018.

FIGURE 10: CHANGES IN THE SALES REVENUE OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA, D. D. IN THE PERIOD 2016 TO 2019



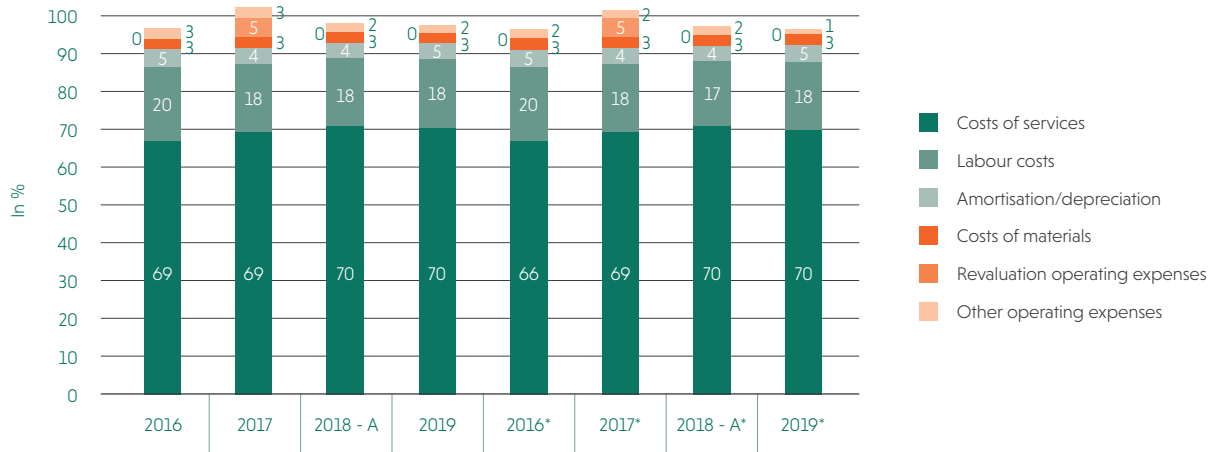
In 2019, the Group maintained labour productivity, measured as sales revenue per employee, at the level of the previous year, while labour productivity was down at the parent company in 2019, in part due to an increase in the number of employees and in part due to the hiring of agency workers into regular employment.

FIGURE 11: CHANGES IN SALES REVENUE PER EMPLOYEE OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA, D. D. IN THE PERIOD 2016 TO 2019



Amortisation and depreciation as a proportion of sales revenue was up at the Group level in 2019. Contributing significantly to this was an amendment to IFRS 16. The proportion of sales revenue accounted for by labour costs (excluding expenses for employee participation in profits) was also up, while average labour costs per employee were at the level recorded the previous year.

FIGURE 12: OPERATING EXPENSES AS A PROPORTION OF THE SALES REVENUE OF THE INTEREUROPA GROUP IN THE PERIOD 2016 TO 2019



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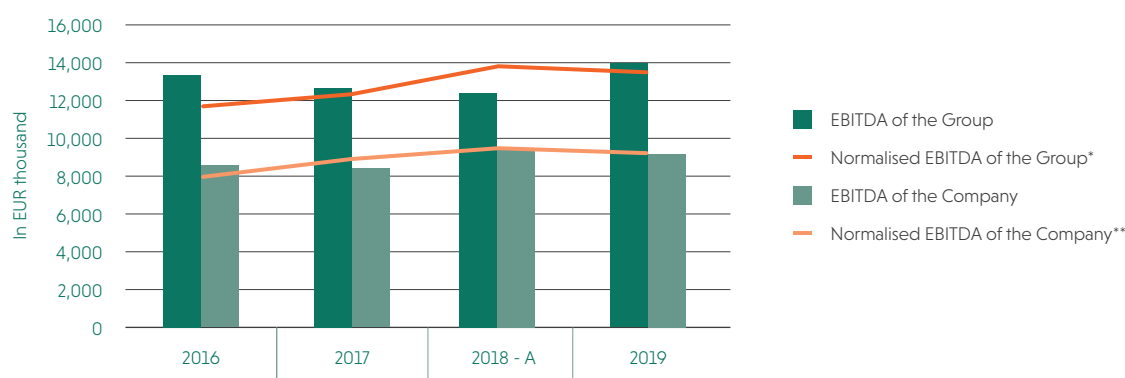
* Excluding other operating expenses from provisions for litigation and liabilities from past operations, and expenses for employee participation in profits.

The Intereuropa Group generated EBITDA of EUR 14.0 million in 2019, an increase of 13% relative to the previous financial year, but 1.7% lower than planned. The main factor in EBITDA in 2019 was the effect of the transition to the new IFRS 16, where the costs of depreciation of right-of-use assets under lease amounted to EUR 1.2 million in 2019. Also contributing positively were revenues from the reversal of adjustments to the value of receivables due to the recovery of operating receivables that were several years old and impaired in full in the past. Having a negative effect on EBITDA were other operating expenses due to a case of fraud at the subsidiary in Croatia, where the embezzlement of funds was discovered at the end of October 2019.

Normalised EBITDA amounted to EUR 13.6 million in 2019, a decrease of 2% relative to normalised EBITDA in 2018.

Changes in the normalised EBITDA and normalised operating profit of the Group and parent company (illustrated in Figures 13 and 14) indicate a slight decline in 2019.

FIGURE 13: CHANGES IN THE EBITDA OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA, D. D. IN THE PERIOD 2016 TO 2019

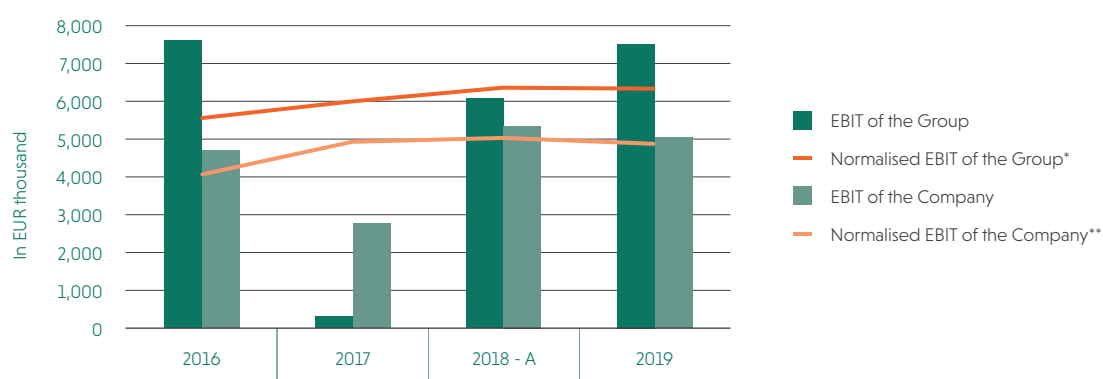


A – Adjusted: note under the Table 1.

* Group: excludes other operating revenues, other operating expenses from the creation of provisions, expenses for the participation of employees in profits, expenses associated with the effect of fraud at a subsidiary, expenses from the correction of errors from previous years at subsidiaries, revenues from the reversal of value adjustments as the result of the repayment of old operating receivables based on a court settlement, and expenses from the exclusion of a subsidiary from consolidation. Taken into account in 2018 is the effect of the introduction of IFRS 16 in the amount of depreciation of right-of-use assets under lease in 2019.

** Parent company: excludes other operating revenues, other operating expenses from the creation of provisions, expenses for the participation of employees in profits, and revenues from the reversal of value adjustments as the result of the repayment of old operating receivables based on a court settlement. Taken into account in 2018 is the effect of the introduction of IFRS 16 in the amount of depreciation of right-of-use assets under lease in 2019.

FIGURE 14: CHANGES IN THE OPERATING PROFIT OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA, D. D. IN THE PERIOD 2016 TO 2019



A – Adjusted: note under the Table 1.

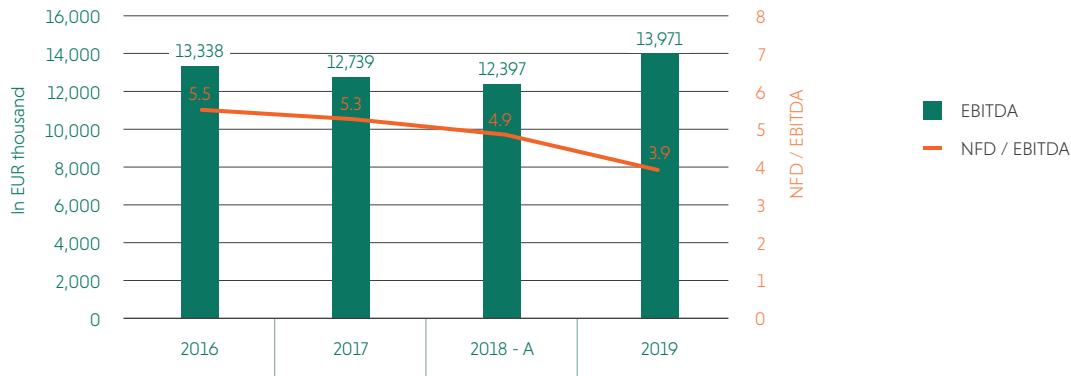
* Group: excludes other operating revenues, revaluation operating expenses in connection with intangible assets and property, plant and equipment, other operating expenses from the creation of provisions, expenses for the participation of employees in profits, expenses from the correction of errors from previous years at subsidiaries, expenses associated with the effect of fraud at a subsidiary, revenues from the reversal of value adjustments as the result of the repayment of old operating receivables based on a court settlement, and expenses from the exclusion of a subsidiary from consolidation.

** Parent company: excludes other operating revenues, revaluation operating expenses in connection with intangible assets and property, plant and equipment, other operating expenses from the creation of provisions, expenses for the participation of employees in profits, and revenues from the reversal of value adjustments as the result of the repayment of old operating receivables based on a court settlement.

2.6.1.3 Finance income and costs

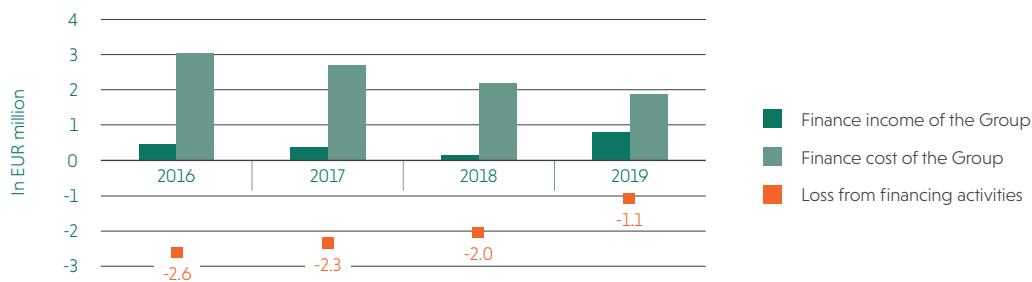
The Group continued to reduce its debt in 2019. Net debt amounted to EUR 54.4 million at the end of 2019, a reduction of EUR 5.8 million during the year, which was seen in part in an improvement in the Group's net debt / EBITDA ratio, which stood at 3.9 in 2019, a decrease of 19.9% relative to the previous year when that ratio was 4.9.

FIGURE 15: CHANGES IN EBITDA AND THE NET DEBT / EBITDA RATIO OF THE INTEREUROPA GROUP BETWEEN 2016 AND 2019



A –Adjusted: note under the Table 1.

FIGURE 16: LOSS FROM FINANCING ACTIVITIES OF THE INTEREUROPA GROUP IN THE PERIOD 2016 TO 2019



The Group generated a loss from financing activities of EUR 1.1 million, an improvement of EUR 1.0 million relative to the previous year. The most important category in that respect is interest expenses, which amounted to EUR 1.9 million, a decrease of EUR 0.3 million relative to the previous year, primarily due to the reduction of debt. Contributing positively to the improved result from financing activities were an increase in interest income of EUR 0.3 million and positive exchange rate differences in the amount of EUR 0.4 million.

In September 2019, the parent company began the process of refinancing loans that were arranged under the financial restructuring agreement in 2012. That process was successfully completed in January 2020, when the parent company and a syndicate of banks, including Nova Ljubljanska banka, d. d. acting as the organiser and agent, concluded a long-term loan agreement in the amount of EUR 54,850,000. Pošta Slovenije, d. o. o. contributed to the successful refinancing process by issuing a guarantee covering 80% of the amount of that loan. That refinancing will mean significantly lower finance costs in the future. Successful refinancing provides Intereuropa, d. d. and the Intereuropa Group with long-term financial stability, and also provides additional opportunities for development within the Pošta Slovenije Group.

2.6.1.4 Net profit

The Intereuropa Group generated a net profit of EUR 4.2 million in 2019, a decrease of EUR 0.2 million relative to the previous year and EUR 1.4 million lower than planned. Contributing significantly to that result were higher expenses for deferred taxes at the parent company.

The latter's net profit amounted to EUR 3.4 million in 2019, a decrease of EUR 0.8 million relative to the previous year and EUR 2.7 million lower than planned.

2.6.1.5 Structure of the statement of financial position of the Group

Total assets were down by EUR 9.6 million in 2019, primarily as the result of a reduction in current assets.

Non-current assets were down by EUR 2.2 million, most notably the item deferred tax assets as the result of a tax loss at the parent company. The main factors in changes to the value of property, plant and equipment were the reclassification of assets to investment property, the sale of property, plant and equipment, and an increase in right-of-use assets under leases.

Contributing most to the reduction in current assets were reductions in cash and cash equivalents, assets held for sale and current trade receivables.

The most significant change on the liability side was in financial liabilities, which were down by EUR 9.4 million in 2019, and accounted for 27.6% of total equity and liabilities, a decrease of 2.9 percentage points relative to the end of the year. Contributing to that reduction was the repayment of the Group's debt, which was reflected in an improved net debt / EBITDA ratio.

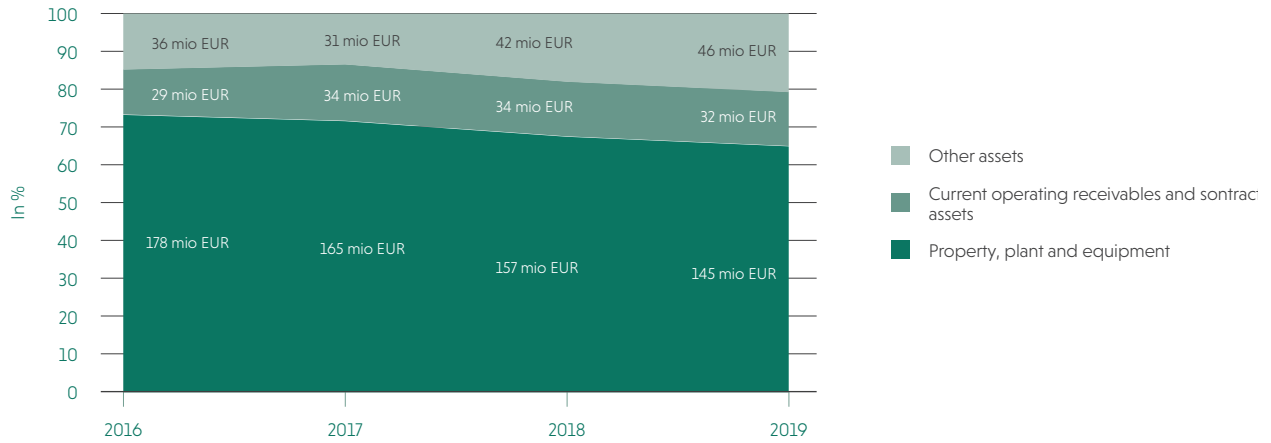
The proportion of total equity and liabilities accounted for by equity was up by 3.2 percentage points in 2019.

TABLE 20: ITEMS FROM THE STATEMENT OF FINANCIAL POSITION OF THE GROUP IN THE PERIOD 2016 TO 2019 (IN EUR THOUSAND)

	2016	2017	2018 - A	2019	Index 2019/2018
ASSETS	242,099	229,672	232,927	223,351	96
A. NON-CURRENT ASSETS, of which:	204,983	188,267	182,977	180,747	99
property, plant and equipment	177,594	164,669	157,404	145,262	92
non-current financial assets	644	106	102	185	181
B. CURRENT ASSETS, of which:	37,116	41,405	49,950	42,604	85
current operating receivables and contract assets	28,804	34,252	33,722	31,931	95
cash assets	5,294	3,618	9,578	6,283	66
EQUITY AND LIABILITIES	242,099	229,672	232,927	223,351	96
A. EQUITY	124,341	117,049	120,229	122,358	102
B. NON-CURRENT LIABILITIES, of which:	89,065	81,758	15,470	17,328	112
non-current financial liabilities	74,736	66,995	511	2,719	532
C. CURRENT LIABILITIES, of which:	28,693	30,865	97,228	83,665	86
current financial liabilities	6,201	5,786	70,551	58,978	84
current operating liabilities and contract assets	21,885	24,838	26,306	24,341	93

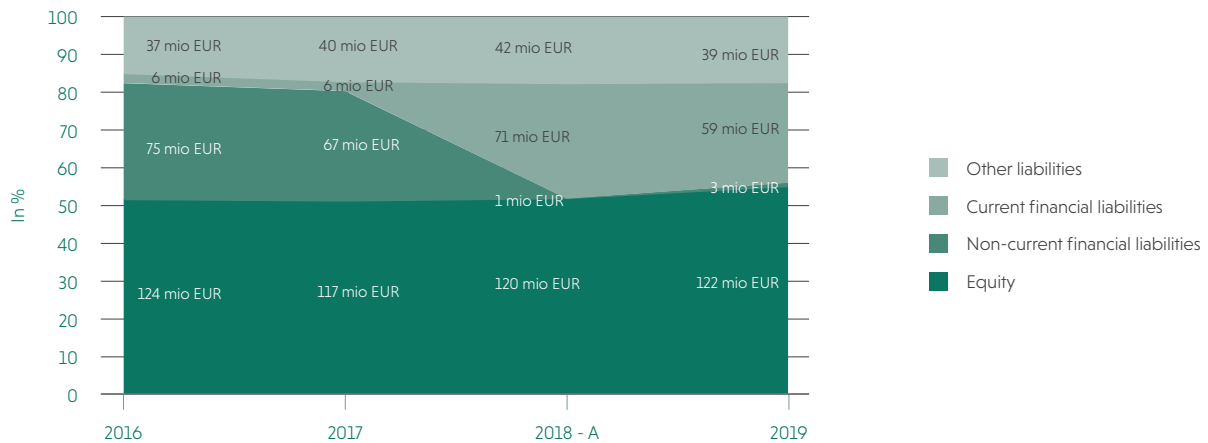
A – Adjusted: note under the Table 1.

FIGURE 17: STRUCTURE OF THE GROUP'S ASSETS IN THE PERIOD 2016 TO 2019



The proportion of the Group's total assets accounted for by other assets has risen over the last two years. Investment property, deferred tax assets and cash and cash equivalents account for the majority of other assets.

FIGURE 18: STRUCTURE OF THE EQUITY AND LIABILITIES OF THE INTEREUROPA GROUP IN THE PERIOD 2016 TO 2019



A – Adjusted: note under the Table 1.

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 2019 was recorded in property, plant and equipment, as the result of the reclassification of assets to investment property and an increase in right-of-use assets under leases due to the transition to IFRS 16. Deferred tax assets were down amongst non-current assets, while most significant change amongst current assets was recorded in assets held for sale and cash and cash equivalents.

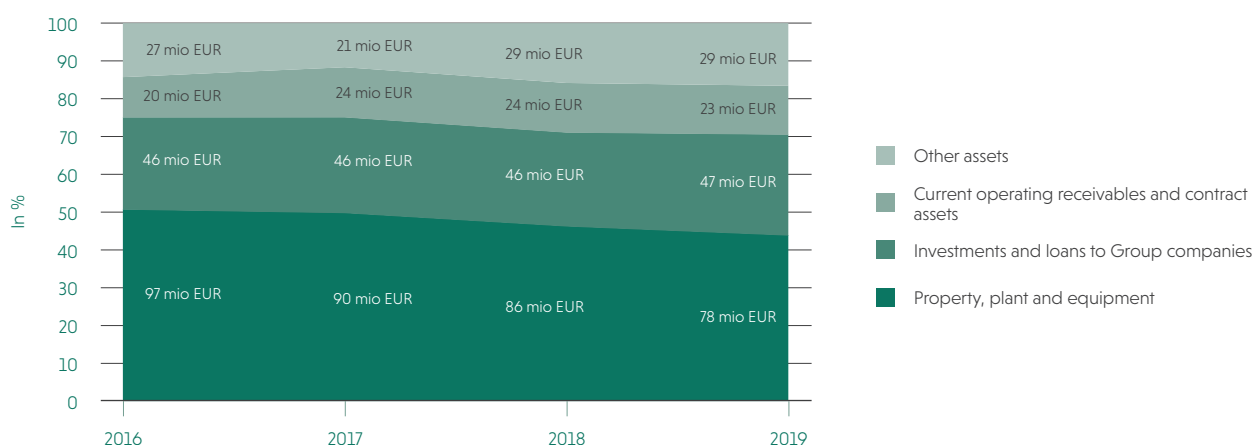
The most significant change on the liability side was in financial liabilities, which were down by EUR 9.4 million in 2019, and accounted for 35.3% of total equity and liabilities, a decrease of 3.5 percentage points relative to the end of the previous financial year.

TABLE 21: ITEMS FROM THE STATEMENT OF FINANCIAL POSITION OF THE PARENT COMPANY INTEREUROPA, D. D. FROM 2016 TO 2019
(IN EUR THOUSAND)

	2016	2017	2018 - A	2019	Index 2019/2018
ASSETS	190,731	180,279	185,114	176,748	95
A. NON-CURRENT ASSETS, of which:	166,635	153,893	150,992	148,710	98
property, plant and equipment	96,812	89,848	85,752	77,641	91
non-current financial assets, of which:	45,739	44,323	44,323	44,889	101
investments in subsidiaries	45,169	44,257	44,257	44,823	101
B. CURRENT ASSETS, of which:	24,096	26,386	34,121	28,038	82
current operating receivables and contract assets	20,290	23,814	24,210	22,759	94
current financial investments	1,593	1,211	1,615	2,326	144
EQUITY AND LIABILITIES	190,731	180,279	185,114	176,748	95
A. EQUITY, of which:	87,118	80,797	85,005	87,227	103
share capital	27,489	27,489	27,489	27,489	100
Share premium account	18,455	18,455	18,455	18,455	100
fair value reserves	34,929	32,342	32,183	30,626	95
B. NON-CURRENT LIABILITIES, of which:	82,855	76,364	10,122	11,254	111
non-current financial liabilities	73,175	66,327	0	870	-
C. CURRENT LIABILITIES, of which:	20,758	23,118	89,987	78,267	87
current financial liabilities	4,412	5,196	71,778	61,505	86
current operating liabilities and contract assets	15,849	17,875	18,073	16,623	92

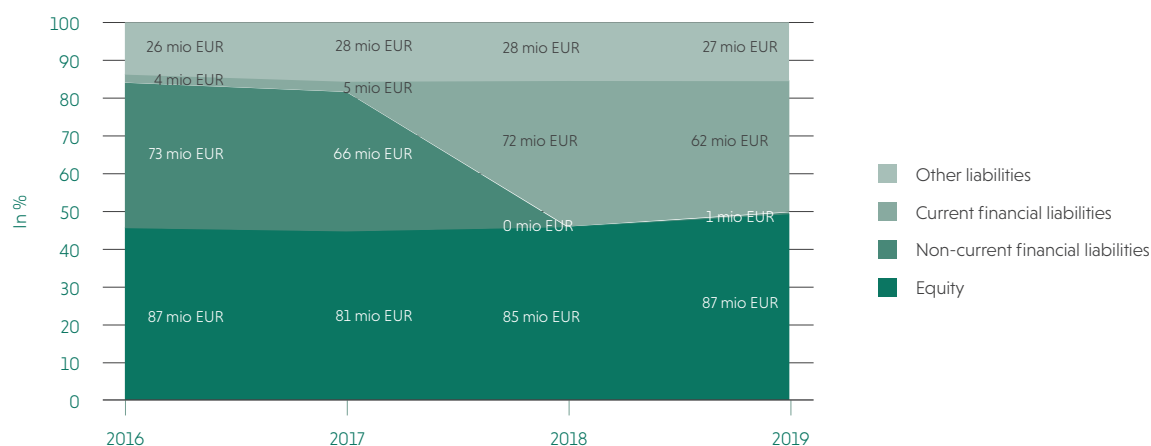
A – Adjusted: adjustments comprise disclosures in point II of the financial report – changes in accounting policies and correction of an error.

FIGURE 19: STRUCTURE OF THE ASSETS OF THE PARENT COMPANY INTEREUROPA, D. D. IN THE PERIOD 2016 TO 2019



The most significant items amongst other assets are investment property and deferred tax assets.

FIGURE 20: STRUCTURE OF THE EQUITY AND LIABILITIES OF THE PARENT COMPANY INTEREUROPA, D. D. IN THE PERIOD 2016 TO 2019



A – Adjusted: adjustments comprise disclosures in point II of the financial report – changes in accounting policies and correction of an error.

2.6.1.7 Cash flow analysis

The Group generated a positive net cash flow from operating activities of EUR 12.6 million in 2019, an increase of 2% relative to 2018. After three years, the net cash flow from investing activities was positive again at the Group level in 2019, in the amount of EUR 0.3 million. Following the coverage of the negative net cash flow from financing activities in the amount of EUR 16.2 million, Group companies had cash and cash equivalents of EUR 6.3 million at the end of 2019, a decrease of EUR 3.3 million on the balance at the end of 2018. 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 2019, similar to the level recorded in 2018. After one year, the parent company's net cash flow from investing activities was positive last year, in the amount of EUR 1.3 million. The reason lies primarily in lower investments relative to 2018, when they reached their highest level in recent years, but were still lower than the amount of amortisation and depreciation, and higher sales of obsolete assets, in the context of which major items of real estate were sold in Slovenia in 2019. Early repayments of loan principal in the amount of EUR 2.9 million were made to creditor banks in 2019. A negative net cash flow from financing activities was generated in the amount of EUR 13.0 million, a decrease of EUR 11.9 million relative to 2018. The main reason for that decrease was a temporary increase in the utilisation of revolving loans at the end of 2018. Those loans were repaid in 2019 and were not utilised again at the end of the current year. The balance of cash and cash equivalents was lower as a result. The parent company had cash and cash equivalents of EUR 2.8 million at the end of the year, a decrease of EUR 2.7 million relative to the end of 2018.

TABLE 22: CASH FLOWS OF THE INTEREUROPA GROUP AND THE PARENT COMPANY INTEREUROPA, D. D. FOR THE PERIOD 2016 TO 2019 (IN EUR THOUSAND)

	Group				Parent company			
	2016	2017	2018	2019	2016	2017	2018	2019
Net cash flow from operating activities	5,550	9,742	12,317	12,573	2,102	6,469	9,112	9,099
Net cash flow from investing activities	9,401	-832	-2,886	310	10,932	425	-2,930	1,255
Net cash flow from financing activities	-20,749	-10,570	-3,437	-16,184	-19,381	-8,303	-1,165	-13,027
Exchange rate differences relating to cash	-15	-16	-34	6	0	0	0	0
Net cash flow for the period	-5,798	-1,660	5,994	-3,301	-6,347	-1,409	5,017	-2,673

2.7 SHARES AND OWNERSHIP STRUCTURE

The volume of trading in shares on the Ljubljana Stock Exchange in 2019 was down by 7% relative to 2018, while the SBI TOP index was up by 15%. Trading in Intereuropa's shares was subdued in 2019, with turnover down by 40% relative to the previous year. A major change in the share price occurred in September following the publication of the unit price per share for the completion of the purchase transaction under the agreement on the sale and purchase of shares of Intereuropa, d. d. by Pošta Slovenije, d. o. o. The publication of the purchase price of EUR 1.45 per share triggered an immediate adjustment to the share price, which recorded a 45% drop in value over a period of one year. With the completion of the transaction in November, six banks were eliminated from the ownership structure, while Pošta Slovenije, d. o. o. became the Company's majority owner.

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. In April 2018, those banks began the process of selling their shares in Intereuropa, d. d. That process was successfully completed in May 2019 with the signing of an agreement on the sale of shares by the banks and Pošta Slovenije, d. o. o. Following the fulfilment of contractual suspensive conditions, the purchase of a package of Intereuropa, d. d.'s shares was completed on 13 November 2019. At the end of 2019, Pošta Slovenije, d. o. o. held 72.13% of the Company's shares, as follows: 9,168,425 ordinary IEKG shares and 10,657,965 preference IEKN shares.

The Company's share capital was unchanged in 2019, 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 23: KEY DATA REGARDING SHARES

	2016	2017	2018	2019
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)	3.17	2.94	3.09	3.18
Data regarding trading in IEKG shares				
Closing price in EUR (as at 31 December)	1.18	2	2.60	1.43
Weighted average price in EUR	1.08	2.26	2.50	2.29
Highest price in EUR	1.36	2.4	3.0	2.80
Lowest price in EUR	0.50	1.17	1.93	1.40
Market capitalisation in EUR thousand	19,860	33,679	43,760	24,068
Turnover in EUR thousand	783	2,558	2,010	1,207
Indicators				
Earnings (loss) per ordinary share in EUR	-0.13	0.01	0.15	0.12
Cash flow per share in EUR	0.02	0.16	0.30	0.28
Gross dividends per share in EUR	0.00	0.00	0.00	0.00
P/BV	0.37	0.68	0.84	0.45
P/CF	67.81	12.37	8.70	5.03
P/E	-9.08	200.00	17.33	11.92
Capital yield	122.6%	69.6%	29.9%	-45.0%
Dividend yield	0.0%	0.0%	0.0%	0.0%
Total yield	122.6%	69.6%	29.9%	-45.0%

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

The volume of trading in IEKG shares was lower than in 2018. A total of 859 transactions were concluded in which owners exchanged 564,525 IEKG shares. Annual turnover in shares amounted to EUR 1.2 million, while average daily turnover was EUR 4.9 thousand. The market value of IEKG shares fluctuated between EUR 1.40 and EUR 2.80 per share. Following the publication of the purchase price of EUR 1.45 per share, the share price fell and ended the year at EUR 1.43. This was the main reason that IEKG shares lost 45% of their value during the year, while Slovenian SBI TOP index gained 15%. This was also reflected in the market capitalisation of ordinary IEKG shares, which at the end of 2019 amounted to just EUR 24.1 million.

FIGURE 21: CHANGES IN THE PRICE OF IEKG SHARES AND THE SBI TOP INDEX IN 2019

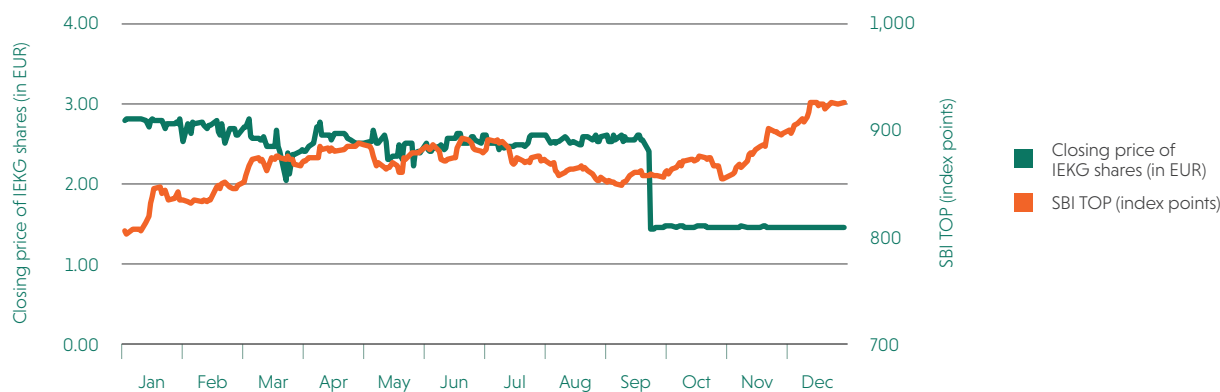
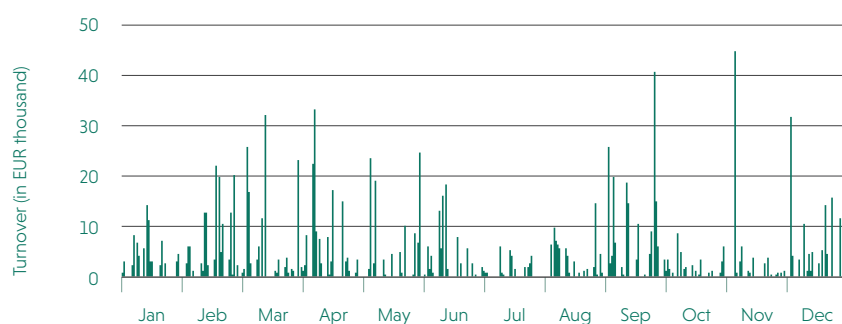


FIGURE 22: TURNOVER IN INTEREUROPA SHARES IN 2019



Ownership structure of the Company

Following no significant changes in the ownership structure since 2012, a major change occurred at the end of 2019 with the entry of a new majority owner. There were 3,608 shareholders entered in the register of shareholders at the end of 2019, a decrease of 7% relative to the end of the previous year.

The purchase of a package of shares by Pošta Slovenije, d. o. o. in November 2019 resulted in the withdrawal of six banks from the ownership structure. For the needs of the takeover proceedings, the new majority owner and shareholders owned by the Republic of Slovenia (Kapitalska družba, d. d., SDH, d. d., Zavarovalnica Triglav, d. d., Triglav RE, d. d., Luka Koper, d. d. and Luka Koper INPO, d. o. o.) temporarily deposited their shares on a special account at KDD (fiduciary ownership).

In the period 10 December 2019 to 13 January 2020, Pošta Slovenije, d. o. o.'s takeover bid was accepted by 990 shareholders, who together held 2,408,846 IEKG shares or 8.76% of all shares issued. Pošta Slovenije, d. o. o. thus increased its ownership stake to 80.89% in January 2020.

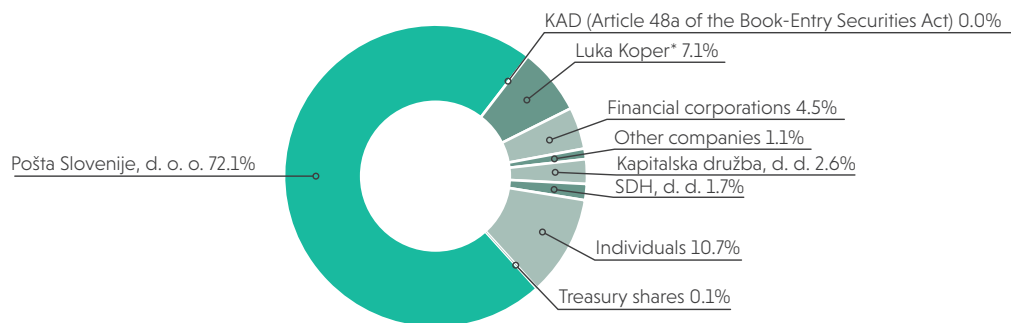
There was a significant reduction in the proportion of shares held by financial corporations (by 72 percentage points) and individuals (by 0.6 percentage points) relative to the situation as at 31 December 2018. The proportion of shares held by foreign investors was 0.7%. The combined participating interest of the top ten shareholders was up by 4 percentage points relative to the situation as at 31 December 2018 to stand at 87.6%.

TABLE 24: TOP TEN SHAREHOLDERS OF THE PARENT COMPANY INTEREUROPA, D. D. AS AT 31 DECEMBER 2019

Item no.	Shareholder	Number of shares 31 December 2019	Participating interest 31 December 2019
1.	Pošta Slovenije, d. o. o.	19,826,390	72.1%
2.	Luka Koper, d. d.	1,344,783	4.9%
3.	Kapitalska družba, d. d.	719,797	2.6%
4.	Luka Koper INPO, d. o. o.	615,730	2.2%
5.	SDH, d. d.	474,926	1.7%
6.	NLB Skladi (Slovenian balanced funds)	391,000	1.4%
7.	Zavarovalnica Triglav, d. d.	332,918	2.0%
8.	PFCI, d. o. o.	138,324	0.5%
9.	Primorski skladi, d. o. o., Koper PS Modra linija	123,007	0.4%
10.	Individuals	99,816	0.4%

At the end of 2019, 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 23: OWNERSHIP STRUCTURE TAKING INTO ACCOUNT BOTH CLASSES OF SHARES OF THE PARENT COMPANY INTEREUROPA, D. D. AS AT 31 DECEMBER 2019



* 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 25: NUMBER OF IEKG SHARES HELD BY SUPERVISORY BOARD MEMBERS AS AT 31 DECEMBER 2019

Shareholder	Number of shares 31 December 2019	Participating interest 31 December 2019
Tjaša Benčina, member of the Supervisory Board	40	0.0001%

Authorised capital

Intereuropa, d. d. had no authorised capital as at 31 December 2019.

Dividend policy

The Company did not pay dividends in 2019.

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

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

Financial calendar of publications for 2020

Date	Publication
4 February 2020 – 5 March 2020 No-communication period	
6 March 2020 Friday	Publication of information regarding the business results of the Intereuropa Group and the parent company Intereuropa, d. d. in 2019
16 April 2020 Thursday	Publication of the audited annual report for 2019
1 May 2020 – 20 May 2020 No-communication period	
21 May 2020 Thursday	Publication of the unaudited business report of the Intereuropa Group and the parent company Intereuropa, d. d. for the period January to March 2020
26 June 2020 Friday	Publication of the resolutions from the 35th General Meeting of Shareholders
6 August 2020 – 26 August 2020 No-communication period	
27 August 2020 Thursday	Publication of the unaudited business report of the Intereuropa Group and the parent company Intereuropa, d. d. for the period January to June 2020
30 October 2020 – 18 November 2020 No-communication period	
19 November 2020 Thursday	Publication of the unaudited business report of the Intereuropa Group and the parent company Intereuropa, d. d. for the period January to September 2020
10 December 2020 Thursday	Presentation of the planning documents of the Intereuropa Group and the parent company Intereuropa, d. d. for 2021

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 provide information regarding its operations during no-communication periods.

Scheduled regular 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 regarding 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 revised in 2018 and upgraded in 2019. Those rules define the risk management process at all Group companies, and include:

- the responsibilities and competences of key persons in the risk management process;
- 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.

Exposure to risks is assessed in two steps: first, at the level of each Group company, where risk must be assessed by an administrator and the senior management of a subsidiary; and second, at the Group level, where the level of risk is calculated as the sum of the estimated weighted average annual amounts of damage at companies where a particular risk was identified. The estimated average annual amount of damage at a given company is calculated as the product of the frequency of an unwanted event and the estimated value of the consequences of the realisation of that event.

The setting of the level of risk for the Group using the calculated weighted average of estimated annual amounts of damage is illustrated in Table 26.

TABLE 26: LEVEL OF RISK FOR THE INTEREUROPA GROUP

Level of risk for the Group	Estimated damage to the Group (in EUR)
1	$X \leq 20,000$
2	$20,001 < X \leq 50,000$
3	$50,001 < X \leq 80,000$
4	$80,001 < X \leq 110,000$
5	$110,001 < X \leq 160,000$
6	$160,001 < X \leq 210,000$
7	$210,001 < X \leq 260,000$
8	$260,001 < X \leq 310,000$
9	$310,001 < X \leq 410,000$
10	$410,001 < X \leq 510,000$
11	$510,001 < X \leq 610,000$
12	$610,001 < X \leq 710,000$
13	$710,001 < X \leq 960,000$
14	$960,001 < X \leq 1,210,000$
15	$1,210,001 < X \leq 1,460,000$
16	$X \geq 1,460,001$

Identified levels of risks fall into the following ranges:

- Assessments from 1 to 4 represent low-level and less significant risks;
- Assessments from 5 to 8 represent medium-level and moderate risks;
- Assessments from 9 to 12 represent high-level and significant risks; and
- Assessments from 13 to 16 represent very high-level and very significant risks.

The senior management of the parent company is responsible for defining the risk management policy and introducing a comprehensive risk management process within the Intereuropa Group.

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 members of the aforementioned committee on identified risks. They also discuss proposed risk management measures, together with deadlines and responsible persons. The success of the implementation of adopted 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 2019, a total of 47 risks were identified at the Group level, two assessed as very high, one assessed as high, 15 assessed as medium and 29 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. A risk with a high level of risk was also identified among operational risks, i.e. risk associated with fraud and other criminal acts. That risk was identified at all Group companies.

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 used to achieve those objectives, and on the quality of implementation. Eight strategic risks were identified at the Group level at the end of 2019. The level of risk associated with two was assessed as extremely high, i.e. the risk of the loss of customs terminal status at two Group subsidiaries and the risk that managers at Group companies do not work to the benefit of owners and the company itself, but rather to their own benefit. The latter was identified at six Group companies.

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. Seven regulatory compliance risks were identified at the Intereuropa Group level at the end of 2019, none of which were assessed as high or very high.

Five **financial risks** were also identified at the Group level at the end of 2019. 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. Currency risk was assessed as medium, while other risks were assessed as low. 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 2019. 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.

The coronavirus, which was initially identified in China and then in all European countries in March, will have a significant impact on the Group's operations and on entire global economy in 2020. The Intereuropa Group adopted measures in March 2020 to provide employees instructions to prevent infection with the coronavirus. The Group also purchased the necessary preventive means and drafted an action plan in the event the coronavirus should be detected amongst employees. While preparing the text of the annual report, it was impossible to assess the impact of the epidemic on the operations of the Intereuropa Group. There is no doubt, however, that it will lead to lower sales revenue and the deterioration of the Group's liquidity position.

2.9 DEVELOPMENT AND INVESTMENTS

2.9.1 DEVELOPMENT OF THE COMPUTERISATION OF OPERATIONS

Following the updating of the information technology (IT) strategy in 2018, which defined as 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, projects and activities were implemented in 2019 with the aim of achieving the aforementioned objectives.

With the adoption of the Policy on the Governance of Intereuropa Group Subsidiaries, Intereuropa, d. d.'s IT sector assumed an active role in the management of IT within the Group. Shared IT policies were thus adopted and serve as the basis for standardised functioning and management. The standardisation of the Group's IT system continued. The main projects in terms of the standardisation of IT solutions were as follows:

- the inclusion of Intereuropa, logističke usluge, Zagreb in the Group's information system;
- the implementation of the SAP Salaries solution at Intereuropa, logističke usluge, Zagreb;
- preparations and the launch of a project to introduce the Group's WexVS, EBA and SAP business information solutions at the subsidiary AD Intereuropa, logističke usluge, Belgrade;
- the introduction of an EBA document information system at Intereuropa RTC, d. d., Sarajevo and AD Intereuropa, logističke usluge, Belgrade;
- the introduction of the WexVS-WMS for managing warehouses and the suspension of the old WMS;
- preparations and the launch of a project to introduce the SAP Financial Accounting solution at Intereuropa Kosova, Intereuropa Skopje, Intereuropa Sajem and Interzav;
- the introduction of the majority of the functionalities of the Wex Sea system to support operational processes in the sea freight segment;
- the introduction of new functionalities in the CRM system at Group companies;
- the continued development of a business intelligence system;
- the migration of MG Soft business application of Zetatrans, Podgorica to the Group's infrastructure;
- the introduction of a 'Service desk' system at Intereuropa, logističke usluge, Zagreb, Intereuropa RTC, d. d., Sarajevo and AD Intereuropa, Belgrade; and
- the introduction of advanced control systems for the active monitoring of the functioning of the IT infrastructure and applications.

The following key projects and activities are planned for 2020 with the aim of achieving strategic IT objectives and implementing the Group's business plan:

- the inclusion of Zetatrans, Podgorica and Intereuropa, Skopje in the Group's information system;
- the completion of the project to introduce the Group's WexVS, EBA and SAP business information solutions at the subsidiary AD Intereuropa, Belgrade;
- the completion of projects to introduce the SAP Financial Accounting solution at Intereuropa Kosova, Intereuropa Skopje, Intereuropa Sajem and Interzav;
- the introduction of the Wex-WMS solution in warehousing processes at Intereuropa RTC, Sarajevo;
- the introduction of a mobile solution for tracking FTL/LTL shipments;
- completion of the CRM project;
- completion of the BI (business intelligence) project;
- the introduction of the 'Service desk' system at Zetatrans, Podgorica and Intereuropa, Skopje;
- The linking of the Intereuropa Group's communication network with Pošta Slovenije's network;
- the introduction of a back-up location for ensuring business continuity;
- the exploitation of IT synergies with the Pošta Slovenije Group; and
- establishment of an information security function.

2.9.2 INVESTMENTS IN FIXED ASSETS

2.9.2.1 Intereuropa Group

The Intereuropa Group invested EUR 2.9 million in fixed assets in 2019. Of that amount, EUR 0.7 million was invested in real estate and EUR 2.2 million in equipment and intangible assets. Thus, 48.9% of the annual investment plan was realised. The majority of funds were earmarked for the following purposes: EUR 0.8 million for the purchase of 52 forklifts, EUR 0.6 million for the development and upgrading of information technologies; a total of EUR 0.5 million for the implementation of an outdoor platform at the warehouse in Podgorica, and the arrangement of warehouses in Celje and Logatec; and EUR 0.3 million for warehouse equipment.

TABLE 27: OVERVIEW OF THE REALISATION OF PLANNED INVESTMENTS BY THE INTEREUROPA GROUP AND PARENT COMPANY IN 2019 AND COMPARISON WITH 2018 (IN EUR THOUSAND)*

	Real estate			Intangible assets and property, plant and equipment			Total investments				
	2018	2019 plan	2019	2018	2019 plan	2019	2018	2019 plan	2019	Index 19/18	Index 19/19 plan
Intereuropa, d. d.	2,471	1,106	327	1,727	2,334	1,276	4,198	3,440	1,603	38.2	46.6
Subsidiaries	370	855	329	806	1,612	957	1,176	2,467	1,286	109.4	52.1
Total Group	2,841	1,961	656	2,533	3,946	2,233	5,374	5,907	2,889	53.8	48.9

* Breakdown by property, plant and equipment and intangible assets: of the Group's total investments in 2019 in the amount of EUR 2,889 thousand, EUR 2,643 thousand was invested in property, plant and equipment and EUR 246 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 purchase of 18 forklifts, warehouse doors in Celje and warehouse shelves in Vrtojba;
- investments in the development of IT solutions, licences, and the upgrading of computer equipment;
- the arrangement of warehouse A in Celje;
- the arrangement of business premises at the warehouse in Logatec;
- the upgrading of video surveillance and fire-protection systems; and
- the purchase of three semi-trailers.

2.9.2.3 Investments at subsidiaries

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

- the purchase of 25 forklifts, conveyor belt, road barrier, video surveillance system and wrapping machine in Zagreb; and
- the implementation of an outdoor platform at the warehouse in Podgorica.

2.9.2.4 Plans for 2020

Investments in the total amount of EUR 6.9 million are planned at the Group level, with the parent company Intereuropa, d. d. accounting for EUR 4.1 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 COMMERCIALY 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 gradual 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. Detailed information is presented in the financial report of the Group in note no. 10.

The Intereuropa Group sold fixed assets with a carrying amount of EUR 2.9 million for EUR 3.35 million in 2019, while in 2018 it sold fixed assets with a carrying amount of EUR 0.8 million for EUR 1.2 million.

The following major items of real estate were sold in 2019:

- the warehouse-office complex in Jesenice;
- developed land (freight vehicle parking lot) in Maribor; and
- undeveloped building land in Sarajevo.

In addition, two sales agreements were concluded in 2019 for land in Travnik and business premises in Pljevlja. Those transactions are still pending. Warehouse premises and office space in Zagreb were sold in February 2020. The carrying amount of the real estate listed above is EUR 2.1 million.



Inter.europa®

Globalni logistični servis

Sustainable development

With an eye for the environment

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

03





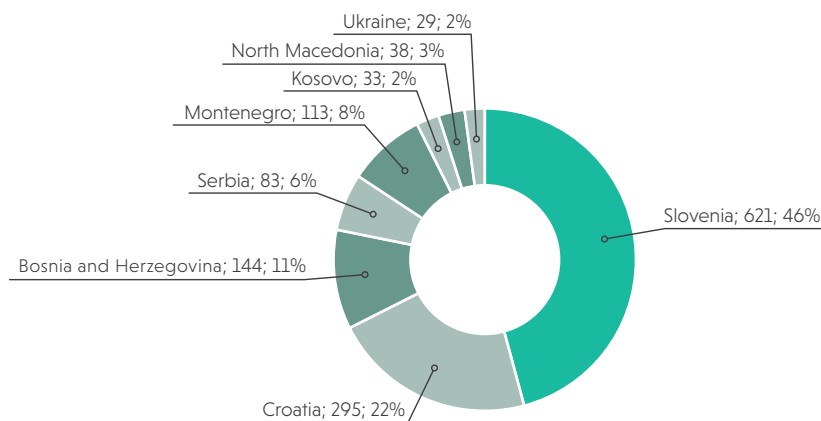
3 SUSTAINABLE DEVELOPMENT

3.1 HR ISSUES

3.1.1 NUMBER OF EMPLOYEES

The Intereuropa Group had an average of 1,346 employees in 2019. The balance on the last day of 2019 was 1,356, with Slovenian Group companies accounting for 46% of that number and foreign subsidiaries the remainder. The total number of Group employees was up by 29 or 2% relative to the end of 2018.

FIGURE 24: 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 up for the second year in a row at the parent company and the subsidiary in Bosnia and Herzegovina. The number of employees was also up at the subsidiaries in Serbia and North Macedonia, and down at Intereuropa, logističke usluge, Zagreb and at the subsidiary in Kosovo. The number of employees was unchanged at other subsidiaries.

The Group hired 191 new workers in 2019. Nearly half of new employees replaced workers who left a Group company for various reasons, while one quarter of new hires was accounted for by persons who previously performed work at Intereuropa via employment agencies. The remaining quarter of new employees were hired due to the increased scope of work and the newly secured transactions. The mutual termination of employment and retirements accounted for the majority of departures.

In accordance with internal policies, the first step in replacing employees who left a Group company is to exploit opportunities for the reassignment and advancement of qualified internal candidates to more demanding positions. This makes it possible for existing employees to realise their potential in other business areas within the Group.

TABLE 28: NUMBER OF EMPLOYEES BY INTEREUROPA GROUP COMPANY

Company	31 December 2018	31 December 2019	Change 19-18	Index 19/18
Intereuropa, d. d., Koper	599	609	10	102
Interagent, d. o. o., Koper	9	9	0	100
Interzav, d. o. o., Koper	3	3	0	100
Subsidiaries in Slovenia	611	621	10	102
Intereuropa, logističke usluge, d. o. o., Zagreb	289	286	-3	99
Intereuropa Sajam, d. o. o., Zagreb	9	9	0	100
Intereuropa RTC, d. d., Sarajevo	134	144	10	107
AD Intereuropa logističke usluge, Belgrade	74	83	9	112
Intereuropa Kosova L.L.C., Prishtina	34	33	-1	97
Zetatrans A.D., Podgorica	113	113	0	100
Intereuropa Skopje, d. o. o.	32	38	6	119
TOV TEK ZTS, Uzhhorod	29	29	0	100
Intereuropa Global Logistics Service Albania	2	0	-2	-
Companies outside of Slovenia	716	735	19	103
TOTAL	1,327	1,356	29	102

3.1.2.1 Flexible forms of employment

The Group continuously employs a specific percentage of workers via flexible forms of employment. This facilitates the optimal adaptation of the number of employees to actual work needs. Such forms of employment via employment agencies and student services are present in jobs with lower value added (e.g. clerks and warehouse workers), or as temporary employment for projects and as a way to temporarily replace absent employees.

An average of 233 workers, recalculated as FTEs, performed work for the Group in 2019 via the aforementioned forms of flexible employment, broken down as follows: 188 workers via employment agencies (compared with 192 in 2018) and 45 via student services (compared with 47 in 2018). A total of 15.3% of all employees worked via flexible forms of employment (agency workers and students).

In the scope of regular forms of employment, flexible forms also include temporary employment, which accounted for 10% or 130 employees at the end of 2019.

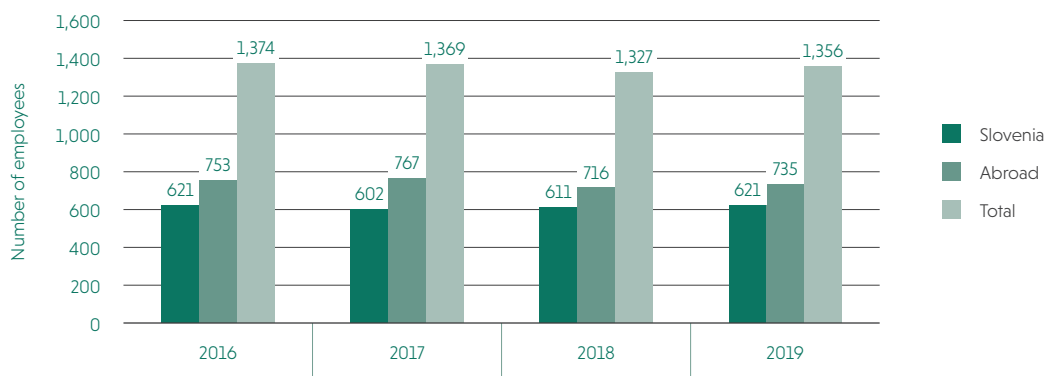
3.1.2.2 Challenges in the recruitment of new workers

The Group faced challenges in the recruitment of new workers again in 2019. It addressed those challenges through various search methods, such as announcements on the Company's website, other commercial web portals and social networks, through links with employment institutions and faculties, and with the help of employment agencies.

Searches outside of the Company were primarily for young workers to fill entry positions. Exceptionally, a certain proportion of candidates with specific competences lacking at the Company were hired for more senior positions.

The Group hired new employees as follows: 45% of new hires were in the area of logistics, 42% in the area of warehousing, 7% in management positions, 4% of new hires were experts with specific knowledge in various areas and 2% were in the area of sales.

FIGURE 25: CHANGE IN THE NUMBER OF EMPLOYEES AT THE INTEREUROPA GROUP IN THE PERIOD 2016 TO 2019



3.1.3 STRUCTURE OF EMPLOYEES

3.1.3.1 Employee structure by gender, age and management position

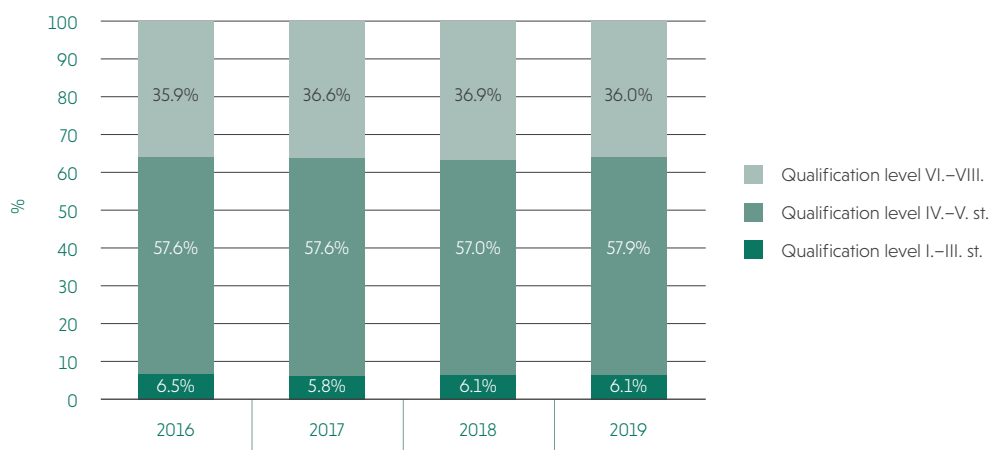
TABLE 29: EMPLOYEE STRUCTURE BY GENDER, AGE AND MANAGEMENT POSITION

	2019
Proportion of employees by gender within the Group	62.9% men; 37.1% women
Slovenian Group companies	55.9% men; 44.1% women
Total foreign subsidiaries	68.8% men; 31.2% women
Average age at the parent company	48 years (men: 46.7 years; women: 48.9 years)
Average age at other Group subsidiaries	from 42.6 to 49 years
Proportion of management staff (on individual contract)	6%
Proportion of management staff (on individual contract) by gender	57% men; 43% women

3.1.3.2 Qualification structure of employees

Given the Intereuropa Group's core activity, the majority of employees have a secondary school or vocational education. The proportion of employees with such qualifications was up by a further 0.9 percentage points in 2019 to stand at 58%, as the result of the new hiring of operational staff. The proportion of employees with more than secondary school education was down by 0.9 percentage points to stand at 36%, while 6% of employees have less than IV qualifications and are primarily warehouse workers.

FIGURE 26: QUALIFICATION STRUCTURE OF EMPLOYEES AT THE INTEREUROPA GROUP IN THE PERIOD 2016 TO 2019



3.1.4 SICK LEAVE RATE

Through various measures to promote health, the Group actively manages absences due to sick leave, which includes illnesses, injuries in and outside the workplace, and care for and guardianship over family members. The long-term objective is to reduce or maintain the sick leave rate due to illnesses and workplace injuries to below 4.5%. That objective was not achieved in 2019, as the sick leave rate was up by 0.2 percentage points relative to the previous year to stand at 5.0%. The sick leave rate was down by 0.3 percentage points at the parent company.

3.1.5 TRAINING AND HR DEVELOPMENT

A total of 12,138 hours was earmarked for employee training at the Group level in 2019, a decrease of 2,246 hours relative to the previous year. Group employees received an average of nine hours of training, with Slovenian Group companies receiving four hours and foreign subsidiaries receiving 13 hours. At 28 hours per employee, the average number of training hours per employee was above average at the Croatian subsidiary.

At more than one half or 51%, the highest proportion of training at the Group level was organised in the area of occupational health and safety, followed by foreign language courses (21%), and the area of logistics and specific technical knowledge and skills in support of the core logistics activity (both at 11%), while the remaining 6% of training was accounted for by management skills and sales.

Besides training in the area of occupational health and safety, the focus at Slovenian Intereuropa Group companies was on training regarding the latest developments in the customs clearance and origin of goods, and advanced business English courses in the area of logistics. Sales staff gained knowledge regarding proactive selling techniques.

In addition to occupational health and safety, the focus of training at foreign subsidiaries was on the acquisition of logistics expertise, while the Croatian subsidiary earmarked 2,240 hours for English language courses.

Internal experts conducted 39% of training at the Group level. In addition to training in the area of occupational health and safety, experts from the parent company trained employees at the Croatian subsidiary on the management of IT-supported logistics processes in the sea freight and groupage segments, and organised a workshop on the cargo insurance. They also conducted workshops for the document system and SAP at the subsidiary in Serbia.

An important innovation at the parent company was the introduction of an e-learning tool in the area of occupational health and safety. That tool was used to test the knowledge of the first 34 employees in 2019.

Internal induction systems under the leadership of mentors and coaches make it faster and easier for new employees and those training in other work areas to gain new knowledge and skills. An e-learning application that is being introduced at the parent company will facilitate the optimal standardisation of training programmes for Group companies and the mass, simultaneous organisation of certain programmes at different locations, while reducing the costs of employee absences.

FIGURE 27: BREAKDOWN OF EDUCATION AND TRAINING AT THE INTEREUROPA GROUP IN 2019 BY CONTENT

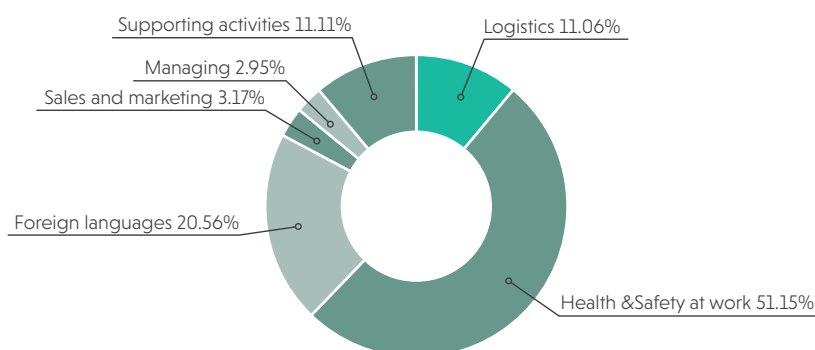


TABLE 30: COMPARISON OF EDUCATION AND TRAINING AT THE INTEREUROPA GROUP LEVEL IN THE PERIOD 2016 TO 2019

	2016	2017	2018	2019
No. of hours of functional training (seminars, courses, professional meetings, etc.)	10,486	13,633	14,384	12,138
No. of hours of internal transfer of knowledge	4,429	4,695	4,727	4,776
No. of training participants (seminars, courses, professional meetings, etc.)	1,540	1,483	1,479	1,296
Total funds used for training in EUR*	55,369	99,657	100,249	56,902
Funds used for training per employee in EUR*	40	73	75	42

* Figure only includes participant fees.

3.1.5.1 Motivation and communication

Management skills at Intereuropa include conducting annual and periodic interviews between managers and employees. 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 continued motivation and coordinated with the 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

The Group is building a succession system that facilitates the transfer and retention of knowledge at Group companies. Updated in 2019 was the internal database of young, perspective employees who were identified for their potential to fill key managerial or specialised positions at Group companies. Under the leadership of internal experts/mentors, those employees participate in various projects and develop the necessary competences to fill key positions. In accordance with previously prepared competence profiles, employee development is also planned and implemented for those already in key positions. That process includes ensuring that employees' competences are in line with a Group company's changing needs.

3.1.5.3 Competence centre for human resource development in logistics

From September 2019 until the end of May 2022, Intereuropa, d. d. will be included in the European Competence Centre project for the development of employees in logistics (KOC Logins). Intereuropa is participating as a partner in a consortium with 31 other Slovenian companies from the logistics sector.

The aim of the project is to improve the productivity, creativity and innovativeness of employees, and to strengthen the competitiveness of the Slovenian economy. The objective of the project is 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 are 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 14 training events attended by 25 employees were organised at Intereuropa in 2019 in the scope of the aforementioned project.

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

3.1.6 EQUAL TREATMENT OF ALL EMPLOYEES, PROTECTION AGAINST HARASSMENT AND DISCRIMINATION IN THE WORKPLACE, AND RESPECT FOR HUMAN RIGHTS AND DIGNITY

All of the Company's employees, for the duration of their employment, and job seekers are treated equally, regardless of their personal circumstances, such as gender, nationality, race or ethnic origin, language, religion or belief, political or other beliefs, education, material standing, social position, family status, disability, state of health, age and sexual orientation. All forms of direct and indirect discrimination are prohibited.

The employer ensures the equal treatment of all employees, in particular with regard to employment, advancement, training, education, retraining, pay and other employment earnings, absence from work, working conditions, working hours and the termination of an employment contract, and with regard to the exercising of other employment rights.

The parent company has adopted rules that govern the protection of employees against sexual and other forms of harassment and mobbing, and against discrimination in the workplace and in connection with work. Those rules also define procedures for taking action in the event such harassment, mobbing or discrimination occurs. Intereuropa has adopted the Code of Ethics, which applies to all Group companies and defines standards of ethic and integrity in the work of Group employees. The rights to personal data protection (GDPR), the management of conflicts of interest and other areas are also governed at individual companies by the relevant bylaws.

3.1.7 PARTICIPATION OF WORKERS IN MANAGEMENT

Works councils, intended for the participation of workers in the management of their respective companies, function at Slovenian Group companies and the subsidiary in Bosnia and Herzegovina. Members were elected to the Works Council of Slovenian Group companies last year. That body comprises 13 members from different organisational units/companies. It meets regularly and informs employees about activities through the minutes and resolutions from individual meetings, which are published on an internal website.

Functioning at the parent company are two representative trade unions that have their own trustees. A total of 35% of employees are members of the aforementioned trade unions. Trade unions also function at the subsidiaries in Montenegro and Ukraine, and at Intereuropa in Zagreb. Other companies do not have representative trade unions.

3.1.8 CONCERN FOR EMPLOYEES AND THE BROADER SOCIAL ENVIRONMENT

In addition to various forms of financial motivation, which is governed differently at individual subsidiaries, focus is also placed on the social security of employees, and recreational and social activities. 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 13 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 44 employees in 2019 in the total amount of EUR 27 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 2019.

Slovenian companies of the Intereuropa Group maintained the Christmas holiday tradition of giving 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 within the Intereuropa Group. A total of 87 Group employees received recognition for major work anniversaries in 2019, 11 of them for 40 years of service at Intereuropa.

3.1.8.1 Measurement of the organisational climate (Zlata nit)

The organisational climate is measured every two years at Slovenian Group companies in the scope of the Zlata nit (Golden Thread) study. The Company carried out the seventh such measurement at the end of 2019, in which close to 61% of employees actively participated by completing online questionnaires. Warehouse workers without computers completed physical questionnaires. The results of the study indicate that the organisational climate is similar to what it was in 2017, and that the Company's greatest opportunities for improvement are in the areas of remuneration and communication. The highest-rated areas were the basic relationship between employees and the Company and the work environment.

3.1.9 OCCUPATIONAL HEALTH AND SAFETY

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, through the updating of technological procedures, through the purchase of new, modern work equipment, 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.

3.1.9.1 Disabled persons

The Group employed 41 disabled persons (39 the previous year). Of those, 19 are employed part-time, while the remainder are full-time employees who perform their work in appropriately adapted jobs. One employee is being retrained to obtain a higher level of qualification. Slovenian Group companies exceed the quota for the employment of disabled persons by 13, meaning that for those employees' companies are entitled to compensation for exceeding the legally prescribed quota.

3.1.9.2 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 2019 was on the implementation of measures to improve mental health, and to prevent respiratory diseases and various forms of cancer. In the scope of promoting health, employees have at their disposal recreational activities in leased halls and fitness centres, as well as other recreational activities, all with the aim of maintaining and strengthening health. Mountain hikes are organised and awareness raised about the importance of healthy eating, while fresh fruit is supplied in the workplace. Also organised are periodic 15-minute neck and shoulder massages in the workplace, active breaks from work etc.

3.1.9.3 Employee healthcare

In cooperation with authorised physicians, 383 Intereuropa Group employees were referred to preventive, preliminary, specific-purpose and periodic medical examinations, a decrease of 1.8% relative to 2018. The parent company organised flu vaccinations, with 67 employees taking part. That number was up by 15.5% relative to 2018.

3.1.9.4 Workplace injuries

A total of 13 employees suffered workplace injuries at the Group level, which is two less than in 2018, translating to 0.85% of the total number of employees. A total of 11 employees suffered workplace injuries at the parent company (four of whom were full-time employees and seven of whom were agency workers), which is one less than in 2018, meaning an injury rate of 1.5% of the total number of employees, which is equal to the annual target rate of 1.5%.

An analysis of the sources, causes and factors involved in accidents indicated that injuries occurred primarily due to carelessness and an inappropriate work approach. The most frequent injuries in 2019 were the result of blows from objects, cuts and slips.

For this reason, a great deal of time and commitment is dedicated to the continuous raising of awareness and the training of individuals with regard to correct and healthy work methods, with an emphasis on the risks associated with workplace accidents. A total of 1,107 Intereuropa Group employees attended such training in 2019.

3.1.9.5 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 1,804 pieces of various work equipment were examined and tested at the Intereuropa Group level in 2019, an increase of 8.8% relative to 2018.

3.1.9.6 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. Persons qualified to extinguish initial fires and conduct evacuations are present in all organisational units at the parent company. A total of 12 evacuation drills were carried out in 2019, in Koper, Maribor, Dravograd, Šenčur, Novo Mesto, 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

Intereuropa Group companies are implementing the following measures in the area of energy efficiency:

- the periodic cleaning and servicing of furnaces, chimneys and air conditioning units;
- the periodic servicing of work machinery and other equipment;
- the replacement of worn-out air conditioning units and work machinery; and
- the regulation of heating devices and the additional regulation and control over the functioning of combustion plants, during operation and on down days.

Intereuropa made the following new purchases in 2019:

- the drafting of project documentation for the renovation of the boiler room in Celje;
- the replacement of old, energy inefficient air conditioning devices with new models;
- the replacement of old, energy wasteful lighting with more advanced systems; and
- the replacement of nine forklifts with more modern and energy efficient models.

The total value of purchases of more energy efficient solutions was EUR 235,000 in 2019.

Six solar power plants are installed on the roofs of the Intereuropa Group's warehouses, with a total power of 4,889 kWp, which is enough to supply electricity to 1,350 households. The Group's contribution to reducing CO₂ emissions is thus 3,320 tonnes per year. When the sale of the warehouse complex in Jesenice was sold, Intereuropa, d. d. also disposed of the solar power plant with a nominal capacity of 802 kWp.

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

Reduction of environmental impacts in transport and business processes

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

The Intereuropa Group is also directly reducing negative impacts on the environment in other business processes by eliminating paper operations, 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.

The parent company consumed 7.4 million kWh of electricity in 2019, similar to the level recorded in 2018, while the consumption of fuel oil and natural gas was down by 11% and 15.7% respectively. Reduced energy consumption meant annual savings of EUR 16,700.

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 2020

The Intereuropa Group will continue to implement measures to increase energy efficiency in 2020, and is planning the following in that regard:

- the replacement of 21 older forklifts with more technologically and energy efficient models;
- the installation of more cost-efficient exterior and interior lighting at logistics centres;
- the replacement of roofing on warehouses, the installation of new building fixtures, and new facade insulation; and
- the installation of new and replacement of existing cooling and heating systems.

The total value of planned investments in more energy efficient solutions in 2020 is EUR 1,517,000.

In addition to the investments described above, the parent company is also planning to conduct two energy audits in 2020 for two major logistics centres, and to establish a system for monitoring energy consumption for large energy devices, with the common objective of reducing energy consumption costs and preparing the appropriate measures for improving the energy efficiency of buildings.

3.3 SOCIAL RESPONSIBILITY

The Intereuropa Group strives for an inclusive relationship with its most important stakeholders. Supporting and aiding the environment in which it operates are part of the Intereuropa Group's strategy. The Group follows the expectation of society and thus fulfils one of the most important conditions for acceptance by and co-habitation with local communities. In this way, it also increases its competitive advantage. Intereuropa Group companies are aware that they operate in a co-dependent society where, in addition to generating positive operating results, they contribute to the development of the social and economic environment through their expertise, and the provision of logistics services and even financial resources. The Group demonstrates its concern for social issues by supporting projects that also form a link between Intereuropa's 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 service brand and positive relations with employees, customers, suppliers, investors and other stakeholders through their sponsorship and donation activities.

The parent company Intereuropa, d. d. is also socially active through the support it provides to various educational institutions in the local and broader environment. To that end, it provided 18 secondary school and tertiary level students the opportunity to perform their mandatory internships.

The Group earmarked EUR 9,394.80 in 2019 for sponsorships and donations, a slight decrease relative to 2018. 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 2019' and the Ski Association of Slovenia (Planica organisational committee), and support for the 'Izvozniki.si' (Slovenian exporters) project.

3.4 QUALITY MANAGEMENT SYSTEM

Implementation of the quality strategy

Following the successful transition to the new ISO 9001:2015 quality standard in 2018, certified companies focused on gradually improving their quality management systems in 2019. The year was marked by the successful completion of external assessments at all three certified companies and by the development of a software solution for recording reclamations at all Group companies. The parent company has already introduced a reclamation model in the scope of the CRM project, with subsidiaries following suit next year. A total of 76.6% 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 a half of a percentage point less than the previous year.

Quality indicators

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

The number of reclamations received by Intereuropa was up by 3% in 2019, while the value of reclamations was up by 43% relative to 2018. The number of recorded reclamations was up back in 2018 following the centralisation of reclamation resolution function, while that number was at a similar level this year. The increase in the value of reclamations was primarily the reflection of a single claim for damages which, according to an assessment of actual damage, was significantly lower than claimed. The majority of risks associated with ensuring the quality of logistics services are hedged.

The proportion of on-time deliveries in the domestic transport segment was down slightly at Intereuropa in 2019 relative to the previous year, from 95.43% to 94.81%.

The proportion of credit notes, which serves as a measure of the accuracy of documentation, was down for several years, but has risen over the last two years from 1.26% to 1.47%.

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 regarding food hygiene 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 Maribor, Ljubljana, Dravograd and Celje in 2019. Those assessment identified no cases of non-compliances, but two recommendations were 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 36 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, and holds the requisite environmental permit.

A regular inspection was carried out in November at the Maribor organisational unit by the Slovenian Inspectorate for the Environment and Spatial Planning. That inspection identified certain deficiencies in connection with record-keeping on service inspections of important safety devices.

The deficiencies were eliminated by the prescribed deadline.

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. Training was organised in 2019 at the Maribor organisational unit on safe work with chemicals and on ensuring safety at a facility that represents high risk to the environment. The spillage of hazardous materials was simulated in cooperation with the Maribor fire brigade.

Due to a change in regulations concerning the international transport of hazardous goods by road (ADR), personnel involved in the transport of hazardous goods were trained at all organisational units. That training also included the drivers of contracted transporters in the Intereuropa Express system.

Hazardous materials are stored at the subsidiaries in Croatia, Serbia, Kosovo and North Macedonia in accordance with valid 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 the subsidiaries in Croatia, Serbia, Bosnia and Herzegovina, North Macedonia and Kosovo in accordance with valid national and international regulations (ADR). Employees involved in organising the transport of hazardous materials are appropriately trained.

External verification of the quality of services

TABLE 31: OVERVIEW OF EXTERNAL VERIFICATIONS OF QUALITY WITHIN THE INTEREUROPA GROUP IN 2019

Company	Standard	Certification body	Month of external assessment	Non-compliance	Recommendations
Intereuropa, d. d., Koper	ISO 9001:2015	SIQ	March	0	14
Intereuropa, logističke usluge, d. o. o., Zagreb	ISO 9001:2015	SIQ	June	0	10
Intereuropa RTC, d. d., Sarajevo	ISO 9001:2015	SIQ	October	0	9

Three external assessments were carried out within the Intereuropa Group in 2019. 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 thirteenth 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 identified one case of non-compliance, which was rectified by the agreed deadline.

Plans for 2020

Certified companies will focus on gradually improving their quality management systems in accordance with the guidelines set out in the 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 for the majority of Group companies.

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;
- suppliers used in one-off and minor purchases; and
- suppliers that do not meet selection criteria.

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

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

Objectives for 2020

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

In accordance with the adopted Corporate Governance Policy of Intereuropa, d. d., the Intereuropa Group implements an active communication strategy. Communication activities focus on the correct and timely notification of the general public, and the establishment and strengthening of dialogue with various stakeholders. The Intereuropa Group aims to achieve certain important objectives in connection with key publics: to strengthen its reputation and to increase brand recognition 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

The Intereuropa Group ensures a good name and positive image in the eyes of the general public through regular and comprehensive communication. 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 promotes communication that is based on a fair and equitable relationship. Communication with employees contributes to their awareness of the Group's mission, vision, values and strategy, and to the recognition of the role of the individual within the Group. The objectives of internal communication are achievement of positive operating results, the strengthening of affiliation with the Company and the successful integration of new employees into the organisational culture. The Intereuropa Group communicates with employees via various communication channels: Key communication tools include internal websites (intranet), email and personal communication. The Group strives 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

Through planned communication activities, the Intereuropa Group strengthens its reputation and recognition of the Intereuropa service brand in the eyes of the users of logistics services. It is aware that only in-depth knowledge of the users of logistics services, and their wishes, expectations and needs leads to their satisfaction. 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 2019 through regular participation in expert consultations, and at trade fairs, conferences and other events. The Group consolidated the position of the brand in various customer segments in 2019 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.



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Financial report

04





04 FINANCIAL REPORT

OF THE INTEREUROPA GROUP AND
PARENT COMPANY INTEREUROPA, D. D.
FOR THE YEAR 2019

4.1. FINANCIAL REPORT OF THE INTEREUROPA GROUP

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 and subsidiaries.

TABLE 1: CONSOLIDATED INCOME STATEMENT FOR 2019

(in EUR thousand)	Notes	2019	2018 (restated*)
Sales revenue	1	160,353	160,382
Losses from the derecognition of operating receivables and assets from contracts with customers		-46	-127
Other long-term income	2	2,892	2,032
Costs of goods, materials and services	3	-116,356	-117,332
Labour costs	4	-28,934	-28,851
Amortisation and depreciation	5	-7,224	-6,276
Gains/losses due to the impairment of receivables (including the reversal of impairment losses)		462	-523
Other operating expenses	6	-3,623	-3,241
Operating profit		7,524	6,064
Interest income		454	134
Other finance income		361	9
Finance costs – costs of financing		-1,857	-2,146
Losses due to the impairment of loans granted and deposits		-10	-2
Other finance costs		-30	-39
Loss from financing activities	7	-1,082	-2,044
Investment result recognised according to the equity method	8	0	8
Profit from ordinary operations		6,442	4,028
Corporate income tax (including deferred taxes)	9	-2,245	380
Net profit for the accounting period		4,197	4,408
Net profit pertaining to controlling interests		3,898	4,275
Net profit pertaining to non-controlling interests	23	299	133
Basic and diluted earnings per ordinary share (in EUR)		0.23	0.25

* Restatements are disclosed in Point II Changes in accounting policies and correction of error.

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

TABLE 2: CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR 2019

(in EUR thousand)	Notes	2019	2018 (restated*)
Net profit for the accounting period		4,197	4,408
Other comprehensive income/loss		-1,716	120
Items that will be reclassified to profit or loss		-168	185
Change in the fair value of available-for-sale financial assets	16	1	-1
Foreign currency translation differences		-169	186
Items that will not be reclassified to profit or loss		-1,548	-65
Change in fair value of land	10	-901	-22
Transfer of revaluation surplus for land to retained earnings		-817	-184
Change in deferred taxes	9	132	16
Change in retained earnings from the transfer of the revaluation surplus for land		817	184
Actuarial losses for termination benefits upon retirement		-712	-41
Transfer of actuarial losses to retained earnings		-19	-4
Corporate income tax on retained earnings		-48	-14
Total comprehensive income		2,481	4,528
Total comprehensive income pertaining to controlling interests		2,151	4,394
Total comprehensive income pertaining to non-controlling interests		330	134

* Restatements are disclosed in Point II Changes in accounting policies and correction of error.

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

TABLE 3: CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2019

(in EUR thousand)	Notes	31 December 2019	31 December 2018 (restated*)	1 January 2018 (restated*)
ASSETS				
Property, plant and equipment	10	145,262	157,404	166,263
Investment property	11	23,962	12,174	9,179
Intangible assets	12	3,363	3,662	3,816
Other non-current assets	13	24	24	29
Non-current operating receivables		303	55	16
Deferred tax assets	9	7,596	9,542	12,811
Long-term loans granted and deposits	14	53	15	57
Investment in associate	15	63	71	73
Other non-current financial assets	16	122	31	33
TOTAL NON-CURRENT ASSETS		180,747	182,978	192,277
Available-for-sale assets	17	2,701	4,715	272
Inventories		93	70	122
Short-term loans granted and deposits	14	1,010	1,272	1,992
Assets from contracts with customers	18	534	762	0
Current operating receivables	19	31,398	32,960	34,252
Current receivables for corporate income tax		190	129	635
Other current assets	20	395	463	514
Cash and cash equivalents	21	6,283	9,578	3,618
TOTAL CURRENT ASSETS		42,604	49,949	41,405
TOTAL ASSETS		223,351	232,927	233,682
EQUITY				
Equity pertaining to controlling interests		114,723	112,570	112,941
Share capital		27,489	27,489	27,489
Share premium account		18,455	18,455	18,455
Profit reserves		5,160	5,589	5,584
Fair value reserves		45,023	47,079	47,306
Foreign currency translation differences		-6,669	-6,488	-6,668
Retained earnings		21,367	16,281	21,427
Net profit or loss		3,898	4,165	-652
Equity pertaining to non-controlling interests	23	7,635	7,659	7,741
TOTAL EQUITY	22	122,358	120,229	120,682
LIABILITIES				
Provisions	24	2,697	2,347	2,802
Non-current deferred income		66	82	92
Non-current financial liabilities	25	2,719	511	66,995
Non-current operating liabilities	26	1,027	1,414	377
Deferred tax liabilities	9	10,820	11,116	11,064
TOTAL NON-CURRENT LIABILITIES		17,329	15,470	81,330
Current financial liabilities	25	58,978	70,551	5,786
Liabilities from contracts with customers		547	543	0
Current operating liabilities	27	23,793	25,763	24,838
Current corporate income tax liabilities		310	352	1,041
Current deferred income		36	19	5
TOTAL CURRENT LIABILITIES		83,664	97,228	31,670
TOTAL LIABILITIES		100,993	112,698	113,000
TOTAL EQUITY AND LIABILITIES		223,351	232,927	233,682

* Restatements are disclosed in Point II Changes in accounting policies and 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 GROUP FOR 2019

(in EUR thousand)	Notes	2019	2018 (restated*)
Cash flows from operating activities			
Net profit for the accounting period		4,197	4,408
Adjustments for:			
- amortisation and depreciation	5	7,224	6,276
- impairments and write-offs of property, plant and equipment, and investment property	6, 10	549	56
- write-offs of intangible assets	12	0	1
- gains from the sale of property, plant and equipment, and assets held for sale		-436	-399
- income from the reversal of impairments of property, plant and equipment, and investment property	10	-1,333	0
- losses from the sale of property, plant and equipment		9	6
- gains and losses from the derecognition of operating receivables and assets from contracts with customers		46	-127
- gains/losses due to the impairment of receivables (including the reversal of impairment losses)	30	-462	523
- impairments and write-offs of inventories		1	52
- other non-monetary expenses from the exclusion of a subsidiary from the consolidated financial statements		49	0
- finance income from interest	7	-454	-134
- other finance income	7	-361	-9
- finance costs – costs of financing	7	1,857	2,146
- other finance costs	7	30	39
- loss due to the impairment of loans granted and deposits	7	10	2
- investment result recognised according to the equity method		0	-8
- corporate income tax (including deferred taxes)	9	2,245	-380
Operating profit before changes in net working capital and taxes		13,171	12,453
Changes in net working capital and provisions			
Changes in assets from contracts with customers		229	529
Changes in receivables	19	1,669	-1,136
Changes in inventories		-24	1
Changes in other current assets		67	47
Changes in liabilities from contracts with customers		5	-49
Changes in operating liabilities	26, 27	-1,516	1,101
Changes in provisions	24	-362	-915
Changes in non-current deferred income		-16	-11
Income tax paid		-650	297
Net cash flow from operating activities		12,573	12,317

(in EUR thousand)	Notes	2019	2018 (restated*)
Cash flows from investing activities			
Interest received		452	168
Dividends received and shares in profit		8	10
Inflows from the sale of property, plant and equipment	10	3,446	1,196
Inflows from long-term loans granted		31	32
Net cash flow from short-term loans granted		0	78
Net cash flow from short-term deposits placed	14	107	633
Inflows from the sale of other financial assets		4	9
Outflows for the acquisition of property, plant and equipment	10	-3,329	-4,682
Outflows for the acquisition of intangible assets	12	-325	-330
Outflows for long-term deposits placed	14	-6	0
Exclusion of a subsidiary from the consolidated financial statements	1	-78	0
Net cash flow from investing activities		310	-2,886
Cash flows from financing activities			
Interest paid	7	-1,900	-2,082
Outflows for the repayment of long-term loans (and finance leases during the comparable period)	25	-7,400	-6,712
Net cash flow from short-term loans		-5,328	5,524
Payment of lease liabilities		-1,222	-
Dividends paid		-334	-167
Net cash flow from financing activities		-16,184	-3,437
Opening balance of cash and cash equivalents		9,578	3,618
Exchange rate differences relating to cash		6	-34
Net cash flow for the period from ordinary operations		-3,301	5,994
Closing balance of cash and cash equivalents	21	6,283	9,578

* Restatements are disclosed in Point II Changes in accounting policies and correction of error.

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

TABLE 5: KONSOLIDIRANI IZKAZ SPREMEMB LASTNIŠKEGA KAPITALA SKUPINE ZA LETO 2019

(in EUR thousand)	Notes	Share capital	Share premium account	PROFIT RESERVES					FAIR VALUE RESERVES			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	Fair value reserves for land	Fair value reserves for financial assets	Provisions for actuarial losses	Foreign currency translation differences	Retained earnings				Net profit for the accounting period
Reported as at 31 December 2018		27,489	18,455	4,658	180	-180	15	916	47,232	-47	0	-6,488	17,232	4,522	113,984	7,659	121,643
Correction of error*		0	0	0	0	0	0	0	0	0	0	0	-1,414	0	-1,414	0	-1,414
Restatement due to change in accounting policy*		0	0	0	0	0	0	0	-106	0	0	0	106	0	0	0	0
Restated balance as at 1 January 2019		27,489	18,455	4,658	180	-180	15	916	47,232	-47	-106	-6,488	15,924	4,522	112,570	7,659	120,229
Total comprehensive income		0	0	0	0	0	0	0	-1,408	1	-649	-181	491	3,898	2,152	330	2,482
Net profit for the financial year		0	0	0	0	0	0	0	0	0	0	0	0	3,898	3,898	299	4,197
Other comprehensive income		0	0	0	0	0	0	0	-1,408	1	-649	-181	491	0	-1,746	31	-1,714
Transactions with owners																	
Transfer of net profit from the previous year to retained earnings		0	0	0	0	0	0	0	0	0	0	0	4,522	-4,522	0	0	0
Dividends and shares in profit		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer of retained earnings to reserves		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-355
Transfer of reserves to retained earnings due to exclusion of a subsidiary from the consolidated financial statements		0	0	-2	0	0	0	-61	0	0	0	0	64	0	1	0	1
Settlement of loss brought forward		0	0	0	0	0	0	-366	0	0	0	0	366	0	0	0	0
Closing balance as at 31 December 2019	20	27,489	18,455	4,656	180	-180	15	489	45,824	-46	-755	-6,669	21,367	3,898	114,722	7,635	122,358

* Restatements are disclosed in Point II Changes in accounting policies and correction of error.

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

TABLE 6: CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE GROUP FOR 2018

(in EUR thousand)	Notes	Share capital	Share premium account	PROFIT RESERVES					FAIR VALUE RESERVES			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	Fair value reserves for land	Fair value reserves for financial assets	Provisions for actuarial losses	Foreign currency translation differences	Retained earnings			
Reported restated balance as at 31 December 2017		27,489	18,455	4,653	180	-180	15	916	47,418	-46	0	17,813	-1,342	108,701	7,700	116,401
Correction of error*		0	0	0	0	0	0	0	0	0	0	-1,057	0	-1,057	0	-1,057
Restatement due to change in accounting policy*		0	0	0	0	0	0	0	-65	0	0	65	0	0	0	0
Restated balance as at 1 January 2018		27,489	18,455	4,653	180	-180	15	916	47,418	-46	-65	16,821	-1,342	107,644	7,700	115,344
Total comprehensive income		0	0	0	0	0	0	0	-186	-1	-41	165	4,275	4,394	134	4,528
Net profit for the financial year		0	0	0	0	0	0	0	0	0	0	0	4,275	4,275	133	4,408
Other comprehensive income		0	0	0	0	0	0	0	-186	-1	-41	165	0	119	1	120
Transactions with owners																
Transfer of net profit from the previous year to retained earnings		0	0	0	0	0	0	0	0	0	0	-1,342	1,342	0	0	0
Dividends and shares in profit		0	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	0	0	-5	0	0	0	0
Reversal of liabilities for preferred dividends		0	0	0	0	0	0	0	0	0	0	532	0	532	0	532
Settlement of loss brought forward		0	0	0	0	0	0	0	0	0	0	110	-110	0	0	0
Closing balance as at 31 December 2018	22	27,489	18,455	4,658	180	-180	15	916	47,232	-47	-106	16,281	4,165	112,570	7,659	120,229

* Restatements are disclosed in Point II Changes in accounting policies and correction of error.

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

Composition of the Intereuropa Group

The consolidated financial statements of the Intereuropa Group for the year ended 31 December 2019 include the financial statements of the parent company Intereuropa d. d., the financial statements of subsidiaries and the attributable results of an associate.

Subsidiaries included in the consolidated financial statements:

In Slovenia:

- Interagent, d. o. o., Koper – 100%
- Interzav, d. o. o., Koper – 71.28%

Abroad:

- TOV Intereuropa, Kiev, Ukraine – 100%
- Intereuropa, logističke usluge, d. o. o., Zagreb, Croatia – 99.96%
- Intereuropa Skopje, d. o. o., Skopje, North Macedonia – 99.56%
- Intereuropa RTC, d. d., Sarajevo, Bosnia and Herzegovina – 95.77%
- Intereuropa Kosova L. L. C., Prishtina, Kosovo – 90%
- TOV TEK ZTS, Uzhhorod, Ukraine – 89.93%
- AD Intereuropa logističke usluge, Belgrade, Serbia – 73.62%;
- Zetatrans A.D., Podgorica, Montenegro – 69.27%
- Intereuropa sajam, d. o. o., Zagreb, Croatia – 51%

Associate included in the consolidated financial statements:

- Rail Cargo Logistic, železniška špedicija, d. o. o. – 26%

Intereuropa Global logistics Service Albania Shpk, Durrës, Albania is not included in the consolidated financial statements because it is not material for the fair presentation of the Group's financial position, as its operations are limited.

Notes to the financial statements of the Intereuropa Group

I. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

Statement of compliance

The financial statements of the Intereuropa Group have been prepared 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.

As at the statement of financial position date, there were no differences in the Group'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 consolidated financial statements on 7th April 2020.

Basis of measurement

The financial statements have been prepared on a 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 prepared in euros, i.e. the functional and presentation currency of the Group. 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 preparing the financial statements, the 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 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 prepared on a going concern basis.
- Current liabilities exceeded current assets by EUR 41,041 thousand as at 31 December 2019. On 31 January 2020, the parent company refinanced financial liabilities to creditor banks until 2027 (Note 32).

- Estimates relating to the determination of the value of right-of-use assets:
 - identification of lease agreements: the Group defines as lease agreements those agreements that give it the right to control the leased asset. The Group is deemed to control an asset if it can use that asset and if it is entitled to the economic benefits that derive from its use;
 - determination of the lease term: the Group defines the lease term as the period in which the lease cannot be terminated, together with:
 - a. the period for which the validity of the lease may be extended, if it is reasonably certain that the aforementioned option will be used, and
 - b. the period for which the lease may be terminated, if it is reasonably certain that the aforementioned option will be used.

In cases when the contractual period is not defined in those agreements, the Group estimates that period based on an assessment of needs for the use of a specific asset, taking into account the needs of the business process of providing logistics services; and

determination of the discount rate: the Group defined the discount rate as the amount of the interest rate according to which it can obtain a comparable asset with a similar maturity. If the discount rate cannot be determined, the Group uses the incremental borrowing rate.

- When testing non-financial assets for impairment, the Group compared the recoverable amount of assets with their carrying amount, and recognised impairment losses if the carrying amount of those assets exceeded their recoverable amount or reversed impairment losses if they were previously recognised. The appraiser based their assessment of the recoverable amount of buildings and investment property as at 31 October 2019 on analyses of the real estate market and other relevant data, in which the following key assumptions were taken into account: a capitalisation rate of between 7.7% and 9.5%, a deduction rate for vacancy of 10% and a deduction rate for bad debt of 1% (Notes 9, 10 and 11).
- Useful life of depreciable assets (Notes 9, 10 and 11).
By no later than the end of the financial year, the management verifies the useful life of depreciable assets, taking into account the technical and economic obsolescence thereof.
- Value of doubtful receivables (Note 27).
The Group recognises impairment losses on receivables based on the expected credit loss model using the simplified approach in accordance with IFRS 9. The key assumption of the model used by the Group is that the rate of expected credit losses in connection with trade receivables fluctuates in line with the economic cycle, which means that expected credit losses are lower during a period of growth and higher during a recession. The model also uses a forward-looking approach, where forecasts of economic activity are used to forecast future credit losses. The key judgement that must be made is thus whether historical credit loss rates in relation to historical economic activity are also appropriate for forecasting expected credit losses taking into account forecasts of future economic activity.

- Valuation of land and equity instruments measured at fair value (Notes 9 and 14).
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. An appraisal of land and Buildings for financial reporting purposes was carried out on 31 October 2019. Fair value was assessed in the appraisal of land that the Group carries at fair value, while the recoverable amount was assessed for Buildings and investment property that the Group carries at cost. The sales comparison approach was used in the appraisal of land. For that purpose, adjustments were made in the use of data regarding average prices with respect to the year of a transaction, the surface area of real estate and its micro-location.
- 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 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.

- Recognition of deferred tax assets and liabilities, and the potential use thereof (Note 8).
The management assessed the recognition of deferred taxes from tax losses based on past experiences and data from a projection of operations for a seven-year period, i.e. from 2020 to 2026, and taking into account the valid tax rate and changes to tax legislation from 1 January 2020 on, as well as planned sales of land. The aforementioned projection forecasts moderate growth in revenues in the context of the Group's existing operations. Unused tax losses from previous years do not derive from ordinary operations, but are the result of extraordinary events. The sources for the utilisation of tax losses are taxable profit from the income statement and 50% of the revaluation surplus for land, assuming that the tax base will enable utilisation in that amount (besides other allowances). The projection assumes that the Group is a going concern. In the event of negative deviations from the expected tax basis, the Group's management will assess the possibility of utilising unused tax losses and correct the balance of deferred taxes from unused past tax losses accordingly.
- Recognition of provisions and contingent liabilities (Notes 21 and 25).
The Group has recognised provisions for termination benefits upon retirement, employee anniversary bonuses 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 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 termination benefits and employee anniversary bonuses is recorded in defined-benefit post-employment commitments. The basis for recognition comprises an actuarial calculation that takes into account actuarial 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 Group's resources embodying economic benefits for the settlement of contingent liabilities for lawsuits, the 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 management assesses that an outflow of resources embodying economic benefits is unlikely for the settlement of the liabilities or for which 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 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 9 and 10).
When assessing whether real estate is deemed investment property, the Group takes into account criteria for the classification of real estate or parts of real estate to investment property. Those criteria are more precise beginning in 2019 (explained in the section Changes in accounting estimates, judgements and assumptions).

- Judgement regarding the transfer of non-current assets to assets held for sale (Notes 9 and 15).
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 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.
- Assessment of assumptions of control over subsidiaries and an associate (Note 14).
The Group regularly verifies whether a change in influence has occurred. The following are deemed evidence of investors' significant influence:
 - a) representation on the management board or other decision-making body of a company in which the parent company invests; and
 - b) participation in significant decisions, including decisions regarding dividends and profit-sharing.

Changes in accounting estimates, judgements and assumptions

The management of Group 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 2018 were prepared, except for assessments and judgements that relate to the initial application of IFRS 16 Leases (which the Group began applying on 1 January 2019), as described in Point II. There were also exceptions with regard to the following:

Judgement regarding the transfer of real estate to investment property (Notes 9 and 10).

When assessing whether real estate is deemed investment property, the Group revised its assessment for the classification of real estate or parts of real estate to investment property, such that all real estate that is the subject of a long-term lease (more than one year) or a lease for an indefinite period is reclassified to investment property if the leased portion of real estate represents more than 10% and less than 90% of the entire real estate in terms of area. If the leased part of real estate represents 90% or more of the total area, the entire real estate is reclassified to investment property; if that part represents 10% or less of the total area of the real estate, that real estate remains classified under fixed assets as real estate used by the owner, except the portion of land that belongs to a building, which is classified to investment property and treated as such. Real estate that is the subject of a short-term lease (less than one year in duration) or is not the subject of a lease (not used) remains classified under fixed assets as property used by the owner.

Effect of the exclusion of Intereuropa Albania Shpk from the consolidated financial statements

Intereuropa Global logistics Service Albania Shpk, Durrës, Albania is not included in the consolidated financial statements because it is not material for the fair presentation of the Group's financial position, as its operations are limited.

TABLE 7: EFFECT OF THE EXCLUSION OF THE SUBSIDIARY INTEREUROPA ALBANIA SHPK ON THE GROUP'S STATEMENT OF FINANCIAL POSITION, INCOME STATEMENT AND CASH FLOW STATEMENT

(in EUR thousand)	Effect on the Group's statement of financial position and income statement
Property, plant and equipment	-1
Current operating receivables	-62
Cash and cash equivalents	-78
Current operating liabilities	53
Total net assets of subsidiary	-88
Reversal of foreign currency translation differences in connection with the subsidiary's equity	9
Investment in company	30
Total effect on the income statement (other operating expenses)	-49
Effect on the Group's cash flow statement (reduction in cash and cash equivalents in cash flows from investing activities)	-78

The Group values its investment in the aforementioned subsidiary at cost.

II. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF AN ERROR

All newly adopted or amended standards and interpretations that entered into force on 1 January 2019 were taken into account in the preparation of the Group's consolidated financial statements for the financial year ending 31 December 2019.

In addition to the application of IFRS 16 Leases on 1 January 2019, the Group also amended the method used to transfer actuarial gains and losses from termination benefits to retained earnings.

1. Method used to transfer actuarial gains and losses from termination benefits to retained earnings

The Group amended the method used to transfer actuarial gains and losses from termination benefits to retained earnings in the scope of takeover activities by the new controlling company and the associated harmonisation of accounting policies. The change in the accounting policy in question was made to align accounting policies with those of the direct controlling company and because management believes that the change ensures better and more reliable information regarding distributable profit that may be distributed. That change relates to the transfer of a proportionate amount of actuarial gains and losses to retained earnings when provisions for termination benefits are reversed. In previous years, these actuarial gains and losses were transferred to retained earnings immediately following their recognition.

The Group recalculated the transfer of the proportionate amount of actuarial losses from termination benefits to retained earnings, and on 1 January 2018 transferred actuarial losses from termination benefits in the amount of EUR 65 thousand (including deferred taxes) from retained earnings to fair value reserves. As at 1 January 2019, it transferred actuarial losses from termination benefits in the amount of EUR 106 thousand (including deferred taxes) from retained earnings to fair value reserves.

TABLE 8: EFFECT OF THE CHANGE TO THE METHOD USED TO TRANSFER THE PROPORTIONATE AMOUNT OF ACTUARIAL LOSSES FROM TERMINATION BENEFITS TO RETAINED EARNINGS AS AT 1 JANUARY 2018

(in EUR thousand)	Restated as at 1 January 2018	Restatement	Reported as at 31 December 2017
Fair value reserves	47,307	-65	47,372
Retained earnings	17,878	65	17,813

TABLE 9: EFFECT OF THE CHANGE TO THE METHOD USED TO TRANSFER THE PROPORTIONATE AMOUNT OF ACTUARIAL LOSSES FROM TERMINATION BENEFITS TO RETAINED EARNINGS AS AT 1 JANUARY 2019

(in EUR thousand)	Restated as at 1 January 2019	Restatement	Reported as at 31 December 2018
Fair value reserves	47,079	-106	47,185
Retained earnings	17,338	106	17,232

The change to the accounting policy has no effect on the Group's income statement or statement of cash flows, and an immaterial effect on its statement of other comprehensive income.

2. Transition to IFRS 16 Leases

IFRS 16 Leases, adopted by the EU on 31 October 2017, applies to annual periods beginning on or after 1 January 2019. For the purpose of transitioning to IFRS 16, the Group took a practical approach with the cumulative effect of initial application recognised on 1 January 2019. It thus did not recalculate comparable data.

IFRS 16 replaces IAS 17 Leases and related clarifications. IFRS 16 eliminates the previous dual lease accounting model, when the Company acted as lessee. In that model, finance leases were disclosed as assets in the statement of financial position and operating leases as an expense based on the straight-line method over the entire lease term. IFRS 16 instead requires companies to disclose leases in the statement of financial position using a single model (similar to how they accounted for finance leases under IAS 17) and thus eliminate the distinction between operating and finance leases, provided that those leases do not represent exemptions that companies may apply (short-term leases and leases where the underlying asset has a low value).

Accounting for leases by lessors under IFRS 16 does not differ from accounting under IAS 17. Accounting for leases in which the Company acts as lessor thus remains the same.

IFRS 16 allows for the application of the aforementioned standard to intangible assets that are not expressly exempt from its application. However, the Group decided that it will not apply the standard to intangible assets.

As at 1 January 2019, the Group assessed whether the contracts in which its companies act as lessee are lease contracts or contracts containing a lease in accordance with IFRS 16. A lease contract contains a lease if it conveys the right to control of an identified asset for a period of time in exchange for consideration.

The Group defines the lease term as the period in which the lease cannot be terminated, together with:

- periods for which the validity of the lease may be extended, if it is reasonably certain that the aforementioned option will be used; and
- periods for which the lease may be terminated, if it is reasonably certain that the aforementioned option will not be used.

When a significant event or significant change in circumstances arises, the Group reassesses whether there is reasonable certainty that it will opt for extension or that it will not opt to terminate.

The Group recognised the following for such contracts (except for the exemptions stated below):

- right-of-use assets in leases (that it disclosed in property, plant and equipment in the statement of financial position); and
- lease liabilities (that it disclosed under financial liabilities in the statement of financial position and under cash flows from financing activities in the cash flow statement).

Right-of-use assets are depreciated, while lease liabilities accrue interest.

The Group applied two exemptions allowed by the aforementioned standard by excluding from the recognition of assets and liabilities leases:

- that are short-term in nature; and
- in which the underlying asset has a low value (up to EUR 5 thousand).

The Group recognised lease payments in connection with short-term and low-value leases as expenses based on the straight-line method over the entire lease term. It recognised liabilities from those leases as trade payables in the statement of financial position and under cash flows from operating liabilities in the cash flow statement.

Recognition and measurement of right-of-use assets and lease liabilities

On the day a lease commenced (and on 1 January 2019 with the transition to IFRS 16), the Group recognised a right-of-use asset and a lease liability.

1. Right-of-use assets under leases

Upon initial recognition, the Group measures a right-of-use asset at cost, which includes:

- the amount of the initially measured lease liability;
- received lease payments that were made at or prior to the commencement of a lease, less lease incentives;
- initial direct costs incurred by the lessee; and
- estimated costs that the lessee will incur in the removal of an asset that is the subject of a lease, costs for the restoration of the location where an asset is located, or the return of an asset that is the subject of a lease to the condition stated in the terms of a lease.

Following initial recognition, the Group measures such assets using the cost model, less accumulated depreciation and any accumulated impairment loss, corrected for the remeasurement of the lease liability.

2. Lease liabilities

Upon initial recognition, the Group measures lease liabilities at the present value of future lease payments on the day of recognition. Lease payments are discounted at the interest rate implicit in a lease if that rate can be determined, otherwise the Group applies the incremental borrowing rate that it would have to pay if it acquired an asset with a similar value as a right-of-use asset for a similar period, based on a similar guarantee in a similar economic environment.

Following initial recognition, the Group measures the aforementioned liability such that its carrying amount is:

- increased by the amount of interest on a lease;
- decreased by the amount of lease payments; and
- increased or decreased, such that the amount of the liability is adjusted to the remeasured or amended lease.

3. Sale and leaseback transactions

In sale and leaseback transactions in which it acts as seller, i.e. lessee, the Group measures a right-of-use asset proportionately with that part of the previous carrying amount of the right-of-use asset that it has kept. Accordingly, it only recognises the amount of gains or losses that relate to the rights that were transferred by the buyer, i.e. lessor. Such gains are recognised in other operating revenues.

Effect of the transition to IFRS 16 on the statement of financial position, income statement and cash flow statement

Effect of the transition as at 1 January 2019

The Group recognised new assets and liabilities for its operating leases in connection with cars, forklifts and other equipment as at 1 January 2019, and for land and Buildings.

TABLE 10: EFFECT OF THE TRANSITION TO IFRS 16 ON THE CARRYING AMOUNT OF THE GROUP'S ASSETS AND LIABILITIES AS AT 1 JANUARY 2019

(in EUR thousand)	Restated balance as at 1 January 2019	Restatement for the initial application of IFRS 16	Reported as at 31 December 2018
ASSETS	236,169	3,242	232,927
Property, plant and equipment	160,646	3,242	157,404
LIABILITIES	114,525	3,242	111,283
Non-current financial liabilities	2,907	2,396	511
Current financial liabilities	71,397	846	70,551

TABLE 11: DIFFERENCES BETWEEN LEASE LIABILITIES UNDER IAS 17 AND OPERATING LEASE LIABILITIES UNDER IFRS 16 AS AT 1 JANUARY 2019

(in EUR thousand)	Operating leases in 2019
Lease liabilities under IFRS 16 as at 31 December 2018 (undiscounted value)	3,852
Reduction for short-term leases	-348
Reduction for discounts	-239
Reduction for contracts reclassified to other costs of services	-23
Lease liabilities as at 1 January 2019	3,242
Of which:	
non-current lease liabilities	2,396
current lease liabilities	846

Application of IFRS 16 in 2019

TABLE 12: CHANGES IN RIGHT-OF-USE ASSETS UNDER OPERATING LEASES IN 2019

(in EUR thousand)	Right-of-use assets under operating leases			
	Land	Buildings	Equipment	TOTAL
Balance as at 1 January 2019	27	2,139	1,076	3,242
Acquisitions	0	947	429	1,376
Decrease	0	0	-37	-37
Amortisation and depreciation	-5	-617	-433	-1,055
Balance as at 31 December 2019	22	2,469	1,034	3,525

The increase from new leases in respect of Buildings relates to right-of-use assets (relating to those Buildings) from leaseback transactions.

TABLE 13: EFFECT OF THE APPLICATION OF IFRS 16 ON THE GROUP'S INCOME STATEMENT FOR 2019 (GROUP AS LESSEE)

(in EUR thousand)	2019
Amortisation and depreciation costs	1,055
Interest expenses on lease liabilities	113
Costs of short-term leases of real estate and equipment	363
Total	1,531

TABLE 14: EFFECT OF THE APPLICATION OF IFRS 16 ON THE GROUP'S CASH FLOW STATEMENT FOR 2019 (GROUP AS LESSEE)

(in EUR thousand)	2019
Lease payments for short-term leases of real estate and equipment (disclosed in cash flows from operating activities)	320
Payment of lease liabilities comprising principal (disclosed in cash flows from financing activities)	1,222
Total	1,542

TABLE 15: GAINS ON SALE AND LEASEBACK TRANSACTIONS IN 2019

(in EUR thousand)	2019
Gains on sale and leaseback transactions	17

During the reporting period, the parent company sold and leased back part of a building.

TABLE 16: RENTAL INCOME IN 2019

(in EUR thousand)	2019
Rental income	5,721

Other disclosures

The balance of non-current and current lease liabilities as at 31 December 2019 is disclosed in Table 62 Financial liabilities.

An analysis of the maturity of lease liabilities is presented in Table 68 Liquidity risk.

3. Correction of error

The Group's financial statements for years beginning prior to 1 January 2018 and 1 January 2019 were corrected in 2019 due to a case of fraud at a subsidiary. In accordance with the requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the correction of that error was made by restating the opening balance of the comparable periods and the comparable periods presented in these financial statements.

A misstatement relates to the erroneous booking of compensation paid to several suppliers, which in certain cases affected the customers and suppliers in connection with which receivables were disclosed. That misstatement resulted in the understatement of trade payables in previous periods.

The correction of the error also had a material impact on the statement of comprehensive income for the year ending 31 December 2018.

The Group eliminated the error, which arose prior to 1 January 2018, by correcting the opening balances of retained earnings and trade payables, while it eliminated the error that arose during 2018 by correcting the results for that year and trade payables.

TABLE 17: EFFECT OF THE CORRECTION OF THE ERROR ON THE STATEMENT OF FINANCIAL POSITION AS AT 1 JANUARY 2018

(in EUR thousand)	Restated balance as at 1 January 2018	Restatement	Reported as at 1 January 2018
Retained earnings	16,756	-1,057	17,813
Total equity	115,344	-1,057	116,401
Trade payables	22,055	1,057	20,998
Current operating liabilities	25,895	1,057	24,838
Total equity and liabilities	229,672	0	229,672

TABLE 18: EFFECT OF THE CORRECTION OF AN ERROR ON THE INCOME STATEMENT FOR 2018

(in EUR thousand)	Restated balance for 2018	Restatement	Reported in 2018
Other operating expenses	1,439	357	1,082
Operating profit	6,064	-357	6,421
Profit from ordinary operations	4,027	-357	4,384
Net profit for the financial year	4,408	-357	4,765
Basic and diluted earnings per ordinary share (in EUR)	0.25	-0.02	0.27

TABLE 19: EFFECT OF THE CORRECTION OF THE ERROR ON THE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

(in EUR thousand)	Restated balance as at 1 January 2019	Restatement	Reported as at 31 December 2018
Retained earnings	16,175	-1,057	17,232
Net profit for the financial year	4,165	-357	4,522
Total equity	120,229	-1,414	121,643
Trade payables	21,958	1,414	20,544
Current operating liabilities	25,763	1,414	24,349
Total equity and liabilities	223,361	0	223,361

The correction of the error in question did not affect the statement of cash flows.

III. 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) the 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 or Company.

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 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 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 prepared taking into account the standard accounting policies of the Group.

Associate

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

Transactions eliminated on consolidation

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

(B) FOREIGN CURRENCY

Transactions in foreign currencies

All transactions in foreign currencies are translated to euros (i.e. the Group'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 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 rates on the day fair value was determined.

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 investments in a subsidiary, which is not included in consolidation, and in an associate, which it recognises at 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 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 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 prepared using data from the consolidated income statement for 2019, items from the consolidated statements of financial position as at 31 December 2019 and 31 December 2018, and additional data.

The Group values investments in shares and participating interests in a subsidiary, which is excluded from consolidation, and in an associate at cost. 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.

Dividend income and income from other shares in profit in connection with the above-mentioned companies are recognised in the income statement on the day the shareholder's or owner's right to payment was exercised.

The Group 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 20: CLASSIFICATION OF FINANCIAL ASSETS BASED ON THE GROUP'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 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 income). 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

1. *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.

2. *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 retained earnings.

3. *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 are not investments in subsidiaries and 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 Company.

The Group recognises financial liabilities on the day they arise. Financial liabilities are initially recognised on the transaction date, i.e. when the Group becomes a contractual party in connection with the instrument in question. The Group derecognises a financial liability when the obligations specified in the contract have been discharged, have been cancelled or have expired. 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.

(E) 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).

(F) EQUITY

Share capital

The parent 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 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 of those shares.

Fair value reserves

Fair value reserves comprise the revaluation surplus in connection with land, and actuarial losses in connection with provisions for post-employment and other non-current employee benefits, and the revaluation surplus in connection with 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 cost model, while a revaluation model is used for land. According to the cost model, property, plant and equipment are disclosed at 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 to revalue land annually, and otherwise 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 retained earnings when the asset in question is derecognised.

Accounting for borrowing costs

The Group treats borrowing costs that may be directly attributed to the acquisition, construction or manufacture of an asset under construction as part of the 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 cost can be measured reliably. All other costs are recognised in profit or loss as expenses as they arise.

Depreciation

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

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

Once a year, the Group reviews the appropriateness of the depreciation method and useful lives, and adjusts them as necessary.

(H) INTANGIBLE ASSETS

Intangible assets comprise investments in industrial property rights (concessions, patents, licences, brands and similar rights), the goodwill associated with an acquired company and other rights, as well as 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 cost model, i.e. at 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 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 Group verifies amortisation methods, useful lives and residual values at the end of each financial year and adjusts them as required.

Goodwill

The Group recognises any surplus of the cost of a business combination over the fair value of the acquired identifiable assets and liabilities as goodwill. Goodwill is not amortised. Instead, the Group tests goodwill annually for impairment. Goodwill is disclosed at 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. When assessing whether real estate is deemed investment property, the Group defines criteria for the classification of real estate or parts of real estate to investment property, such that all real estate that is the subject of a long-term lease (more than one year) or a lease for an indefinite period is reclassified to investment property if the leased portion of real estate represents more than 10% and less than 90% of the total area of the real estate. If the leased part of real estate represents 90% or more of the total area, the entire real estate is reclassified to investment property; if that part represents 10% or less of the total area of the real estate, that real estate remains classified under fixed assets as real estate used by the owner, except the portion of land that belongs to a building, which is classified to investment property and treated as such. Real estate that is the subject of a short-term lease (less than one year in duration) or is not the subject of a lease (not used) remains classified under fixed assets as property used by the owner.

Following initial recognition, the Group discloses investment property using the cost model, i.e. at 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 retained earnings upon disposal. The same useful lives used for real estate classified as property, plant and equipment are applied to investment property.

(J) INVENTORIES

Inventories of material are valued at 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.

(K) IMPAIRMENT OF ASSETS

1. Impairments of financial assets

Impairment of operating receivables

The Group recognises impairment losses on receivables for expected credit losses over the life of those assets. Impairment losses on trade receivables and other operating receivables (including the reversal of impairment losses) are disclosed in the income statement in the item 'impairment losses on 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 recognising an impairment loss 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 where the law permits a reduction in liabilities for calculated and unpaid value 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 loans granted and deposits

The Group impairs loans granted and deposits based on 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 according to the relevant contract 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.

The Group assesses impairment losses for expected credit losses 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 Group recognises impairment 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 that it will not collect contractual cash flows. Impairment losses on these assets are disclosed in the consolidated income statement in the item 'other finance costs'.

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 an impairment loss on an asset or a cash-generating unit when its carrying amount exceeds its recoverable amount. That impairment loss 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 (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 Group and if 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 recognised to cover, except actuarial gains and losses from termination benefits upon retirement due to changes in actuarial assumptions and experiential adjustments that are recognised in the revaluation surplus and transferred to retained earnings in the proportionate amount when they are used. That amount is calculated using the ratio between provisions used during the year and the balance of provisions before use.

Provisions are derecognised when the contingencies for which they were recognised no longer apply, or when they are no longer required. Income is recognised when provisions recognised 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 termination benefits and employee anniversary bonuses

Group companies that are obliged to pay termination benefits upon retirement and employee anniversary bonuses to employees in accordance with the applicable legislation, the collective agreement and internal rules recognise non-current provisions for these purposes. No other pension obligations exist.

The aforementioned provisions are recognised in the amount of the estimated future payments for termination benefits and employee anniversary bonuses, 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 employee anniversary bonuses are recognised in the income statement as labour costs, while actuarial gains and losses from termination benefits upon retirement are recognised in other comprehensive income in the revaluation surplus and transferred to retained earnings in the proportionate amount

when they are used. That amount is calculated using the ratio between provisions used during the year and the balance of provisions before use. Provisions are used in an amount equal to the actual costs incurred for accrued termination benefits upon retirement and employee anniversary bonuses.

(O) NON-CURRENT DEFERRED INCOME

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

(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 transferred to them 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 consolidated 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 regarding 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 21: 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	<p>A customer sends an order for the execution of forwarding transactions. The order must include all essential data for the correct and timely execution thereof. 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:</p> <ul style="list-style-type: none"> - 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. palletting and labelling); - for other transactions: when the agreed service is rendered. An invoice is issued to the customer after a service has been rendered. 	<p>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.</p>

(Q) COSTS – EXPENSES

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

(R) LEASES

Leases granted

The Group recognises income from operating leasing 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. After 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 were treated as operating leases during the comparable period. The Group recognises short-term leasing costs on a straight-line basis in the income statement.

(S) FINANCE INCOME AND FINANCE COSTS

Finance income primarily comprises interest income from investments, income from dividends and other shares in profit, income from the disposal of financial assets measured at fair value through profit or loss, positive exchange rate differences and income from the reversal of impairment losses on 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 consolidated 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.

(U) NET EARNINGS PER SHARE

The Group 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 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 accounting policies that the Group used in the preparation of its annual financial statements are the same as those applied in the preparation of the financial statements for the previous financial year. The exception is newly adopted or amended standards and interpretations that the Group applied for annual periods beginning on or after 1 January 2019, as described below.

A) Adopted or amended standards and interpretations that the Group applied for annual periods beginning on or after 1 January 2019

IFRS 16 Leases

IFRS 16 provides guidance for recognising, measuring, presenting and disclosing leases by both lessee and lessor. The new standard requires a lessee to recognise the majority of lease agreements in its financial statements. Except for certain exceptions, lessees will be able to apply a single accounting model for all lease agreements. There are no significant changes in the accounting of leases by lessors. The effect of the application of the standard is presented in Point II.

IFRS 9 Prepayment Features with Negative Compensation (amended)

The amendment allows a company to measure financial assets with prepayment features that permit a contracting party to receive or demand the payment of reasonable compensation for early contract termination (known as "negative compensation" for the holder of a financial asset) at amortised cost or at fair value through other comprehensive income. The Group assesses the effect of the amendment to the standard as immaterial.

IAS 28 Investments in Associates and Joint Ventures (amendments)

The amendments address the issue of whether the measurement of non-current assets (particularly in terms of requirements for the impairment of long-term interests in associates and joint ventures that, in substance, form a part of a 'net investment' in an associate or joint venture) is covered by IFRS 9, IAS 28 or a combination of the two. The amendments clarify that companies must apply the provisions of IFRS 9 before they begin to apply IAS 28 in the recognition of non-current assets not measured according to the equity method. In applying IFRS 9, companies do not take into account any adjustments to the carrying amount of non-current interests that otherwise derive from the application of IAS 28. The Group has assessed that the amendments to the standard have no material impact on its financial statements.

IFRIC 23 Uncertainty Over Income Tax Treatments

The interpretation addresses uncertainty over the treatment of income tax that affects the application of IAS 12. The interpretation provides guidance regarding the treatment of uncertainty over tax treatments separately or collectively, examinations by the tax authorities, and use of the appropriate method that reflects that uncertainty while taking into account changes in facts and circumstances. The Group has assessed that the amendments have no material impact on its financial statements.

IAS 19 Plan Amendment, Curtailment or Settlement (amendments)

Amendments to the accounting standard require companies to apply updated actuarial assumptions to determine the current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The Group has assessed that the amendments to the standard have no material impact on its financial statements.

The International Accounting Standards Board (IASB) published a package of annual improvements to the IFRS for the 2015–2017 cycle, which represent a collection of amendments to the IFRS. The Group has assessed that improvements to standards have no material impact on its financial statements.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

The amendments to IFRS 3 clarify that a company must remeasure all previously held interests in a business when it acquires control over an arrangement that is a joint operation. The amendments to IFRS 11 clarify that a company is not required to remeasure previously held interests in a business when it acquires joint control over an arrangement that is a joint operation. The Group has assessed that the amendments to the standard have no material impact on its financial statements.

IAS 12 Income Taxes

The amendments to the standard clarify that a company must recognise tax consequences from payments of financial instruments classified to equity in the same item in which it recognised past transactions or events that generated distributable profit. The Group has assessed that the amendments to the standard have no material impact on its financial statements.

IAS 23 Borrowing Costs

Amendments to the accounting standard clarify paragraph 14 thereof, which states that the moment an asset meets the conditions for its intended use or sale and a portion of a loan relating to that asset is unpaid, a company must include that loan in assets under the item 'loans received'. The Group has assessed that the amendments to the standard have no material impact on its financial statements.

B) Standards that are not yet applicable and for which the company has not opted for early adoption

IFRS 17 Insurance Contracts.

The standard applies to annual periods beginning on or after 1 January 2021. Early application is permitted if a company also reports in accordance with IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. IFRS 17 Insurance Contracts provides guidance for recognising, measuring, presenting and disclosing issued insurance contracts. The standard also requires the application of similar principles for reinsurance contracts and investment contracts with discretionary participation features. The purpose of the standard is to ensure that companies include relevant information that faithfully represents those contracts in presentations. This information serves as a basis for the users of financial statements to assess the effect that contracts covered by IFRS 17 have on a company's financial position, financial performance and cash flows. The EU has not yet approved the standard. The Group assesses that the provisions of the standard will not have a significant impact on its financial statements, as it is not involved in the insurance activity.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address discrepancies between the requirements of IFRS 10 and IAS 28 in the treatment of sales or contributions of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a company must recognise the full amount of gains or losses when a transaction includes a business (regardless of whether the business is housed in a subsidiary or not). For transactions involving assets that a company does not use in a business, only a partial gain or loss is recognised when assets are housed in a subsidiary. In December 2015, the International Accounting Standards Board deferred the effective date of the standard indefinitely while it waits for the results of the research project on the accounting of assets under the equity method. The EU has not yet approved the amendments. The Group assesses that the provisions of the new standard will not have a significant impact on its financial statements.

Conceptual Framework for the IFRS

On 29 March 2018, the International Accounting Standards Board (IASB) published its revised Conceptual Framework for Financial Reporting. The Conceptual Framework defines a comprehensive set of concepts used in financial reporting, the definition of standards, and instructions for the preparers of consistent accounting policies and for the easier understanding and interpretation of standards. The IASB also issued 'Amendments to References of the Conceptual Framework in the IFRS', which presents amendments to those standards and is used for the purpose of updating references to the revised Conceptual Framework. The IASB's aim is to provide support in the transition to the revised Conceptual Framework to companies that adopt their accounting policies based on the instructions set out in the Conceptual Framework whenever a specific transaction is not covered by any of the IFRS. For preparers who adopt their accounting standards based on the Conceptual Framework, the revised version of that framework applies for annual periods beginning on or after 1 January 2020. The Group assesses that the provisions of the new standard will not have a significant impact on its financial statements.

IFRS 3 Business Combinations (amendments)

The IASB published Definition of a Business (Amendments to IFRS 3) with the aim of eliminating uncertainty when determining whether a transaction involves the acquisition of a business or group of assets. The amendments apply to business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Early application of the amendments is permitted. The European Union has not yet adopted the amendments to the standard. The Group assesses that the provisions of the new standard will not have a significant impact on its financial statements.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2020. Early application of the amendments is permitted. The amendments clarify the definition of the term 'material' and how it is used. According to the new definition, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The IASB also explained more clearly interpretations that relate to that definition. The amendments also ensure that the definition of the term 'material' is harmonised with all other IFRS. The Group assesses that the provisions of the new standard will not have a significant impact on its financial statements.

Interest Rate Benchmark Reform – IFRS 9, IAS 39 and IFRS 7 (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Early application of the amendments is permitted. In September 2019, the International Accounting Standards Board (IASB) published amendments to IFRS 9, IAS 39 and IFRS 7 during the final phase of the response to the effects of interbank offered rate (IBOR) reform on financial reporting by companies. During the second phase of the project, the IASB will address matters that could affect financial reporting when a company replaces an existing interest rate benchmark with a risk-free interest rate. The amendments address matters that could affect financial reporting in the period prior to the replacement of an existing interest rate benchmark with an alternative interest rate, and the implications for specific hedge accounting requirements set out in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, where a company must take into account the results of a forward-looking analysis of operations. Companies may apply a temporary exemption for recognising all hedges on which the interbank offered rate reform could have a direct effect, and may continue with the recognition of hedge accounting during the period of uncertainty prior to the replacement of an existing interest rate benchmark with an alternative, nearly risk-free interest rate. Amendments to IFRS 7 Financial Instruments: Disclosures relating to additional disclosures around uncertainty arising from the interest rate benchmark reform. The Group assesses that the provisions of the new standard will not have a significant impact on its financial statements.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application of the amendments is permitted. The purpose of the amendments is to offer companies assistance in deciding whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current liabilities in the statement of financial position, and thus ensure greater consistency in compliance with requirements. The amendments affect the presentation of liabilities in the statement of financial position, but do not change existing requirements in connection with the measurement or timing of the recognition of assets, liabilities, revenues or expenses, or the information that a company discloses in those items. The amendments also clarify requirements in connection with the classification of debt that a company could settle through the issue of equity instruments. The European Union has not yet adopted the amendments to the standard. The Group assesses that the provisions of the new standard will not have a significant impact on its financial statements.

IV. DETERMINATION OF FAIR VALUE

Taking into account the Group'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 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 specific to that asset or liability.

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.

V. 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 27.

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 the Group's trade receivables.

The Group's exposure to credit risk depends primarily on the characteristics of each customer. However, 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 adverse economic conditions.

The relevant policies require an analysis of the creditworthiness of a major new customer, before the Group offers its standard payment and delivery terms. The Group recognises impairment losses that represent its estimated losses from operating and other receivables and investments. The main elements of such an impairment loss 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 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, under both normal and the most demanding 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/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 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 numerous reasons associated with processes in 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 objective is to manage business risks with the aim of establishing a balance between the avoidance of 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.

A programme of regular internal audits is implemented by the Internal Audit Department, which discusses the results of internal audits with the heads of audited business units or subsidiaries, while a summary is submitted to the Company's Management Board and the Audit Committee.

VI. 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 management in the decision-making process.

TABLE 22: INFORMATION BY GEOGRAPHICAL SEGMENT

(in EUR thousand)	Slovenia		Croatia		Bosnia and Herzegovina		Serbia		Montenegro	
	2019	2018 (restated*)	2019	2018 (restated*)	2019	2018	2019	2018	2019	2018
Revenues from external customers	108,792	108,839	24,066	23,649	7,073	7,351	5,097	5,400	6,284	6,093
Revenues from transactions with other segments	3,676	3,709	971	749	567	568	592	574	83	126
Total revenues	112,468	112,548	25,037	24,398	7,640	7,919	5,689	5,974	6,367	6,219
Amortisation and depreciation	4,431	4,074	1,455	1,286	432	263	267	191	461	347
Operating profit or loss	5,165	5,461	1,360	590	622	201	-474	-998	1,190	967
Interest income	476	148	3	7	0	1	0	1	66	66
Interest expense	1,759	1,946	45	57	19	31	60	60	21	1
Profit or loss from ordinary operations	5,233	4,421	1,332	528	603	166	-534	-542	1,236	1,032
Investment result recognised according to the equity method	0	10	0	0	0	0	0	0	0	0
Corporate income tax	1,741	-184	250	-176	94	336	-1	-2	116	-99
Net profit or loss	3,492	4,236	1,082	704	509	501	-532	-1,059	1,120	1,001

(in EUR thousand)	Slovenia		Croatia		Bosnia and Herzegovina		Serbia		Montenegro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Assets	177,697	186,035	49,851	50,226	14,373	13,457	10,273	10,101	18,222	17,545
Non-current assets	148,719	151,003	41,040	41,577	12,018	11,567	9,215	9,026	12,147	11,958
Operating liabilities	383	19,878	215	2,964	159	1,211	197	1,119	62	539
Financial liabilities	4,100	71,777	0	585	0	93	1,358	1,134	0	400
Investment in associate	39	39	0	0	0	0	0	0	0	0

(in EUR thousand)	Ukraine		Other		Total		Restatements (including eliminations*)		Group	
	2019	2018	2019	2018	2019	2018 (restated*)	2019	2018 (restated*)	2019	2018 (restated*)
Revenues from external customers	3,694	3,155	5,263	5,901	160,269	160,389	84	-7	160,353	160,382
Revenues from transactions with other segments	0	0	1,169	1,107	7,058	6,834	-7,058	-6,834	0	0
Total revenues	3,694	3,155	6,432	7,008	167,327	167,223	-6,974	-6,841	160,353	160,382
Amortisation and depreciation	33	43	145	73	7,224	6,276	0	0	7,224	6,276
Operating profit or loss	-144	-44	-112	208	7,608	6,385	-85	37	7,524	6,421
Interest income	0	1	6	0	552	223	-99	-89	454	134
Interest expense	39	74	14	4	1,956	2,172	-99	0	1,857	2
Profit or loss from ordinary operations	141	-28	-130	201	7,881	5,777	-1,440	-1,392	6,442	4,385
Investment result recognised according to the equity method	0	0	0	0	0	10	0	-2	0	8
Corporate income tax	22	30	23	-25	2,245	-121	0	501	2,245	380
Net profit or loss	119	2	-152	176	5,636	5,562	-1,440	-797	4,196	4,765

(in EUR thousand)	Ukraine		Other		Total		Restatements (including eliminations*)		Group	
	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018	31. 12. 2019	31. 12. 2018
Assets	1,855	1,718	3,854	3,513	276,126	282,595	-52,775	-49,667	223,351	232,927
Non-current assets	608	1,229	1,757	1,049	225,504	227,408	-44,757	-44,432	180,747	182,977
Operating liabilities	691	641	1,117	1,100	26,698	27,453	-1,878	-1,690	24,819	25,763
Financial liabilities	1,296	1,358	739	0	68,435	75,347	-6,737	-4,284	61,698	71,063
Investment in associate	0	0	0	0	39	39	24	32	63	71

* All restatements are subject to consolidation procedures.

TABLE 23: BREAKDOWN OF SALES REVENUE BY BUSINESS LINE AND COUNTRY

(in EUR thousand)	Slovenia		Croatia		Bosnia and Herzegovina		Serbia		Montenegro	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenues by business line										
Land transport	51,958	51,294	17,434	16,976	5,203	5,563	2,785	2,822	3,881	3,834
Logistics solutions	19,273	16,022	4,518	4,498	651	698	916	945	978	950
Intercontinental transport	36,495	40,746	2,328	2,225	486	406	1,958	2,207	418	319
Other services	4,742	4,485	756	699	1,299	1,252	30	0	1,091	1,116
Total	112,468	112,548	25,037	24,399	7,640	7,919	5,688	5,974	6,367	6,219
Revenues generated by country (with respect to a customer's head office)										
Slovenia	62,419	63,204	1,018	1,048	320	363	452	444	167	241
Croatia	1,815	1,565	20,315	19,424	52	45	73	46	39	26
Bosnia and Herzegovina	1,037	1,258	314	329	5,983	5,962	165	72	136	93
Montenegro	351	332	10	41	1	1	59	61	4,542	4,796
Other countries	46,847	46,188	3,380	3,557	1,284	1,548	4,940	5,351	1,483	1,064
Total	112,468	112,548	25,037	24,398	7,640	7,919	5,688	5,974	6,367	6,219
Revenues by business line										
Land transport	3,694	3,155	5,120	5,663	5,054	5,043	85,020	84,264		
Logistics solutions	0	0	358	316	29	44	26,666	23,385		
Intercontinental transport	0	0	599	679	508	581	41,777	46,002		
Other services	1	0	355	350	1,383	1,172	6,890	6,730		
Total	3,694	3,155	6,432	7,008	6,974	6,841	160,353	160,382		
Revenues generated by country (with respect to a customer's head office)										
Slovenia	261	1,093	908	1,141	2,049	2,131	63,496	65,429		
Croatia	0	0	33	12	1,384	1,207	20,943	19,911		
Bosnia and Herzegovina	0	0	0	0	1,130	1,303	6,503	6,410		
Montenegro	0	0	0	1	402	378	4,560	4,855		
Other countries	3,434	2,062	5,491	5,855	2,009	1,821	64,850	63,779		
Total	3,694	3,155	6,432	7,008	6,974	6,841	160,353	160,382		

The Group does not monitor statement of financial position items by business line.

VII. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Sales revenue

The sales revenue of the Intereuropa Group amounted to EUR 160,353 thousand in 2019 and comprises revenues from services rendered.

TABLE 24: SALES REVENUE WITH RESPECT TO THE TIMING OF RECOGNITION

(in EUR thousand)	Land transport		Logistics solutions		Intercontinental transport		Other services		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenues from completed services	77,596	83,963	32,514	23,332	43,415	45,707	6,357	6,703	159,883	159,705
Revenues from incomplete services	155	301	130	53	173	295	11	27	470	676
Total	77,752	84,264	32,644	23,385	43,589	46,002	6,368	6,730	160,353	160,382

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 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.

The Group discloses rental income in sales revenue. The Group generated rental income of EUR 5,721 thousand in 2019 (EUR 5,204 thousand in 2018). Sales revenue less rental income is equal to revenues from contracts with customers.

NOTE 2: Other operating income

TABLE 25: OTHER OPERATING INCOME

(in EUR thousand)	2019	2018
Gains on the sale of property, plant and equipment	436	399
Reversal of impairment losses on property, plant and equipment, and investment property	1,333	0
Income from the reversal of provisions	699	1,029
Government grants received	90	104
Other operating income	334	500
Total	2,892	2,032

Revenues from the reversal of provisions in the amount of EUR 456 thousand were the result of the reversal of provisions for lawsuits, and other provisions. Other operating revenues comprise revenues from the reversal of current liabilities in the amount of EUR 183 thousand, and other operating revenues.

NOTE 3: Costs of goods, materials and services

TABLE 26: COSTS OF GOODS, MATERIALS AND SERVICES

(in EUR thousand)	2019	2018 (restated*)
Costs of materials and cost of goods sold	4,345	4,398
Costs of services	112,012	112,934
direct costs	99,325	99,773
costs of hired labour and student work	3,720	3,560
costs of maintenance of property, plant and equipment	1,685	2,396
costs of maintenance of intangible assets	840	808
costs of short-term leases of property, plant and equipment	363	-
costs of leases of intangible assets	407	403
insurance premiums	927	973
costs of asset security	823	761
costs of intellectual services	633	569
costs associated with the Supervisory Board and its committees	184	165
other costs of services	3,104	3,526
Total	116,356	117,332

* Restatements are disclosed in Point II Changes in accounting policies and correction of error.

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, the costs of rents, municipal services, education and training costs, security costs, the costs of hired workers, and the costs of payment transactions.

The costs of hired labour and student work include recognised expenses for employee participation in profits for 2019 in the amount of EUR 133 thousand (including social security costs) and relate to the Group's contractual obligation, which will be settled one year after the approval of the annual report (Notes 4 and 26).

NOTE 4: Labour costs

TABLE 27: LABOUR COSTS

(in EUR thousand)	2019	2018
Costs of wages and salaries	20,374	20,307
Social security costs	4,410	4,407
Other labour costs:	4,150	4,137
annual leave allowance	848	813
transportation and meal allowances	2,046	1,871
other labour costs	534	392
expenses for employee participation in profits	723	1,060
Total	28,934	28,851

Expenses for employee participation in profits amounted to EUR 723 thousand in 2019 and relate to that portion of the contractual obligation of Slovenian Group companies that will be settled one year after the approval of the annual report for 2019.

TABLE 28: NUMBER OF EMPLOYEES BY QUALIFICATION LEVEL

Categories of educational qualifications	Beginning of 2019	End of 2019	Changes in 2019	Average number of employees by educational qualification in 2019*	Average number of employees by educational qualification in 2018*
Qualification levels I to III	81	83	2	82	81
Qualification levels IV to V	757	785	28	771	773
Qualification levels VI to IX	489	488	-1	489	495
Total	1,327	1,356	29	1,342	1,349

* The average number of employees is calculated using the balance of employees at the beginning and end of the year.

NOTE 5: Amortisation/depreciation

TABLE 29: AMORTISATION/DEPRECIATION

(in EUR thousand)	2019	2018
Amortisation of intangible assets	548	528
Depreciation of property, plant and equipment, and investment property	5,437	5,537
Depreciation of right-of-use assets under operating leases	1,055	0
Depreciation of assets under finance leases	184	211
Total	7,224	6,276

NOTE 6: Other operating expenses

TABLE 30: OTHER OPERATING EXPENSES

(in EUR thousand)	2019	2018
Building land use fees and similar expenses	1,411	1,558
Other levies	81	530
Impairments and write-offs of property, plant and equipment, and investment property	557	56
Expenses from impairments and write-offs of inventories	1	52
Expenses from the recognition of provisions	387	132
Other operating expenses	1,185	913
Total	3,623	3,241

Other operating expenses in the amount of EUR 1,185 thousand comprise membership fees, compensation for damages and other expenses.

NOTE 7: Finance income and costs

TABLE 31: FINANCE INCOME AND COSTS

(in EUR thousand)	2019	2018
Interest income	454	134
Revenues from the disposal of financial assets	2	9
Impairment and write-offs of tangible fixed assets and investment property	10	0
Net exchange rate differences	350	0
Total finance income	815	143
Interest expense	-1,857	-2,146
Impairment losses on loans granted and deposits	-10	-2
Finance costs from impairments and write-offs of financial assets	-30	0
Net exchange rate differences	0	-39
Total finance costs	-1,897	-2,187
Loss from financing activities	-1,082	-2,044

Interest income and expenses were calculated using the effective interest method.

Expenses from the impairment of financial assets in the amount of EUR 30 thousand relate to an impairment loss on the investment in the subsidiary Intereuropa Albania, Shpk, Durrës in the amount of EUR 30 thousand.

NOTE 8: Result recognised according to the equity method

In 2019, the Group did not recognise the results of the associate Rail Cargo Logistics, d. o. o., Ljubljana, in which it holds 26% participating interest, while it recognised EUR 8 thousand at the end of 2018.

NOTE 9: Corporate income tax (current and deferred tax)

TABLE 32: RECONCILIATION OF PROFIT FOR ACCOUNTING AND TAX PURPOSES

(in EUR thousand)	2019	2018
Current tax	-469	-311
Deferred tax	-1,776	691
Tax	-2,245	380
Pre-tax profit	6,482	4,384
Tax calculated according to prescribed rate	-1,076	-714
Tax from unrecognised expenses	-816	-680
Tax from revenues deducted from taxable base	512	216
Tax from expenses deducted from taxable base	20	28
Tax from expenses added to taxable base	-103	-23
Tax from tax allowances and the coverage of tax losses	742	1,009
Tax relating to deferred taxes	-1,419	742
Tax from equity items	-65	-6
Tax from other items	-39	-191
Tax	-2,245	380

The average weighted tax rate for 2019 was 16.91%, compared with 16.92% in 2018.

The majority of deferred tax assets for tax losses were disclosed by the parent company (EUR 5,135 thousand), with no limit on their application in future tax periods (years).

TABLE 33: CURRENT AND DEFERRED TAX RELATING TO EQUITY ITEMS

(in EUR thousand)	2019	2018
Current tax	-48	-14
Deferred tax	132	16
Total	84	2

TABLE 34: CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES THAT WERE NOT NETTED IN 2019

(in EUR thousand)	Balance as at 1 January 2019	Change in income in statement	Change in other comprehensive income	Exchange rate differences	Balance as at 31 December 2019
Deferred tax assets					
Property, plant and equipment	2,057	-78	5	-10	1,974
Revaluation of receivables owing to value adjustments	6	0	0	0	6
Revaluation of financial assets	104	0	0	0	104
Provisions	230	-39	59	0	250
Tax loss	7,145	-1,757	-240	0	5,148
Other	1	112	0	0	113
Total	9,543	-1,762	-176	-10	7,596
Deferred tax liabilities					
Property, plant and equipment	11,116	14	-224	-86	10,820
Total	11,116	14	-224	-86	10,820

TABLE 35: CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES THAT WERE NOT NETTED IN 2018

(in EUR thousand)	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
Deferred tax assets						
Property, plant and equipment	1,361	-30	717	0	9	2,057
Revaluation of receivables owing to value adjustments	7	-4	3	0	0	6
Revaluation of financial assets	104	0	0	0	0	104
Provisions	210	18	1	1	0	230
Tax loss	7,115	37	-7	0	0	7,145
Other	5	-3	-1	0	0	1
Total	8,801	18	713	1	9	9,542
(in EUR thousand)	Restated 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
Deferred tax liabilities						
Property, plant and equipment	11,064	-18	22	17	31	11,116
Total	11,064	-18	22	17	31	11,116
Effect		0	691	-16		

NOTE 10: Property, plant and equipment

TABLE 36: CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN 2019

(in EUR thousand)	Land	Buildings	Other plant and equipment	Equipment under finance leases	Land under operating lease	Buildings under operating lease	Equipment under operating lease	Investments in property, plant and equipment owned by others	Property, plant and equipment under construction	Total
COST										
Reported as at 1 January 2019	85,688	166,908	34,782	1,250	0	0	0	2	389	289,019
Restatement	0	0	0	0	27	2,139	1,076	0	0	3,242
Balance as at 1 January 2019	85,688	166,908	34,782	1,250	27	2,139	1,076	2	389	292,261
Acquisitions	0	0	0	0	0	947	429	0	2,622	3,998
Activations	0	507	1,861	0	0	0	0	22	-2,390	0
Sales	-179	-29	-433	-25	0	0	0	0	0	-666
Write-downs	0	-11	-408	0	0	0	0	0	0	-419
Exclusion of subsidiary from consolidation	0	0	-6	0	0	0	0	0	0	-6
Exclusion due to termination of lease	0	0	0	0	0	-1	-50	0	0	-51
Transfer to investment property	-5,794	-24,148	-6	0	0	0	0	0	0	-29,948
Transfer to available-for-sale assets	-2,903	-47	0	0	0	0	0	0	0	-2,950
Revaluation to fair value	-533	0	0	0	0	0	0	0	0	-533
Transfer between items	0	-28	-5	0	0	0	0	33	0	0
Other	0	0	0	0	0	0	0	0	0	0
Exchange rate differences	425	-51	115	-3	0	0	0	0	1	487
Balance as at 31 December 2019	76,704	143,101	35,900	1,222	27	3,085	1,455	57	622	262,173
DEPRECIATION AND IMPAIRMENT										
Balance as at 1 January 2019	-8,900	-93,874	-28,260	-581	0	0	0	0	0	-131,615
Depreciation	0	-3,229	-1,619	-183	-5	-617	-433	-4	0	-6,090
Sales	0	2	362	24	0	0	0	0	0	388
Write-downs	0	8	407	0	0	0	0	0	0	415
Exclusion due to termination of lease	0	0	0	0	0	1	13	0	0	14
Transfer to investment property	1,425	15,996	6	0	0	0	0	0	0	17,427
Transfer to available-for-sale assets	2,279	3	0	0	0	0	0	0	0	2,282
Impairments	-420	-42	0	0	0	0	0	0	-78	-540
Reversal of impairments	49	1,074	0	0	0	0	0	0	0	1,123
Transfer between items	0	18	5	0	0	0	0	-23	0	0
Other	0	0	6	0	0	0	0	0	0	6
Exchange rate differences	-294	39	-68	3	0	0	0	0	0	-320
Balance as at 31 December 2019	-5,861	-80,005	-29,161	-737	-5	-616	-420	-27	-78	-116,910
NET BOOK VALUE										0
Balance as at 1 January 2019	76,788	73,034	6,522	669	0	0	0	2	389	157,404
Balance as at 31 December 2019	70,843	63,096	6,739	485	22	2,469	1,034	30	544	145,262

TABLE 37: 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 construction	Total
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
Restated 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	0	6
Exchange rate differences	98	171	23	6	0	-2	296
Balance as at 31 December 2018	85,688	166,908	34,782	1,250	2	389	289,018
DEPRECIATION AND IMPAIRMENT							
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
Restated 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
NET BOOK VALUE							
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
Restated 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	389	157,404

The cost of property, plant and equipment whose carrying amount was zero as at 31 December 2019 and are still in use was EUR 33,455 thousand (EUR 34,861 thousand at the end of 2018).

The carrying amount of land would be EUR 13,519 thousand as at 31 December 2019 if the cost model was used (EUR 17,747 thousand at the end of 2018).

The Group had commitments to purchase property, plant and equipment in the amount of EUR 478 thousand as at the reporting date (EUR 1,164 thousand as at 31 December 2018). The carrying amount of real estate pledged as collateral was EUR 95,067 thousand as at the reporting date (EUR 109,502 thousand at the end of the previous year). Real estate was pledged as collateral for bank loans and for guarantees issued by banks at the request of Intereuropa Group companies. The Group had no other legal restrictions on the disposal of assets.

The Group's real estate was appraised in 2019. That appraisal was carried out by an independent real estate valuer with respect to cash-generating units by country (e.g. by individual location). The market approach and income approach were used to perform the valuation. The appraised values were used to determine the value of real estate as at 31 October 2019.

The recoverable amount of cash-generating units is based on fair value less costs to sell. The valuer used the income approach to appraise the value of the entire location. Because land is valued at fair value, the fair value of land was determined using the sales comparison approach. The value of Buildings was appraised as the difference between the value of the location and the value of land.

A detailed analysis was performed for each lot of property using transactions involving comparable land in the direct vicinity of the property subject to valuation. Adjustments were also made to approximate the indicative price of comparable land. Those adjustments relate to surface area, location and other functional characteristics of real estate subject to valuation, taking into account other comparable sold or advertised real estate.

The recoverable amount was determined while valuing buildings, i.e. their fair value less costs to sell, which was compared with their carrying amount. If the recoverable amount was higher than the carrying amount, previous impairment losses on that real estate were reversed, while impairment losses were recognised if the opposite was true.

TABLE 38: VALUATION METHODS AND THE ASSUMPTIONS APPLIED

Locations	Type of asset	Applied valuation method	Applied assumptions (level 3 inputs)
Slovenia			
Ljubljana	Land	Market approach	Level 3: applied arithmetic mean of corrected market values of selected comparable properties
	Buildings	Income approach	Capitalisation rate: 8.2% Deduction rate for vacancy: – 10% Deduction rate for bad debt: – 1% Life span of improvement: 60 to 80 years
Other locations	Land	Market approach	Level 3: applied arithmetic mean of corrected market values of selected comparable properties
	Buildings	Income approach	Capitalisation rate: od 7.7%. 7.78%. 8.2% Deduction rate for vacancy: 10% Deduction rate for bad debt: 1% Life span of improvement: 60 do 80 years
Croatia			
Zagreb	Land	Market approach	Level 3: applied arithmetic mean of corrected market values of selected comparable properties
	Buildings	Income approach	Level 3: Capitalisation rate: 8.50%. 8.75% Deduction rate for vacancy: – 10% Deduction rate for bad debt: 1% Life span of improvement: 60 years
Other locations	Land	Market approach	Level 3: applied arithmetic mean of corrected market values of selected comparable properties
	Buildings	Income approach	Level 3: Capitalisation rate: 9% Deduction rate for vacancy: 10% Deduction rate for bad debt: 1% Life span of improvement: 60 years
Bosnia & Herzegovina			
Sarajevo	Land	Market approach	Level 3: applied arithmetic mean of corrected market values of selected comparable properties
	Buildings	Market approach	Level 3: applied arithmetic mean of corrected market values of selected comparable properties
Other locations	Land	Market approach	Level 3: applied arithmetic mean of corrected market values of selected comparable properties
	Buildings	Market approach	Level 3: applied arithmetic mean of corrected market values of selected comparable properties
Montenegro			
Podgorica	Land	Market approach	Level 3: applied arithmetic mean of corrected market values of selected comparable properties
	Buildings	Income approach	Level 3: Capitalisation rate: 9.25% Deduction rate for vacancy: 10% Deduction rate for bad debt: 1% Life span of improvement: 60 years
Serbia			
Begrade	Land	Market approach	Level 3: applied arithmetic mean of corrected market values of selected comparable properties
	Buildings	Income approach	Level 3: Capitalisation rate: 9.5% Deduction rate for vacancy: 10% Deduction rate for bad debt: 1% Life span of improvement: 60 years
North Macedonia			
	Buildings	Income approach	Level 3: Capitalisation rate: 10% Deduction rate for vacancy: 10% Deduction rate for bad debt: 1% Life span of improvement: 60 years

TABLE 39: FAIR VALUES AND RECOVERABLE AMOUNTS OF REAL ESTATE BY LOCATION

(in EUR thousand)	Type of asset	Fair value*	Recoverable amount*	Impairment losses recognised in income statement	Reversal of impairment losses recognised in income statement	Revaluation to fair value in other comprehensive income – increase	Revaluation to fair value in other comprehensive income – decrease
Locations							
Slovenia							
Ljubljana	Land	10,688		3	0	0	239
	Buildings		6,653	0	251	0	0
Other locations	Land	33,435		0	0	441	744
	Buildings		36,574	42	0	0	0
Total	Land	44,123	0	3	0	441	983
	Buildings		43,227	42	251	0	0
Croatia							
Zagreb	Land	4,711		0	0	104	0
	Buildings		8,548	0	140	0	0
Other locations	Land	12,218		293	0	43	814
	Buildings		13,710	0	397	0	0
Total	Land	16,929		293	0	147	814
	Buildings		22,258	0	537	0	0
Bosnia & Herzegovina							
Sarajevo	Land	6,040		0	0	222	0
	Buildings		4,057	0	329	0	0
Other locations	Land	375		0	0	8	0
	Buildings		395	0	14	0	0
Total	Land	6,415	0	0	0	230	0
	Buildings		4,452	0	343	0	0
Serbia							
Dobanovci	Land	4,803		0	0	82	0
	Buildings	0	4,137	0	0	0	0
Total	Land	4,803		0	0	82	0
	Buildings		4,137	0	0	0	0
Montenegro							
Podgorica	Land	2,038		0	0	49	0
	Buildings		8,041	0	65	0	0
Total	Land	2,038		0	0	49	0
	Buildings		8,041	0	65	0	0
Total for all locations	Land	74,308		296	0	949	1,797
	Buildings		82,115	42	1,196	0	0

* Includes the investment property.

NOTE 11: Investment property

TABLE 40: CHANGES IN INVESTMENT PROPERTY

(in EUR thousand)	2019	2018
COST		
Reported as at 1 January	22,626	14,818
Correction of error*	0	2,888
Restated balance as at 1 January	22,626	17,706
Acquisitions	20	31
Transfer from property, plant and equipment	29,948	4,889
Write-downs	-5	0
Revaluation to fair value – decrease	-367	0
Exchange rate differences	-18	0
Balance as at 31 December	52,204	22,626
DEPRECIATION AND IMPAIRMENT		
Reported as at 1 January	-10,452	-5,639
Correction of error*	0	-1,294
Restated balance as at 1 January	-10,452	-6,933
Depreciation	-585	-233
Transfer of depreciation from property, plant and equipment	0	-51
Transfer from property, plant and equipment	-17,426	-3,235
Write-downs	2	0
Reversal of impairments	210	0
Exchange rate differences	9	0
Balance as at 31 December	-28,242	-10,452
NET BOOK VALUE		
Reported as at 1 January	12,174	9,179
Correction of error*	0	1,594
Restated balance as at 1 January	12,174	10,773
Balance as at 31 December	23,962	12,174

The Group transferred real estate valued at EUR 12,522 thousand from property, plant and equipment to investment property in 2019.

The fair value of all investment property was EUR 26,965 thousand on the final day of 2019 (EUR 12,174 thousand on the final day of 2018). The carrying amount of investment property pledged as collateral was EUR 17,554 thousand as at the reporting date (EUR 9,941 thousand as at 31 December 2018). That amount represents additional collateral for liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

Investment property was also subject to appraisal. The recoverable amount was determined while valuing those assets, i.e. their fair value less costs to sell, which was compared with their carrying amount. If the fair value was higher than the carrying amount, previous impairment losses on that investment property were reversed, while impairment losses were recognised if the opposite was true.

TABLE 41: FAIR VALUES AND RECOVERABLE AMOUNTS OF INVESTMENT PROPERTY BY LOCATION

(in EUR thousand)	Type of asset	Fair value	Recoverable amount	Impairment losses recognised in income statement	Reversal of impairment losses recognised in income statement	Revaluation to fair value in other comprehensive income – increase	Revaluation to fair value in other comprehensive income – decrease
Locations							
Slovenia							
Ljubljana	Land	316	0	0	0	0	7
	Buildings	0	927	0	0	0	0
Other locations	Land	2,362	0	0	0	0	359
	Buildings	0	6,914	0	35	0	0
Total	Land	2,678	0	0	0	0	366
	Buildings	0	7,841	0	35	0	0
Croatia							
Zagreb	Land	0	0	0	0	0	0
	Buildings	0	913	0	0	0	0
Other locations	Land	933	0	0	0	0	0
	Buildings	0	1,131	0	8	0	0
Total	Land	933	0	0	0	0	0
	Buildings	0	2,044	0	8	0	0
Bosnia and Herzegovina							
Sarajevo	Land	0	0	0	0	0	0
	Buildings	0	2,066	0	168	0	0
Total	Land	0	0	0	0	0	0
	Buildings	0	2,066	0	168	0	0
Montenegro							
Podgorica	Land	0	0	0	0	0	0
	Buildings	0	993	0	0	0	0
Total	Land	0	0	0	0	0	0
	Buildings	0	993	0	0	0	0
Intereuropa Group							
Total for all locations	Land	3,611	0	0	0	0	366
	Buildings	0	12,944	0	211	0	0

TABLE 42: INCOME AND EXPENSES FROM INVESTMENT PROPERTY

(in EUR thousand)	2019	2018
Rental income from investment property	3,605	1,334
Direct operating expenses from investment property	-1,910	-669
Total	1,695	665

The Group had no binding contracts to purchase investment property at the end of 2019.

NOTE 12: Intangible assets

TABLE 43: CHANGES IN INTANGIBLE ASSETS IN 2019

(in EUR thousand)	Long-term property rights	Other intangible assets	Goodwill	Intangible assets under construction	Total
COST					
Balance as at 1 January 2019	5,126	4,462	42	446	10,077
Acquisitions	0	0	0	246	246
Activations	150	1	0	-151	0
Write-downs	-330	0	0	0	-330
Exchange rate differences	2	0	0	0	2
Balance as at 31 December 2019	4,949	4,464	42	541	9,996
AMORTISATION AND IMPAIRMENT					
Balance as at 1 January 2019	-4,571	-1,842	0	0	-6,413
Amortisation	-243	-305	0	0	-548
Write-downs	330	0	0	0	330
Balance as at 31 December 2019	-4,485	-2,147	0	0	-6,632
NET BOOK VALUE					
Balance as at 1 January 2019	555	2,620	42	446	3,663
Balance as at 31 December 2019	464	2,317	42	541	3,363

The majority of long-term property rights comprises rights associated with computer programmes and software. Other intangible assets comprise software to support comprehensive logistics services. The results of an impairment test for other intangible assets performed by the Group on the reporting date indicated that impairments were not necessary.

The cost of intangible assets whose carrying amount was zero as at 31 December 2019 and are still in use was EUR 2,641 thousand (EUR 3,010 thousand at the end of 2018). The Group had commitments to purchase intangible assets in the amount of EUR 156 thousand as at the reporting date, compared with commitments to purchase intangible assets in the amount of EUR 190 thousand on the last day of the comparable year.

TABLE 44: CHANGES IN INTANGIBLE ASSETS IN 2018

(in EUR thousand)	Long-term property rights	Other intangible assets	Goodwill	Intangible assets under construction	Total
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
AMORTISATION AND IMPAIRMENT					
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
NET BOOK VALUE					
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

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 45: STRUCTURE OF LOANS AND DEPOSITS

(in EUR thousand)	31 December 2019	31 December 2018
Long-term loans and deposits	53	15
- loans granted	2	3
- deposits	51	13
Short-term loans and deposits	1,010	1,272
- loans granted	1	1
- deposits	1,009	1,271
Total	1,063	1,287

As at the balance-sheet date, the Group had pledged short-term deposits in the amount of EUR 980 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 2019. The carrying amount of that investment was EUR 63 thousand.

TABLE 46: CHANGES IN INVESTMENT IN ASSOCIATE

(in EUR thousand)	2019	2018
Balance as at 1 January	71	73
Profit according to the equity method	0	8
Distribution of profit	-8	-10
Balance as at 31 December	63	71

TABLE 47: ASSETS, LIABILITIES, REVENUES AND EXPENSES OF THE COMPANY

(in EUR thousand)	31 December 2019	31 December 2018
ASSETS	1,947	2,136
Non-current assets	52	8
Current assets	1,895	2,128
LIABILITIES	1,947	2,136
Equity	162	191
Non-current liabilities	41	12
Current liabilities	1,743	1,933
Revenues	13,034	12,744
Expenses (including corporate income tax)	13,034	12,715
Profit from ordinary operations	2	38
Other comprehensive income	0	0
Total comprehensive income	0	29

NOTE 16: Other non-current financial assets

Financial assets measured at fair value through other comprehensive income

Investments in financial assets measured at fair value through other comprehensive income amounted to EUR 122 thousand as at 31 December 2019, a change of EUR 91 thousand relative to the comparable reporting date. The Group had no such assets pledged as collateral or security for liabilities recognised in the statement of financial position or for contingent liabilities.

TABLE 48: CHANGES IN FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(in EUR thousand)	2019	2018
Balance as at 1 January	31	33
Sales	0	0
Impairments	0	0
Transfer between items	82	0
Revaluation to fair value	10	-2
Balance as at 31 December	122	31

NOTE 17: Available-for-sale assets

TABLE 49: CHANGES IN AVAILABLE-FOR-SALE ASSETS

(in EUR thousand)	2019	2018
Balance as at 1 January	4,715	272
Transfer from property, plant and equipment	668	4,713
Sales	-2,714	-272
Exchange rate differences	32	2
Balance as at 31 December	2,701	4,715

Available-for-sale assets comprise real estate, the sale of which is planned in a short period of time.

NOTE 18: Assets from contracts with customers

Assets from contracts with customers as at 31 December 2019 in the amount of EUR 533 thousand comprised receivables from incomplete services in the amount of EUR 471 thousand and from uncharged customs and other duties that arise in customs clearance procedures that are charged to customers (as suspense items) in the amount of EUR 62 thousand.

NOTE 19: Current operating receivables

TABLE 50: CURRENT OPERATING RECEIVABLES

(in EUR thousand)	31 December 2019	31 December 2018
Current trade receivables	29,549	30,929
Other current operating receivables	1,849	2,030
Total	31,398	32,960

Current operating receivables as at 31 December 2019 in the amount of EUR 360 thousand were secured by enforcement drafts, guarantees and liens, or the retention of title (EUR 726 thousand at the end of 2018).

The Group had current trade receivables in the amount of EUR 10,000 thousand pledged as collateral as at the reporting date and at the end of 2018 (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 amounted to EUR 395 thousand on the final day of 2019 (EUR 463 thousand on the final day of the comparable year) and comprise current deferred costs.

NOTE 21: Cash and cash equivalents

Cash and cash equivalents amounted to EUR 6,283 thousand as at 31 December 2019 (EUR 9,578 thousand as at the end 2018), and comprised 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 22: Equity

Share capital

The Company's share capital amounted to EUR 27,488,803 as at 31 December 2019, 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 2018.

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 comprises amounts from the simple reduction of the parent company's share capital, and 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 2019.

Profit reserves

Profit reserves amounted to EUR 5,160 thousand as at 31 December 2019 (EUR 2,749 thousand on the final day of the comparable year). In addition to legal reserves in the amount of EUR 4,656 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, as well as reserves under the Articles of Association in the amount of EUR 505 thousand. The parent company holds 18,135 treasury shares. The original 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 2019.

Fair value reserves

Fair value reserves amounted to EUR 45,023 thousand at the end of 2019, and comprised the revaluation of land, including the revaluation of land prior to transfer to investment property in the amount of EUR 31,277 thousand (the amount of revaluation is reduced for deferred taxes in the amount of EUR 7,337 thousand), and reserves for actuarial losses from the revaluation of provisions for termination benefits in the negative amount of EUR 651 thousand (the amount of revaluation is reduced for deferred taxes in the amount of EUR 68 thousand), as well as the revaluation of financial assets measured at fair value through other comprehensive income in the negative amount of EUR 46 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 6,666 thousand as at 31 December 2019 and were up by EUR 178 thousand relative to 2018 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.

Retained earnings

Changes during the financial year are disclosed in the statement of comprehensive income and in the statement of changes in equity.

Earnings/loss per ordinary share

Basic earnings per ordinary share amounted to EUR 0.23 in 2019 (EUR 0.25 in 2018). The calculation took into account profit attributable to majority owners in the amount of EUR 3,898 thousand (EUR 4,275 thousand in 2018). The same number of ordinary shares (16,812,703) was taken into account for both years. Treasury shares were excluded from the calculation. Diluted earnings per share are equal to basic earnings per share.

NOTE 23: Non-controlling interests in equity

TABLE 51: NON-CONTROLLING INTERESTS

(in EUR thousand)	Country in which company is registered	Non-controlling interest		Equity pertaining to non-controlling interest		Net profit or loss pertaining to non-controlling interest	
		31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Interzav, d. o. o., Koper	Slovenia	28.72%	28.72%	19	29	10	15
Intereuropa, logističke usluge, d. o. o., Zagreb	Croatia	0.04%	0.04%	17	17	-	0
Intereuropa sajam, d. o. o., Zagreb	Croatia	49.00%	49.00%	326	335	42	42
Intereuropa Skopje, d. o. o., Skopje	North Macedonia	0.44%	0.44%	6	7	-1	0
Intereuropa RTC, d. d. Sarajevo	Bosnia and Herzegovina	4.23%	4.23%	518	488	22	21
AD Intereuropa logističke usluge, Belgrade	Serbia	26.38%	26.38%	1,788	1,894	-140	-279
TOV TEK ZTS, Uzhhorod	Ukraine	10.07%	10.07%	0	-10	11	8
Intereuropa Kosova LLC., Prishtina	Kosovo	10.00%	10.00%	65	65	10	19
Zetatrans A.D., Podgorica	Montenegro	30.73%	30.73%	4,895	4,833	344	308
Total				7,635	7,659	299	133

TABLE 52: SUMMARY OF ACCOUNTING INFORMATION FOR NON-CONTROLLING INTERESTS

Non-controlling interest	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	
(in EUR thousand)	2019	2018	2019	2018	2019	2018
Non-current assets	0	0	16	17	295	230
Current assets	25	35	3	3	89	165
Equity and non-current liabilities	25	30	18	18	359	368
Current liabilities	6	5	2	2	25	26
Revenues	55	59	10	10	326	381
Profit or loss from ordinary operations	13	18	0	0	51	51

Non-controlling interest	0.44%		4.23%		26.38%	
Company name	Intereuropa Skopje, d. o. o., Skopje		Intereuropa RTC, d. d., Sarajevo		AD Intereuropa logističke usluge, Belgrade	
(in EUR thousand)	2019	2018	2019	2018	2019	2018
Non-current assets	4	4	508	489	2,431	2,381
Current assets	4	5	100	80	279	284
Equity and non-current liabilities	5	7	488	512	2,009	2,103
Current liabilities	2	2	60	57	701	562
Revenues	11	12	347	342	1,504	1,586
Profit or loss from ordinary operations	-1	0	26	22	-141	-279

Non-controlling interest	10.07%		10.00%		30.73%	
Company name	TOV TEK ZTS, Uzhorod		Intereuropa Kosova L.L.C., Prishtina		Zetatrans A.D., Podgorica	
(in EUR thousand)	2019	2018	2019	2018	2019	2018
Non-current assets	61	59	81	9	3,733	3,675
Current assets	56	48	124	121	1,867	1,717
Equity and non-current liabilities	5	3	117	65	4,547	5,072
Current liabilities	113	104	87	65	357	320
Revenues	376	325	397	367	2,035	1,951
Profit or loss from ordinary operations	2	5	12	22	380	338

NOTE 24: Rezervacije

TABLE 53: CHANGES IN PROVISIONS IN 2019

(in EUR thousand)	Balance as at 1 January 2019	Drawn down (used)	Reversed	Additional creation of provisions charged to expenses	Additional creation of provisions charged to equity	Exchange rate differences	Balance as at 31 December 2019
Provisions for severance pay at retirement and jubilee benefits	1,365	-145	-6	316	731	-2	2,259
Provisions for lawsuits	982	-240	-692	388	0	0	438
Total	2,347	-385	-698	704	731	-2	2,697

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 recognised based on the assessments of legal experts.

The Group assessed that an outflow of cash is unlikely. It therefore reversed provisions for lawsuits in the amount of EUR 692 thousand.

TABLE 54: CHANGES IN PROVISIONS IN 2018

(in EUR thousand)	Balance as at 1 January 2018	Drawn down (used)	Reversed	Additional recognition of provisions charged to expenses	Additional recognition of provisions charged to equity	Exchange rate differences	Balance as at 31 December 2018
Provisions for termination benefits upon retirement and employee anniversary bonuses	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

TABLE 55: CHANGES IN PROVISIONS FOR TERMINATION BENEFITS AND EMPLOYEE ANNIVERSARY BONUSES IN 2019

(in EUR thousand)	Balance as at 1 January 2019	Interest expense	Payments	Increase during current year	Actuarial gains or losses	Exchange rate differences	Total as at 31 December 2019
Provisions	1,365	23	-146	146	873	-2	2,259
Employee anniversary bonuses	298	5	-55	44	130	0	422
Termination benefits upon retirement	1,067	18	-91	102	743	-2	1,837

The calculation of provisions for termination benefits upon retirement and employee anniversary bonuses is based on an actuarial calculation for 2019, in which the following assumptions were taken into account:

- the number of employees, gender, age, total length of service, length of service with a company and employees' gross wages for October 2019;
- the method for calculating termination benefits in specific countries;
- increase in average salaries in specific countries;
- increase in basic salaries and the variable component of salaries at a specific company in the amount of annual inflation forecast for a specific country;
- 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 mortality tables; and
- the application of the following annual discount rates: 0.1% in Slovenia, 0.5% in Croatia, 3% in Bosnia and Herzegovina, 3.6% in Serbia, 2.25% in North Macedonia and 2.55% in Montenegro.

Assumptions for the actuarial calculation of provisions for employee anniversary bonuses and termination benefits upon retirement were as follows in 2018:

- 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 termination benefits upon 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 56: CHANGES IN PROVISIONS FOR TERMINATION BENEFITS AND EMPLOYEE ANNIVERSARY BONUSES IN 2018

(in EUR thousand)	Balance as at 1 January 2018	Interest expense	Payments	Increase during current year	Actuarial gains/ losses	Exchange rate differences	Total as at 31 December 2018
Provisions	1,340	64	-137	75	22	1	1,365
Employee anniversary bonuses	323	15	-58	18	0	0	298
Termination benefits upon retirement	1,017	49	-79	57	22	1	1,067

NOTE 25: Financial liabilities

TABLE 57: STRUCTURE OF NON-CURRENT FINANCIAL LIABILITIES

(in EUR thousand)	31 December 2019	31 December 2018
Long-term loans received	0	15
Non-current lease liabilities	2,719	496
Total	2,719	511

The Group had no overdue unpaid liabilities under loan agreements as at the reporting date.

During the 2019 financial year, the Group strove for the fulfilment of financial objectives and commitments agreed with banks, as set out in the financial restructuring agreement concluded in 2012, and succeeded in that regard. At the beginning of 2020, the parent company completed activities aimed at the refinancing of all of its financial liabilities (Note 32).

TABLE 58: CHANGES IN LONG-TERM LOANS

(in EUR thousand)	2019	2018
Balance as at 1 January	15	66,499
Repayments	0	-2,140
Transfer to current liabilities	-15	-64,337
Exchange rate differences	0	-6
Balance as at 31 December	0	15

TABLE 59: CHANGES IN FINANCIAL LIABILITIES IN 2019

(in EUR thousand)	Long-term loans (excluding leases)	Long-term leases	Short-term loans (excluding leases)	Liabilities for dividends and other shares in profit	Total financial liabilities
Balance as at 31 December 2018	64,264	585	5,781	416	71,046
Restatements due to IFRS 16	0	3,242	0	0	3,242
Balance as at 1 January 2019	64,264	3,827	5,781	416	74,288
Cash flow	-7,400	-1,222	-5,328	-334	-14,284
Increase	0	0	0	356	356
New leases	0	1,395	0	0	1,395
Other	0	118	-176	0	-58
Balance as at 31 December 2019	56,864	4,118	277	438	61,697

TABLE 60: CHANGES IN FINANCIAL LIABILITIES IN 2018

(in EUR thousand)	Long-term loans (excluding leases)	Long-term leases	Short-term loans (excluding leases)	Liabilities for dividends and other shares in profit	Total financial liabilities
Balance as at 1 January 2018	70,628	949	263	941	72,781
Cash flow	-6,364	-348	5,524	-167	-1,355
Other	0	-7	-6	-358	-371
Exchange rate differences	0	-9	0	0	-9
Balance as at 31 December 2018	64,264	585	5,781	416	71,046

TABLE 61: LONG-TERM LOANS AND FINANCE LEASES BY MATURITY

(in EUR thousand)	31 December 2019	31 December 2018
Maturity from 1 to 2 years	0	511
Maturity from 2 to 3 years	0	0
Total	0	511

TABLE 62: STRUCTURE OF CURRENT FINANCIAL LIABILITIES

(in EUR thousand)	31 December 2019	31 December 2018
Short-term loans received	57,141	70,046
Current financial liabilities from current finance leasing	1,400	89
Liabilities for dividends and other shares in profit	438	416
Total	58,978	70,551

The Group repaid non-current financial liabilities in the amount of EUR 7,400 thousand in 2019.

TABLE 63: SHORT-TERM LOANS AND FINANCE LEASES WITH RESPECT TO COLLATERAL

(in EUR thousand)	31 December 2019	31 December 2019
Secured	58,509	70,074
Liens on real estate and securities	58,248	69,717
Bills of exchange	261	0
Other	0	357
Unsecured	32	61
Total	58,541	70,135

NOTE 26: Non-current operating liabilities

TABLE 64: NON-CURRENT OPERATING LIABILITIES

(in EUR thousand)	31 December 2019	31 December 2019
Non-current trade payables	139	303
Non-current liabilities for employee profit-sharing	887	1,111
Total	1,026	1,414

The Group's contractual obligation for employee participation in profits, which will be settled one year after the approval of the annual report for 2019, amounted to EUR 887 thousand and comprised expenses for employee participation in profits in the amount of EUR 753 thousand (including social security costs) and expenses for the participation of hired labour in profits in the amount of EUR 133 thousand. The latter amount was recognised in the item 'costs of hired labour and student work'.

NOTE 27: Current operating liabilities

TABLE 65: STRUCTURE OF CURRENT OPERATING LIABILITIES

(in EUR thousand)	31 December 2019	31 December 2018
Current trade payables	19,259	20,544
Other current operating liabilities	4,534	3,805
Total	23,793	24,349

Of the total current operating liabilities as at 31 December 2019, EUR 2,263 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 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. An estimate of contingent liabilities as at 31 December 2019 is shown in the table below.

TABLE 66: CONTINGENT LIABILITIES

(in EUR thousand)	31 December 2019	31 December 2018
Contingent liabilities from bank guarantees and guarantees given to others	17,299	16,585
Contingent liabilities from lawsuits	303	876
Contingent liabilities to D.S.U., družba za svetovanje in upravljanje, d. o. o.	66	66
Other contingent liabilities	105	105
Total	17,773	17,631

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 303 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 29: Fair value

TABLE 67: FAIR VALUE OF FINANCIAL INSTRUMENTS

(in EUR thousand)	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets measured at fair value through other comprehensive income*	3	3	102	102
Financial assets measured at fair value through profit or loss*	119	119	27	27
Loans and deposits	1,063	1,063	1,287	1,287
Operating receivables	30,545	30,545	31,710	31,710
Cash and cash equivalents	6,283	6,283	9,578	9,578
Total	38,013	38,013	42,704	42,704
Financial liabilities				
Loans and leases	61,260	61,260	70,647	70,647
- at fixed interest rates	4,100	4,100	643	643
- at variable interest rates	57,160	57,160	70,004	70,004
Liabilities for dividends and other shares in profit	438	438	416	416
Operating liabilities	20,734	20,734	22,653	22,653
Total	82,432	82,432	93,716	93,716

The Group assumes 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 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 68: FAIR VALUE HIERARCHY FOR ASSETS MEASURED AT FAIR VALUE

(in EUR thousand)	31 December 2019			
	Level 1	Level 2	Level 3	Total
Land	0	0	70,843	70,843
Financial assets measured at fair value through other comprehensive income	3	0	0	3
Financial assets measured at fair value through profit or loss	0	0	119	119
Total	3	0	70,962	70,965

(in EUR thousand)	31 December 2018			
	Level 1	Level 2	Level 3	Total
Land	0	0	76,788	76,788
Financial assets measured at fair value through other comprehensive income	4	0	0	4
Financial assets measured at fair value through profit or loss	0	0	27	27
Total	4	0	76,815	76,819

NOTE 30: Financial risks

Liquidity risk

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; and
- 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 69: LIQUIDITY RISK AS AT 31 DECEMBER 2019

(in EUR thousand)	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	57,141	57,280	57,003	272	5	0	0
Operating lease liabilities	3,622	4,264	2,013	474	657	1,121	0
Liabilities from finance leasing	497	519	56	56	407	0	0
Liabilities for dividends and other shares in profit	438	438	14	0	0	0	0
Trade payables	19,390	20,110	19,847	69	24	47	69
of which trade payables for short-term leases	29	29	29	0	0	0	0
Other operating liabilities	1,344	1,344	474	0	870	0	0
Total	82,432	83,954	79,408	870	1,963	1,168	69

On 31 January 2020, the parent company refinanced financial liabilities to creditor banks in the amount of EUR 59,840 thousand until 2027.

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 17,299 thousand.

TABLE 70: 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	25 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	1,806	1,806	709	0	1,097	0	0
Total	93,715	95,044	30,288	62,544	2,087	71	69

Currency risk

TABLE 71: APPLIED EXCHANGE RATES

Country	Functional currency	2019		2018	
		Year-end exchange rate in EUR*	Average exchange rate in EUR*	Year-end exchange rate in EUR*	Average exchange rate in EUR*
Croatia	HRK	-	-	-	-
North Macedonia	MKD	7,437	7,418	7,413	7,418
Bosnia and Herzegovina	BAM	61,419	61,585	61,606	61,618
Serbia	RSD	1,956	1,956	1,956	1,956
Ukraine	UAH	117,380	117,700	118,430	118,340
Albania	ALL	26,354	27,930	32,036	32,321
Albanija	ALL	122,410	121,970	124,110	128,170

* ECB reference exchange rates taken into account.

TABLE 72: CURRENCY RISK AS AT 31 DECEMBER 2019

(in EUR thousand) 31 December 2019	EUR	HRK	RSD	Other	Total
Operating receivables	23,612	3,855	706	2,280	30,453
Long-term loans granted and deposits	0	0	0	53	53
Short-term loans granted and deposits	1,009	0	0	1	1,010
Short-term loans received	-56,865	0	-261	-15	-57,141
Liabilities for dividends and other shares in profit	-423	0	0	-14	-437
Lease liabilities	-3,611	0	-182	-326	-4,119
Operating liabilities	-15,444	-3,064	-696	-1,530	-20,734
Exposure disclosed in the statement of financial position	-51,722	791	-433	449	-50,915

TABLE 73: CURRENCY RISK AS AT 31 DECEMBER 2018

(in EUR thousand) 31 December 2018	EUR	HRK	RSD	Other	Total
Operating receivables	24,975	3,923	539	2,273	31,710
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	-18,561	-1,950	-447	-1,695	-22,653
Exposure disclosed in the statement of financial position	-63,129	2,095	-176	492	-60,718

Credit risk

TABLE 74: CREDIT RISK AS AT 31 DECEMBER 2019

(in EUR thousand)	31 December 2019	31 December 2018
Loans granted and deposits placed with others	1,063	1,287
Operating receivables	31,701	33,015
- of which trade receivables	31,398	32,960
Cash and cash equivalents	6,283	9,578
Total	39,047	43,880

TABLE 75: CHANGES IN ADJUSTMENTS TO THE VALUE OF CURRENT TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES

(in EUR thousand)	2019	2018
Opening balance of adjustments to the value of trade receivables	5,206	4,574
Changes due to the transition to IFRS 9	0	560
Adjustments to the value of trade receivables as at 1 January	5,206	5,134
- exclusion of company from the consolidated financial statements	-35	0
- written-off receivables	-458	-455
- impairment losses on receivables (including the reversal of impairment losses)	174	523
- exchange rate differences	6	4
Adjustments to the value of trade receivables as at 31 December	4,893	5,206
Opening balance of adjustments to the value of other current receivables	1,352	1,264
Changes due to the transition to IFRS 9	0	85
Adjustments to the value of other current receivables as at 1 January	1,352	1,349
- written-off receivables	-421	0
- impairment losses on receivables (including the reversal of impairment losses)	-636	3
Adjustments to the value of other current receivables as at 31 December	294	1,352

TABLE 76: EXPOSURE TO CREDIT RISK AND EXPECTED CREDIT LOSSES IN CONNECTION WITH CURRENT TRADE RECEIVABLES AS AT 31 DECEMBER 2019

(in EUR thousand)	Gross value as at 31 December 2019	Average percentage of impairment losses recognised	Impairment losses as at 31 December 2019
Not due	20,953	0.27%	56
1 to 30 days past due	5,848	0.56%	33
31 to 90 days past due	2,273	2.46%	56
91 to 180 days past due	700	15.42%	108
More than 180 days past due	4,654	100.00%	4,654
Exchange rate differences	13		-14
Total	34,441		4,893

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 77: EXPOSURE TO CREDIT RISK IN CONNECTION WITH CURRENT TRADE RECEIVABLES AS AT 31 DECEMBER 2018

(in EUR thousand)	Gross value as at 31 December 2018	Average percentage of impairment losses recognised	Impairment losses as at 31 December 2018
Not 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

TABLE 78: EXPOSURE TO CREDIT RISK AND EXPECTED CREDIT LOSSES IN CONNECTION WITH OTHER CURRENT OPERATING RECEIVABLES AS AT 31 DECEMBER 2019

(in EUR thousand)	Gross value as at 31 December 2019	Impairment losses as at 31 December 2019
Not due	560	0
Past-due	427	294
Total	987	294

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

TABLE 79: EXPOSURE TO CREDIT RISK AND EXPECTED CREDIT LOSSES IN CONNECTION WITH OTHER CURRENT OPERATING RECEIVABLES AS AT 31 DECEMBER 2018

(in EUR thousand)	Gross value as at 31 December 2018	Impairment losses as at 31 December 2018
Not due	432	0
Past-due	1,645	1,352
Total	2,077	1,352

TABLE 80: INTEREST-RATE RISK IN 2019

(in EUR thousand) Type of variable interest rate	Loan amount as at 31 December 2019	Increase in IR by 10 basis points	Increase in IR by 25 basis points	Increase in IR by 50 basis points
3-month EURIBOR	57,360	-57	-143	-287
1-month BELIBOR	261	0	-1	-1
Total	57,621	-58	-144	-288

TABLE 81: INTEREST-RATE RISK IN 2018

(in EUR thousand) Type of variable interest rate	Loan amount as at 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 BELIBOR	268	0	-1	-1
Total	70,647	-71	-177	-353

Capital management

TABLE 82: CAPITAL MANAGEMENT

(in EUR thousand)	2019	2018
Non-current financial liabilities	2,719	511
Current financial liabilities	58,978	70,551
Total financial liabilities	61,697	71,062
Equity	122,145	121,643
Debt/equity	0.51	0.58
Current financial assets	1,010	1,272
Cash and cash equivalents	6,283	9,578
Net financial liabilities	54,404	60,212
Net debt/equity	0.45	0.49
Total assets	223,361	232,927
Equity to total assets	0.55	0.52

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 continued with deleveraging activities in 2019 in accordance with its strategic policy to reduce debt.

NOTE 31: Other notes

TABLE 83: COSTS OF AUDITING SERVICES

(in EUR thousand)	2019	2018
Auditing of the annual report	95	104
Other permitted non-audit services	31	5
Total costs of auditing services	126	109

In addition to auditing services, the auditor of the Group also provided other permitted non-audit services in 2019. Audit costs for the 2019 annual report were recognised taking into account the stage of completion of those services.

Intereuropa Group companies

TABLE 84: COMPOSITION OF THE INTEREUROPA GROUP AS AT 31 DECEMBER 2019

Composition of the Group (in EUR thousand)	Ownership stake as at 31 December 2019	Ownership stake as at 31 December 2018	Value of equity as at 31 December 2019	Value of equity as at 31 December 2018
Parent company				
Intereuropa, d. d., Koper			87,228	85,005
Subsidiaries				
Interagent, d. o. o., Koper	100.00%	100.00%	217	199
Interzav, d. o. o., Koper	71.28%	71.28%	68	101
Intereuropa, logističke usluge, d. o. o., Zagreb	99.96%	99.96%	41,571	42,959
Intereuropa sajam, d. o. o., Zagreb	51.00%	51.00%	667	683
Intereuropa Skopje, d. o. o., Skopje	99.56%	99.56%	1,275	1,607
Intereuropa RTC, d. d., Sarajevo	95.77%	95.77%	12,241	11,551
A.D. Intereuropa logističke usluge, Belgrade	73.62%	73.62%	6,776	7,181
TOV TEK ZTS, Uzhhorod	89.93%	89.93%	3	-95
Intereuropa Kosova L.L.C.	90.00%	90.00%	655	651
Zetatrans A.D., Podgorica	69.27%	69.27%	15,929	15,724
TOV Intereuropa, Kiev, Ukraine	100.00%	100.00%	-304	-318
Intereuropa Albania, Durrës	100.00%	100.00%	86	86

Related parties

The direct controlling company of Intereuropa, d. d. is Pošta Slovenije, d. o. o., while the ultimate controlling party is the Republic of Slovenia.

Other related parties of the Intereuropa Group include:

- an associate,
- 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 85: DISCLOSURE OF TRANSACTIONS WITH THE PARENT COMPANY

(in EUR thousand)	Parent company 13 November 2019 to 31 December 2019
Revenues from the sale of services	18
Costs of services	12
(in EUR thousand)	Parent company 31 December 2019
Balance of operating receivables	10
Balance of operating liabilities	12

TABLE 86: REMUNERATION OF KEY MANAGEMENT PERSONNEL

(in EUR thousand)	2019	2018
Current remuneration (gross wages, annual leave and sick leave, shares in profit, non-monetary earnings (fringe benefits))	690	772
Termination benefits	9	0
Other earnings	25	81
Total	724	853

TABLE 87: DISCLOSURE OF TRANSACTIONS WITH RELATED PARTIES

Revenues from the sale of services (in EUR thousand)	2019	2018
Associate	438	1,310
Companies that are controlled or jointly controlled by an individual, or a member of their immediate family in a relationship with the Intereuropa Group	110	59
Costs of services (in EUR thousand)	2019	2018
Associate	4,469	4,432
Companies that are controlled or jointly controlled by an individual, or a member of their immediate family in a relationship with the Intereuropa Group	9	18
Balance of operating receivables (in EUR thousand)	31 December 2019	31 December 2018
Associate	74	91
Companies that are controlled or jointly controlled by an individual, or a member of their immediate family in a relationship with the Intereuropa Group	116	9
Balance of operating liabilities (in EUR thousand)	31 December 2019	31 December 2018
Associate	467	694

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 are typically settled by remittances, assignment or mutual netting. Transactions with related parties were executed according to market terms.

NOTE 32: Events after the balance-sheet date

- On 31 January, the parent company successfully completed the refinancing of several loans arranged under the financial restructuring agreement concluded in 2012. The Company and a syndicate of banks, including Nova Ljubljanska banka, d. d. acting as the organiser and agent, concluded a long-term loan agreement in the amount of EUR 54,850 thousand. The new loan comprises two tranches, one with a maturity of seven years and the other with a maturity of four years. Interest rates were reduced by more than half relative to the previous terms of financing. Pošta Slovenije, d. o. o. contributed to that successful refinancing by issuing a guarantee covering 80% of the amount of that loan.
- In February 2020, the Group sold two properties in Zagreb and thus reduced assets held for sale by EUR 1,994 thousand. The Group generated a gain in the sale of that real estate.
- In February 2020, the Company submitted a letter of intent to purchase the remaining participating interest in Intereuropa RTC, d. d. Sarajevo, by which it will become 100% owner of that company.

Impact of COVID19 on operations

The outbreak of the COVID-19 coronavirus is having a significant impact on health-related, economic and other developments across the world. The World Health Organisation declared a pandemic on 11 March 2020, and the Slovenian government followed suit the next day by declaring an epidemic. Intereuropa, d. d. and Intereuropa Group companies are carefully monitoring current events in Slovenia and around the world, and are doing everything necessary, in accordance with the measures adopted by the competent institutions and the recommendations of experts, to protect the health of employees and business partners, and to ensure the business continuity of all Group companies. Companies are regularly adjusting their activities to the situation in the countries where the Intereuropa Group provides services, while carrying out all the key activities to meet the needs of customers. Even in these difficult conditions, they are ensuring the flow of goods along the entire supply chain, which in Slovenia, where Intereuropa is the largest logistics company with a comprehensive range of services, is crucial for the continuous functioning of those chains in extraordinary conditions.

Concern for the health and safety of employees in the workplace is paramount. We have enabled the employees of Group companies to work from home to the greatest extent possible, and provided protective equipment for employees who must be present in the business process due to the nature of their work. Employees are regularly informed of newly adopted measures and developments at individual companies.

In the period until the final preparation of the annual report, the management of the Company and Group assessed on the basis of current data regarding orders and information from the environment that the epidemic could have the following effects on the operations of the Intereuropa Group and Intereuropa:

- A drop in economic activity will be seen in falling demand for services and lower sales revenue. Given that Intereuropa has a highly diversified structure of customers and the Group continues to provide its customers all services despite the epidemic, a gradual increase in demand can be expected towards the end of the second quarter.
- We do not expect any major problems in ensuring capacities at the suppliers of transport services.
- Due to the declining scope of operations, the Intereuropa Group and Intereuropa are continuously adapting the number of active employees and agency workers to the volume of business. Countries have and continue to adopt measures to subsidise labour costs for employees on furlough or sick leave.
- Increased credit risk and the resulting additional impairment losses on receivables. There has been a temporary deterioration in the payment discipline of customers as the result of a liquidity crunch in the economy. A portion of that effect may be passed through to suppliers, while the government is adopting and announcing additional measures to ease that crunch.

On 20 March 2020, the National Assembly of the Republic of Slovenia adopted the Intervention Measure Act on the Deferral of Payments of Borrowers' Obligations (ZIUOPOK), which was supplemented to a lesser degree by the Intervention Measures to Mitigate the Effects of the COVID-19 Infectious Disease Epidemic on Citizens and the Economy Act (ZIUZEOP) adopted on 2 April 2020. Based on the ZIUOPOK, Intereuropa, d. d. submitted a request for the deferral of loan repayment to the agent of a syndicated loan on 30 March 2020, in which it asked for a 12-month deferral of the payment of principal and interest in accordance with the aforementioned law.

The Management Board assesses that the epidemic could have a significant impact on the operating results of the Intereuropa Group and Intereuropa, d. d. A reliable assessment regarding the impact of the epidemic could not be given during the final preparation of the annual report because the scope and duration of the impact of the COVID-19 coronavirus and announced government measures remain uncertain.

The Management Board has assessed the impact of the COVID-19 coronavirus on the assumption of Intereuropa as a going concern, where primarily the duration of the epidemic on the key markets of companies and the Group as a whole represents significant uncertainty. Assuming a gradual improvement in the level of sales during the summer months based on a gradual improvement in economic activity on the Asian market where the epidemic started, and taking into account planned government measures to ease the liquidity crunch in the economy, the Company's Management Board assesses that the assumption of Intereuropa as a going concern is not in jeopardy.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Intereuropa d.d.

Opinion

We have audited the consolidated financial statements of Intereuropa Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to *Note II. - 3 Adjustment of Error* of the consolidated financial statements, which describes the effects of restated prior year balances. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



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Revenue recognition

As at 31 December 2019, the net sales revenues amounted to EUR 160.4 million as disclosed in Note 1: Sales revenues. The recognition of revenue in accordance with IFRS 15 is complex for the Group because of the variety of contracts in place for transportation and logistical services, client representation in front of customs authority, warehousing services and other services. Agreements with customers and services sometimes include multiple element arrangements which increases the complexity in the revenue recognition process.

We focused on this area because of the various revenue streams, nature of services and involved management judgement in assessment of how the performance obligation fulfilment affect the timing of revenue recognition. We identified revenue recognition as a risk mostly due to the possibility of improper timing of revenue recognition; resulting in overstatement of revenue as a result of premature recognition of revenue or understatement of revenue as a result of late recognition of revenue.

These facts require more extensive audit procedures and is therefore considered as key audit matter.

Our audit procedures included considering the appropriateness of the Group's revenue recognition accounting policies and assessing compliance with the policies in terms of International Financial Reporting Standards as adopted by the European Union.

We tested the design, implementation and operating effectiveness of internal controls over revenue recognition in terms of error, fraud prevention and timing of revenue.

On a sample of transactions, we tested appropriateness of determining the performance obligations as well as allocation of the price consideration to individual performance obligation and timing of control transfer for each revenue stream, in accordance with IFRS 15. We involved information technology specialists to assist us in evaluating of the application controls in the process of revenue recognition.

We also tested a sample of sales transactions taking place at either side of the statement of financial position date as well as credit notes issued after the statement of financial position date to assess whether revenue was recognised in the correct period and whether accruals for discounts as at 31 December 2019 are fully recognized.

For a sample of customers contracts open at the statement of financial position date, we assessed the management estimate of the level of the contract that has been fulfilled, based on the obtained supporting documentation from third parties (i.e. invoices of service providers, customs documentation, flight lists etc).

In relation to the sample of customers contracts open at the statement of financial position date, we reviewed the appropriateness of the amount of the assets from contracts with customers and liabilities from contracts with customers, respectively.

Finally, we assessed the adequacy of disclosures on revenues included in Note III – (P) Revenues from service rendered and Note 1: Sales revenue and Note 18 Assets from contracts with customers in respect to current receivables from incomplete services, and their compliance with International Financial Reporting Standards as adopted by the European Union.



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Land measured at fair value

The Group's property plant and equipment includes land plots across the countries in which the Group operates used to support its business operations, primarily in providing its warehousing and storage services. As at 31 December 2019 the carrying amount of land amounts to €70.8 million in the consolidated financial statements.

The management's assessment of fair value of land was significant to our audit because this process is complex and requires significant management judgement.

The management prepares estimates of the fair value with the assistance of external appraisals, and by references to the observed recent transactions with similar assets. The management prepares estimates of fair value every five years, or more frequently if indications of impairment point to a significant deviation in fair value.

The management process of the identification of indications of impairment is complex and requires significant judgement.

We therefore determined this to be a key audit matter.

We evaluated management's assessment of fair value of land.

We assessed the competency, the experience and objectivity of the external appraisals and discussed their valuation report and work performed with them directly. We involved valuation experts to assist us in the evaluation of judgments and assumptions used in the valuations, such as, but not limited to, assessing the selection of comparable transactions and reasonableness of any related adjustments for size, location and type of transactions; assessment of the accuracy and relevance of the input data in the valuation reports.

We assessed the historical accuracy of management's estimates based on the Group's recent sales transactions and by reviewing whether these transactions resulted in significant profits or losses.

We also evaluated the adequacy of disclosures regarding the revaluation of land, which are included in Note 10 – *Property, plant and equipment* and Note 11 – *Investment property* of the consolidated financial statements and their compliance with International Financial Reporting Standards as adopted by the EU.

Impairment of property, plant and equipment and investment property

The Group's property, plant and equipment includes buildings and equipment in various locations across countries where the Group performs its operations. The Group's investment property includes land and buildings at various locations that are leased out and held for the purpose of achieving a rental income or appreciation of value. As at 31 December 2019, property, plant and equipment amounts to €145.2 million (property, plant and equipment) and €24.0 million (investment property) in the consolidated financial statements.

The Group conducts annual impairment test of asset's balances. The impairment test involves determining the recoverable amount of cash generating unit as a whole or individual assets, which corresponds to the value in use or selling price less cost to sell. Value in use in the present value of the future cash flows expected to be derived from a cash generating unit.

Management's assessment of the impairment indicators and impairment loss recognized for property, plant and equipment was significant to our audit because this process is complex and requires significant management judgement. We therefore determined this to be a key audit matter

We evaluated management's assessment of impairment indications for property, plant and equipment and investment property.

We tested management's assumptions and other input data used in the value in use calculations as well as assessed the appropriateness of the Management's grouping of assets to separate cash generating units. We evaluated supporting external appraisal reports obtained by management to assess the recoverability or fair value less cost of disposal, where applicable. We assessed the competency, the experience and objectivity of the external appraisals and discussed their valuation report and work performed with them directly. We involved valuation experts in the audit team to assist us in evaluation of the discount rates used, and assessing the consistency of valuation methodologies applied.

We also evaluated the adequacy of the disclosures regarding the impairments of these property, plant and equipment and investment property, which are included in Note 10 – *Property, plant and equipment* and Note 11 – *Investment property* of the consolidated financial statements and their compliance with International Financial Reporting Standards as adopted by the EU.



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Recoverability of deferred tax assets

At 31 December 2019, deferred tax assets amount to EUR 7.6 million as disclosed in Note 9: Corporate income tax (current and deferred tax) to the consolidated financial statements, majority of which relates to unused tax losses (EUR 5.2 million).

The risk exists that future taxable profits will not be sufficient to fully recover the deferred tax assets. Management supports the recoverability of the deferred tax assets mainly with income projections that contain estimates of and tax strategies for future taxable income.

Changes in for example the business and its markets and changes in tax regulations may affect these projections. The valuation of deferred tax assets is significant to our audit because the assessment process is complex and is based on estimates of future taxable income.

We have performed audit procedures on the valuation and accuracy of the amounts recognized deferred tax and the evaluation of tax exposures. In addition, in respect of deferred tax assets, we assessed and tested the Management's analysis and assumptions supporting the probability that deferred tax assets recognized in the statement of financial position will be recovered through taxable income in future years and available tax planning strategies. We included in our team local tax specialists to analyze the tax positions and to challenge the assumptions used to determine future tax positions.

We assessed the adequacy of the disclosures on the deferred tax assets included in Note 9: Corporate income tax (current and deferred tax) of the consolidated financial statements and their compliance with International Financial Reporting Standards as adopted by the EU.

Other matter

The financial statements of the Group for the year ended 31 December 2018 were audited by another auditor, who expressed an unmodified opinion on those statements on 5 April 2019.

Other information

Other information comprises the information included in the consolidated Annual Report other than the consolidated financial statements and auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and 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. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management, audit committee and the supervisory board for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, 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 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.

The audit committee and the supervisory board are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the 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 auditor's 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 ISA 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 audit rules, 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee and the supervisory board 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 the audit committee and the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the audit committee and the supervisory board, 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.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Group at the general meeting of shareholders on 27 June 2019, the president of the supervisory board has signed the audit agreement on 10 October 2019. The agreement was signed for the period of three years.

Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 1 year. Sanja Košir Nikašinić and Lidija Šinkovec are certified auditors, responsible for the audit in the name of Ernst & Young d.o.o..

Consistence with Additional Report to Audit Committee


Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on 7 April 2020.

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Group and we remain independent from the Group in conducting the audit.

In addition to statutory audit services and services disclosed in the annual report and in the consolidated financial statements, no other services which were provided by us to the Group.

Ljubljana, 10 April 2020



Sanja Košir Nikašinić
Director, Certified auditor
Ernst & Young d.o.o.
Dunajska 111, Ljubljana



Lidija Šinkovec
Certified auditor

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1

4.2. FINANCIAL REPORT OF THE PARENT COMPANY INTEREUROPA, D. D.

Financial statements of the parent company Intereuropa, d. d., Koper with explanatory notes

Intereuropa, d. d., Koper (hereinafter: the Company) is the parent company of the Intereuropa Group and is established in Slovenia. 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 preparing 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 THE COMPANY FOR 2019

(in EUR thousand)	Notes	2019	2018
Sales revenue	1	111,828	111,890
Losses from the derecognition of operating receivables and assets from contracts with customers		-46	-37
Other long-term income	2	706	1,444
Costs of goods, materials and services	3	-83,393	-83,686
Labour costs	4	-18,915	-18,796
Amortisation and depreciation	5	-4,427	-4,070
Gains/losses due to the impairment of receivables (including the reversal of impairment losses)		532	-288
Other operating expenses	6	-1,244	-1,125
Operating profit		5,042	5,332
Interest income		475	146
Other finance income		1,843	904
Finance costs – costs of financing		-1,759	-1,945
Impairment losses on loans granted and deposits		-151	0
Other finance costs		-342	-129
Profit or loss from financing activities	7	65	-1,024
Profit from ordinary operations		5,107	4,308
Corporate income tax (including deferred taxes)	8	-1,719	-164
Net profit for the accounting period		3,388	4,144
Basic and diluted earnings per ordinary share (in EUR)	20	0.12	0.15

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 THE COMPANY FOR 2019

(in EUR thousand)	Notes	2019	2018 (restated*)
Net profit for the accounting period		3,388	4,144
Other comprehensive income or loss		-1,167	-40
Items that will be reclassified to profit or loss		0	0
Change in deferred taxes from investments in equity instruments		0	0
Items that will not be reclassified to profit or loss		-1,167	-40
Change in fair value of land	9	-544	-47
Transfer of revaluation surplus for land to retained earnings		-693	-32
Change in deferred taxes	8	35	16
Change in retained earnings from the transfer of the revaluation surplus for land		693	32
Actuarial losses	21	-615	-2
Transfer of actuarial losses to retained earnings		-7	-7
Corporate income tax on retained earnings	8	-36	0
Total comprehensive income		2,221	4,104

* Restatements are disclosed in Point II Changes in accounting policies.

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 THE COMPANY AS AT 31 DECEMBER 2019

(in EUR thousand)	Notes	31 December 2019	31 December 2018 (restated*)	1 January 2018 (restated*)
ASSETS				
Property, plant and equipment	9	77,641	85,752	89,848
Investment property	10	17,188	10,138	8,668
Intangible assets	11	3,154	3,431	3,552
Other non-current assets	12	23	23	29
Non-current operating receivables		291	16	16
Deferred tax assets	8	5,523	7,208	7,228
Long-term loans granted and deposits	13	0	102	229
Other non-current financial assets	14	44,889	44,323	44,323
TOTAL NON-CURRENT ASSETS		148,710	150,993	153,893
Available-for-sale assets	15	0	2,714	237
Inventories		7	7	9
Short-term loans granted and deposits	13	2,326	1,615	1,211
Other current financial assets		0	0	0
Assets from contracts with customers	16	349	590	0
Current operating receivables	17	22,410	23,620	23,814
Current receivables for corporate income tax		0	0	566
Other current assets	18	189	145	136
Cash and cash equivalents	19	2,757	5,430	413
TOTAL CURRENT ASSETS		28,038	34,121	26,386
TOTAL ASSETS		176,748	185,114	180,279
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		30,626	32,183	32,250
Retained earnings		4,520	95	-486
Net profit		3,388	4,034	340
TOTAL EQUITY	20	87,227	85,005	80,797
LIABILITIES				
Provisions	21	1,972	1,068	1,986
Non-current deferred income		65	81	92
Non-current financial liabilities	23	870	0	66,327
Non-current operating liabilities	22	1,010	1,401	372
Deferred tax liabilities	8	7,337	7,572	7,587
TOTAL NON-CURRENT LIABILITIES		11,254	10,122	76,364
Current financial liabilities	23	61,505	71,778	5,196
Liabilities from contracts with customers		16	17	0
Current operating liabilities	24	16,607	18,056	17,875
Current corporate income tax liabilities		127	136	47
Current deferred income		12	0	0
TOTAL CURRENT LIABILITIES		78,267	89,987	23,118
TOTAL LIABILITIES		89,521	100,109	99,482
TOTAL EQUITY AND LIABILITIES		176,748	185,114	180,279

* Restatements are disclosed in Point II Changes in accounting policies.

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

TABLE 4: STATEMENT OF CASH FLOWS OF THE COMPANY FOR 2019

(in EUR thousand)	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the accounting period		3,388	4,144
Adjustments for:			
amortisation and depreciation	5	4,427	4,070
impairments and write-offs of property, plant and equipment		52	41
gains on the sale of property, plant and equipment, and assets held for sale	2	-186	-134
income from the reversal of impairment losses on property, plant and equipment, and investment property		-251	0
losses from the derecognition of operating receivables and assets from contracts with customers		46	37
losses from the sale of property, plant and equipment		0	3
Impairment losses on receivables (including the reversal of impairment losses)	27	-532	288
finance income from interest	7	-475	-146
other finance income	7	-1,843	-904
finance costs – costs of financing	7	1,759	1,945
other finance costs	7	494	129
corporate income tax (including deferred taxes)	8	1,719	164
Operating profit before changes in net working capital and provisions		8,598	9,637
Changes in assets from contracts with customers		240	474
Changes in receivables	17	1,432	-1,637
Changes in inventories		0	2
Changes in other current assets		-44	-12
Changes in liabilities from contracts with customers		-1	-6
Changes in operating liabilities	22, 24	-1,122	1,079
Changes in provisions	21	294	-927
Change in deferred income		-16	-11
Corporate income tax		-280	513
Net cash flow from operating activities		9,101	9,112
Cash flows from investing activities			
Interest received		464	160
Dividends received and shares in profit	7	909	895
Inflows from the sale of property, plant and equipment, and assets held for sale	9	2,917	441
Inflows from long-term loans granted		97	93
Inflows from long-term deposits placed		30	30
Inflows from the disposal of other non-current financial assets	7	0	9
Net cash flow from short-term loans granted		-791	-400
Net cash flow from short-term deposits placed		-10	0
Outflows for the acquisition of property, plant and equipment, and investment property	9	-1,987	-3,714
Outflows for the acquisition of intangible assets		-314	-322
Outflows for increase in capital of subsidiaries	14	-62	-122
Net cash flow from investing activities		1,253	-2,930
Cash flows from financing activities			
Interest paid		-1,780	-1,952
Outflows for the repayment of long-term loans		-7,338	-6,303
Net cash flow from short-term loans received		-3,448	7,090
Payment of lease liabilities		-461	0
Net cash flow from financing activities		-13,027	-1,165
Opening balance of cash and cash equivalents		5,430	413
Net cash flow for the period		-2,673	5,017
Closing balance of cash and cash equivalents	19	2,757	5,430

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 OF THE COMPANY FOR 2019

(in EUR thousand)	Notes	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)	Fair value reserves for land	Provisions for actuarial losses	Retained earnings	Net profit	
Reported as at 1 January 2019		27,489	18,455	2,749	180	-180	32,278	0	0	4,034	85,005
Restatement due to change in accounting policy*		0	0	0	0	0	0	-95	95	0	0
Restated as at 1 January 2019		27,489	18,455	2,749	180	-180	32,278	-95	95	4,034	85,005
Total comprehensive income for the period		0	0	0	0	0	-1,002	-556	391	3,388	2,221
Net profit		0	0	0	0	0	0	0	0	3,388	3,388
Other comprehensive income		0	0	0	0	0	-1,002	-556	391	0	-1,167
Transactions with owners											
Transfer of net profit from the previous year to retained earnings		0	0	0	0	0	0	0	4,034	-4,034	0
Closing balance as at 31 December 2019	20	27,489	18,455	2,749	180	-180	31,276	-650	4,520	3,388	87,227

* Restatements are disclosed in Point II Changes in 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 OF THE COMPANY FOR 2018

(in EUR thousand)	Notes	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)	Fair value reserves for land	Provisions for actuarial losses	Retained earnings	Net profit	
Reported as at 1 January 2018		27,489	18,455	2,749	180	-180	32,342	0	-1,006	340	80,369
Restatement due to change in accounting policy*		0	0	0	0	0	0	-92	92	0	0
Restated balance as at 1 January 2018		27,489	18,455	2,749	180	-180	32,342	-92	-914	340	80,369
Total comprehensive income for the period		0	0	0	0	0	-64	-2	26	4,144	4,104
Net profit		0	0	0	0	0	0	0	0	4,144	4,144
Other comprehensive income		0	0	0	0	0	-64	-2	26	0	-40
Transactions with owners											
Transfer of net profit from the previous year to retained earnings		0	0	0	0	0	0	0	340	-340	0
Reversal of liabilities for preferred dividends		0	0	0	0	0	0	0	532	0	532
Settlement of loss brought forward		0	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	-95	95	4,034	85,005

* Restatements are disclosed in Point II Changes in accounting policies.

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 PREPARATION OF THE FINANCIAL STATEMENTS

Statement of compliance

The financial statements of Intereuropa, d. d. have been prepared 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.

As at the statement of financial position date, 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 Company's financial statements on 7th April 2020.

Basis of measurement

The financial statements have been prepared on a 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 prepared in euros, i.e. 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 preparing the financial statements, the 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 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 prepared on a going concern basis.
Current liabilities exceeded current assets by EUR 50,229 thousand as at 31 December 2019. On 17 January 2020, the Company refinanced financial liabilities to creditor banks until 2027 (Note 27).
- Estimates relating to the determination of the value of right-of-use assets:
 - identification of lease agreements: the Company defines as lease agreements those agreements that give it the right to control the leased asset. The Company is deemed to control an asset if it can use that asset and if it is entitled to the economic benefits that derive from its use;
 - determination of the lease term: the Company defines the lease term as the period in which the lease cannot be terminated, together with:
 - a. the period for which the validity of the lease may be extended, if it is reasonably certain that the aforementioned option will be used, and
 - b. the period for which the lease may be terminated, if it is reasonably certain that the aforementioned option will be used.In cases when the contractual period is not defined in those agreements, the Company estimates that period based on an assessment of needs for the use of a specific asset, taking into account the needs of the business process of providing logistics services; and
 - determination of the discount rate: the Company defined the discount rate as the amount of the interest rate according to which it can obtain a comparable asset with a similar maturity. If the discount rate cannot be determined, the Company uses the incremental borrowing rate.

- In performing the impairment test for non-financial assets, the Company compared the recoverable amount of assets with their carrying amount. Where the carrying amount of assets exceeded their recoverable amount, the Company recognised impairment losses or reversed impairment losses if they were previously recognised. The appraiser based their assessment of the recoverable amount of buildings and investment property as at 31 October 2019 on analyses of the real estate market and other relevant data, in which the following key assumptions were taken into account: a capitalisation rate of between 7.7% and 8.2%, a deduction rate for vacancy of 10% and a deduction rate for bad debt of 1% (Notes 9, 10 and 11).
- When testing investments in subsidiaries for impairment, the management compared the recoverable amount of those investments with their carrying amount. Where the carrying amount exceeded the recoverable amount, the Company recognised impairment losses or reversed impairment losses if they were previously recognised. The Company took into account the following assumptions when assessing value according to the discounted cash flow model: data from projections of future operations for the period 2020 to 2024 and the application of a WACC of between 9.3% and 14.5%, taking into account a long-term inflation rate of 2% (Notes 13 and 14).
- Useful life of depreciable assets (Notes 9, 10 and 11).
By no later than the end of the financial year, the management verifies the useful life of depreciable assets, taking into account the technical and economic obsolescence thereof.
- Value of doubtful receivables (Note 27).
The Company recognises impairment losses on receivables based on the expected credit loss model using the simplified approach in accordance with IFRS 9.

The key assumption of the model used by the Company is that the rate of expected credit losses in connection with trade receivables fluctuates in line with the economic cycle, which means that expected credit losses are lower during a period of growth and higher during a recession. The model also uses a forward-looking approach, where forecasts of economic activity are used to forecast future credit losses. The key judgement that must be made is thus whether historical credit loss rates in relation to historical economic activity are also appropriate for forecasting expected credit losses taking into account forecasts of future economic activity.

- Valuation of 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. An appraisal of land and buildings for financial reporting purposes was carried out on 31 October 2019. Fair value was assessed in the appraisal of land that the Company carries at fair value, while the recoverable amount was assessed for buildings and investment property that the Company carries at cost. The sales comparison approach was used in the appraisal of land. For that purpose, adjustments were made in the use of data regarding average prices with respect to the year of a transaction, the surface area of real estate and its micro-location.
- 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 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.

- Recognition of deferred tax assets and liabilities, and the potential use thereof (Note 8).
The management assesses the recognition of deferred taxes from tax losses based on past experiences and data from the projection of operations for a seven-year period, i.e. from 2020 to 2026, and taking into account the valid tax rate and changes to tax legislation that entered into force on 1 January 2020. The assumptions taken into account in the assessment were as follows: the completion of the liquidation of the currently dormant Ukrainian company and planned sales of real estate. The aforementioned projection forecasts moderate growth in revenues in the context of the Company's existing operations. Unused tax losses from previous years do not derive from ordinary operations, but are the result of extraordinary events. In addition to taxable profit from the income statement, the Company also assumed the utilisation of tax losses in the amount of 50% of the revaluation surplus for land, assuming that the tax base will enable utilisation in that amount (besides other allowances). Deferred tax assets are reversed to the extent that it is no longer probable that the related tax allowance benefit will be realised (Note 8).

- Recognition of provisions and contingent liabilities (Notes 21 and 25).
The Company has recognised provisions for termination benefits upon retirement, employee anniversary bonuses 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 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 termination benefits and employee anniversary bonuses is recorded in defined-benefit post-employment commitments. The basis for recognition comprises an actuarial calculation that takes into account actuarial 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 management also uses the expert opinions of external lawyers who represent the Company in disputes.

The Company treats as contingent liabilities any potential liabilities for which the management assesses that an outflow of resources embodying economic benefits is unlikely for the settlement of the liabilities or for which 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).
When assessing whether real estate is deemed investment property, the Company takes into account criteria for the classification of real estate or parts of real estate to investment property. Those criteria are more precise beginning in 2019 (see Changes in accounting estimates, judgements and assumptions).
- 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 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.
- 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:
 - a) representation on the management board or other decision-making body of a company in which the Company invests; and
 - b) participation in significant decisions, including decisions regarding dividends and profit-sharing.

Changes in accounting estimates, judgements and assumptions

The Company's 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 2018 were prepared, except for assessments and judgements that relate to the initial application of IFRS 16 Leases (which the Company began applying on 1 January 2019), as described in Point II. There were also exceptions with regard to the following:

Judgement regarding the transfer of real estate to investment property (Notes 9 and 10).

When assessing whether real estate is deemed investment property, the Company revised its assessment for the classification of real estate or parts of real estate to investment property, such that all real estate that is the subject of a long-term lease (more than one year) or a lease for an indefinite period is reclassified to investment property if the leased portion of real estate represents more than 10% and less than 90% of the entire real estate in terms of area. If the leased part of real estate represents 90% or more of the total area, the entire real estate is reclassified to investment property; if that part represents 10% or less of the total area of the real estate, that real estate remains classified under fixed assets as real estate used by the owner, except the portion of land that belongs to a building, which is classified to investment property and treated as such. Real estate that is the subject of a short-term lease (less than one year in duration) or is not the subject of a lease (not used) remains classified under fixed assets as property used by the owner.

Changes in accounting policies

All newly adopted or amended standards and interpretations that entered into force on 1 January 2019 were taken into account in the preparation of the Company's financial statements for the financial year ending 31 December 2019. The effect of the transition is explained in Point II.

II. CHANGES IN ACCOUNTING POLICIES

In addition to the application of IFRS 16 Leases on 1 January 2019, the Company also amended the method used to transfer actuarial gains and losses from termination benefits to retained earnings.

1. Method used to transfer actuarial gains and losses from termination benefits to retained earnings

The Company amended the method used to transfer actuarial gains and losses from termination benefits to retained earnings. The change in the accounting policy in question was made to align accounting policies with those of the direct controlling company and because management believes that the change ensures better and more reliable information regarding distributable profit that may be distributed. That change relates to the transfer of a proportionate amount of actuarial gains and losses to retained earnings when provisions for termination benefits are reversed. In previous years, the Company transferred these actuarial gains and losses to retained earnings immediately following their recognition.

The Company recalculated the transfer of the proportionate amount of actuarial losses from termination benefits to retained earnings, and on 1 January 2018 transferred actuarial losses from termination benefits in the amount of EUR 92 thousand (including deferred taxes) from retained earnings to fair value reserves. As at 1 January 2019, it transferred actuarial losses from termination benefits in the amount of EUR 95 thousand (including deferred taxes) from retained earnings to fair value reserves.

TABLE 7: EFFECT OF THE CHANGE TO THE METHOD USED TO TRANSFER THE PROPORTIONATE AMOUNT OF ACTUARIAL LOSSES FROM TERMINATION BENEFITS TO RETAINED EARNINGS AS AT 1 JANUARY 2018

(in EUR thousand)	Restated as at 1 January 2018	Restatement	Reported as at 31 December 2017
Fair value reserves	32,250	-92	32,342
Retained earnings	-486	92	-578

TABLE 8: EFFECT OF THE CHANGE TO THE METHOD USED TO TRANSFER THE PROPORTIONATE AMOUNT OF ACTUARIAL LOSSES FROM TERMINATION BENEFITS TO RETAINED EARNINGS AS AT 1 JANUARY 2019

	Restated as at 1 January 2019	Restatement	Reported as at 31 December 2018
Fair value reserves	32,183	-95	32,278
Retained earnings	95	95	0

The change to the accounting policy has no effect on the Company's income statement or statement of cash flows, and an immaterial effect on its statement of other comprehensive income.

2. Transition to IFRS 16 Leases

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

For the purpose of transitioning to IFRS 16, the Company took a practical approach with the cumulative effect of initial application recognised on 1 January 2019. It thus did not recalculate comparable data.

IFRS 16 replaces IAS 17 Leases and related clarifications. IFRS 16 eliminates the previous dual lease accounting model, when the Company acted as lessee. In that model, finance leases were disclosed as assets in the statement of financial position and operating leases as an expense based on the straight-line method over the entire lease term. IFRS 16 instead requires companies to disclose leases in the statement of financial position using a single model (similar to how they accounted for finance leases under IAS 17) and thus eliminate the distinction between operating and finance leases, provided that those leases do not represent exemptions that companies may apply (short-term leases and leases where the underlying asset has a low value).

Accounting for leases by lessors under IFRS 16 does not differ from accounting under IAS 17. Accounting for leases in which the Company acts as lessor thus remains the same.

IFRS 16 allows for the application of the aforementioned standard to intangible assets that are not expressly exempt from its application. However, the Company decided that it will not apply the standard to intangible assets.

As at 1 January 2019, the Company assessed whether the contracts in which its acts as lessee are lease contracts or contracts containing a lease in accordance with IFRS 16. A lease contract contains a lease if it conveys the right to control of an identified asset for a period of time in exchange for consideration.

The Company defines the lease term as the period in which the lease cannot be terminated, together with:

- periods for which the validity of the lease may be extended, if it is reasonably certain that the aforementioned option will be used; and
- periods for which the lease may be terminated, if it is reasonably certain that the aforementioned option will not be used.

When a significant event or significant change in circumstances arises, the Company reassesses whether there is reasonable certainty that it will opt for extension or that it will not opt to terminate.

The Company recognised the following for such contracts (except for the exemptions stated below):

- right-of-use assets in leases (that it disclosed in property, plant and equipment in the statement of financial position); and
- lease liabilities (that it disclosed under financial liabilities in the statement of financial position and under cash flows from financing activities in the cash flow statement).

Right-of-use assets are depreciated, while lease liabilities accrue interest.

The Company applied two exemptions allowed by the aforementioned standard by excluding from the recognition of assets and liabilities leases:

- that are short-term in nature; and
- in which the underlying asset has a low value (up to EUR 5 thousand).

The Company recognised lease payments in connection with short-term and low-value leases as expenses based on the straight-line method over the entire lease term. It recognised liabilities from those leases as trade payables in the statement of financial position and under cash flows from operating liabilities in the cash flow statement.

Recognition and measurement of right-of-use assets and lease liabilities

On the day a lease commenced (and on 1 January 2019 with the transition to IFRS 16), the Company recognised a right-of-use asset and a lease liability.

1. Right-of-use assets under leases

Upon initial recognition, the Company measures a right-of-use asset at cost, which includes:

- the amount of the initially measured lease liability;
- received lease payments that were made at or prior to the commencement of a lease, less lease incentives;
- initial direct costs incurred by the lessee; and
- estimated costs that the lessee will incur in the removal of an asset that is the subject of a lease, costs for the restoration of the location where an asset is located, or the return of an asset that is the subject of a lease to the condition stated in the terms of a lease.

Following initial recognition, the Company measures such assets using the cost model, less accumulated depreciation and any accumulated impairment loss, corrected for the remeasurement of the lease liability.

2. Lease liabilities

Upon initial recognition, the Company measures lease liabilities at the present value of future lease payments on the day of recognition. Lease payments are discounted at the interest rate implicit in a lease if that rate can be determined, otherwise the Company applies the incremental borrowing rate that it would have to pay if it acquired an asset with a similar value as a right-of-use asset for a similar period, based on a similar guarantee in a similar economic environment.

Following initial recognition, the Company measures the aforementioned liability such that its carrying amount is:

- increased by the amount of interest on a lease;
- decreased by the amount of lease payments; and
- increased or decreased, such that the amount of the liability is adjusted to the remeasured or amended lease.

3. Sale and leaseback transactions

In sale and leaseback transactions in which it acts as seller, i.e. lessee, the Company measures a right-of-use asset proportionately with that part of the previous carrying amount of the right-of-use asset that it has kept. Accordingly, it only recognises the amount of gains or losses that relate to the rights that were transferred by the buyer, i.e. lessor. Such gains are recognised in other operating revenues.

Effect of the transition to IFRS 16 on the statement of financial position, income statement and cash flow statement

Effect of the transition as at 1 January 2019

The Company recognised new assets and liabilities for its operating leases in connection with cars, forklifts and other equipment as at 1 January 2019, and for land and buildings.

TABLE 9: EFFECT OF THE TRANSITION TO IFRS 16 ON THE CARRYING AMOUNT OF THE COMPANY'S ASSETS AND LIABILITIES AS AT 1 JANUARY 2019

(in EUR thousand)	Restated balance as at 1 January 2019	Restatement for the initial application of IFRS 16	Reported as at 31 December 2018
ASSETS	186,734	1,620	185,114
Property, plant and equipment	87,372	1,620	85,752
LIABILITIES	101,729	1,620	100,109
Non-current financial liabilities	1,233	1,233	0
Current financial liabilities	72,165	387	71,778

TABLE 10: DIFFERENCES BETWEEN LEASE LIABILITIES UNDER IAS 17 AND LEASE LIABILITIES UNDER IFRS 16 AS AT 1 JANUARY 2019

(in EUR thousand)	2019
Lease liabilities under IAS 17 as at 31 December 2018 (undiscounted value)	1,766
Reduction for short-term leases	-11
Reduction for discounts	-112
Reduction for contracts reclassified to other costs of services	-23
Lease liabilities as at 1 January 2019	1,620
Of which:	
non-current lease liabilities	1,233
current lease liabilities	387

Application of IFRS 16 in the period January to December 2019

TABLE 11: CHANGES IN RIGHT-OF-USE ASSETS UNDER LEASES IN 2019

(in EUR thousand)	Land	Buildings	Equipment	TOTAL
Balance as at 1 January 2019	7	899	714	1,620
Acquisitions	0	151	96	247
Decrease	0	0	-37	-37
Amortisation and depreciation	-1	-235	-232	-468
Balance as at 31 December 2019	6	816	541	1,363

The increase from new leases in respect of buildings relates to right-of-use assets (relating to those buildings) from leaseback transactions.

TABLE 12: INTEREST EXPENSES ON LEASE LIABILITIES AND COSTS OF SHORT-TERM LEASES IN 2019

(in EUR thousand)	2019
Amortisation and depreciation costs	468
Interest expenses on lease liabilities	43
Costs of short-term leases of real estate and equipment	36
Total	547

TABLE 13: EFFECT OF THE APPLICATION OF IFRS 16 ON THE COMPANY'S CASH FLOW STATEMENT FOR 2019 (COMPANY AS LESSEE)

(in EUR thousand)	2019
Lease payments for short-term leases of real estate and equipment (disclosed in cash flows from operating activities)	25
Payment of lease liabilities comprising principal (disclosed in cash flows from financing activities)	461
Total	486

TABLE 14: GAINS ON SALE AND LEASEBACK TRANSACTIONS IN THE PERIOD JANUARY TO DECEMBER 2019

(in EUR thousand)	2019
Gains on sale and leaseback transactions	17

TABLE 15: RENTAL INCOME IN 2019

(in EUR thousand)	2019
Rental income	4,110

Other disclosures

The balance of non-current and current lease liabilities as at 31 December 2019 is disclosed in Table 62 Financial liabilities.

An analysis of the maturity of lease liabilities is presented in Table 68 Liquidity risk.

III. 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) the 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 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 (i.e. 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 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 rates 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 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 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 prepared using data from the Company's income statement for 2019, items from its statements of financial position as at 31 December 2019 and 31 December 2018, and additional data.

The Company values investments in shares and participating interests in subsidiaries and an associate at 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 16: 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 income). 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.

1. 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.

2. 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 retained earnings.

3. 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 comprise the effects of the revaluation surplus in connection with land, and actuarial losses in connection with provisions for post-employment and other non-current employee benefits.

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 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 cost model, while a revaluation model is used for land. According to the cost model, property, plant and equipment are disclosed at 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 retained earnings when the asset in question is derecognised.

Accounting for borrowing costs

The Company treats borrowing costs that may be directly attributed to the acquisition, construction or manufacture of an asset under construction as part of the 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 cost can be measured reliably. All other costs are recognised in profit or loss as expenses as they arise.

Depreciation

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

- | | |
|-----------------------------|-------------|
| • buildings | 40–68 years |
| • computer equipment: | 2–4 years |
| • other plant and equipment | 3–10 years |

Once a year, the Company reviews the appropriateness of the depreciation method and useful lives, and adjusts them as necessary.

(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 cost model, i.e. at 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 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. When assessing whether real estate is deemed investment property, the Company defines criteria for the classification of real estate or parts of real estate to investment property, such that all real estate that is the subject of a long-term lease (more than one year) or a lease for an indefinite period is reclassified to investment property if the leased portion of real estate represents more than 10% and less than 90% of the total area of the real estate. If the leased part of real estate represents 90% or more of the total area, the entire real estate is reclassified to investment property; if that part represents 10% or less of the total area of the real estate, that real estate remains classified under fixed assets as real estate used by the owner, except the portion of land that belongs to a building, which is classified to investment property and treated as such. Real estate that is the subject of a short-term lease (less than one year in duration) or is not the subject of a lease (not used) remains classified under fixed assets as property used by the owner.

Following initial recognition, the Company discloses investment property using the cost model, i.e. at 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 retained earnings 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 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

1. Impairments 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 disposal costs, or its value in use.

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.

The Company reverses impairment losses on investments in subsidiaries when reasons no longer exist for their impairment by crediting finance income in the partial or full amount of impairment losses, depending on the assessment of the reversal of impairment losses associated with those investments.

Impairment of operating receivables

The Company recognises impairment losses on operating receivables for expected credit losses over the life of those assets. Impairment losses on trade receivables and other operating receivables (including the reversal of impairment losses) are disclosed in the income statement in the item 'impairment losses on 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 recognising an impairment loss 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. Impairment losses 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 loans granted and deposits

The Company impairs loans granted and deposits based on 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 asset in question. Expected credit losses comprise the difference between contractual cash flows that have fallen due according to the relevant contract 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.

Impairment losses 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, impairment losses 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 impairment 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. Impairment losses on these assets are disclosed in the income statement in the item 'other finance costs'.

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 an impairment loss on an asset or a cash-generating unit when its carrying amount exceeds its recoverable amount. That impairment loss 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 recognised to cover, except actuarial gains and losses from termination benefits upon retirement due to changes in actuarial assumptions and experiential adjustments that are recognised in the revaluation surplus and transferred to retained earnings in the proportionate amount when they are used. That amount is calculated using the ratio between provisions used during the year and the balance of provisions before use.

Provisions are derecognised when the contingencies for which they were recognised no longer apply, or when they are no longer required. Income is recognised when provisions recognised 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 termination benefits and employee anniversary bonuses

In accordance with the applicable legislation, the collective agreement and internal rules, the Company is obliged to pay employee anniversary bonuses to employees and termination benefits upon retirement. Non-current provisions are recognised for these purposes. No other pension obligations exist.

The aforementioned provisions are recognised in the amount of the estimated future payments for termination benefits and employee anniversary bonuses, 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 employee anniversary bonuses are recognised in the income statement as labour costs, while actuarial gains and losses from termination benefits upon retirement are recognised in other comprehensive income in the revaluation surplus and transferred to retained earnings in the proportionate amount when they are used. That amount is calculated using the ratio between provisions used during the year and the balance of provisions before use. Provisions are used in an amount equal to the actual costs incurred for accrued termination benefits upon retirement and employee anniversary bonuses.

(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. It is earmarked to cover the costs of the depreciation of the aforementioned assets or to cover certain costs, and is 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 transferred to them 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 regarding 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 17: 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	<p>A customer sends the Company an order for the execution of forwarding transactions. That order must include all essential data for the correct and timely execution thereof. 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:</p> <ul style="list-style-type: none">- for services in connection with organising the transport of goods: when transport is completed (i.e. 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. palletting and labelling);- for other transactions: when the agreed service is rendered. An invoice is issued to the customer after a service has been rendered.	<p>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>

(P) COSTS – EXPENSES

The Company recognises costs as expenses in the period in which they arise.

(Q) LEASES

Leases granted

Income 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 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 were treated as operating leases during the comparable period. The Company recognises current 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, income from the disposal of financial assets measured at fair value through profit or loss, positive exchange rate differences and income from the reversal of impairment losses on 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 impairment losses on 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 accounting policies that the Company used in the preparation of its annual financial statements are the same as those applied in the preparation of the financial statements for the previous financial year. The exception is newly adopted or amended standards and interpretations that the Company applied for annual periods beginning on or after 1 January 2019, as described below.

A) Adopted or amended standards and interpretations that the Company applied for annual periods beginning on or after 1 January 2019

IFRS 16 Leases

IFRS 16 provides guidance for recognising, measuring, presenting and disclosing leases by both lessee and lessor. The new standard requires a lessee to recognise the majority of lease agreements in its financial statements. Except for certain exceptions, lessees will be able to apply a single accounting model for all lease agreements. There are no significant changes in the accounting of leases by lessors. The effect of the application of the standard is presented in Point II.

IFRS 9 Prepayment Features with Negative Compensation (amended)

The amendment allows a company to measure financial assets with prepayment features that permit a contracting party to receive or demand the payment of reasonable compensation for early contract termination (known as “negative compensation” for the holder of a financial asset) at amortised cost or at fair value through other comprehensive income. The Company assesses the effect of the amendment to the standard as immaterial.

IAS 28 Investments in Associates and Joint Ventures (amendments)

The amendments address the issue of whether the measurement of non-current assets (particularly in terms of requirements for the impairment of long-term interests in associates and joint ventures that, in substance, form a part of a ‘net investment’ in an associate or joint venture) is covered by IFRS 9, IAS 28 or a combination of the two. The amendments clarify that companies must apply the provisions of IFRS 9 before they begin to apply IAS 28 in the recognition of non-current assets not measured according to the equity method. In applying IFRS 9, companies do not take into account any adjustments to the carrying amount of non-current interests that otherwise derive from the application of IAS 28. The Company has assessed that the amendments to the standard have no material impact on its financial statements.

IFRIC 23 Uncertainty Over Income Tax Treatments

The interpretation addresses uncertainty over the treatment of income tax that affects the application of IAS 12. The interpretation provides guidance regarding the treatment of uncertainty over tax treatments separately or collectively, examinations by the tax authorities, and use of the appropriate method that reflects that uncertainty while taking into account changes in facts and circumstances. The Company has assessed that uncertainty over income tax treatments has no material impact on its financial statements.

IAS 19 Plan Amendment, Curtailment or Settlement (amendments)

Amendments to the accounting standard require companies to apply updated actuarial assumptions to determine the current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The Company has assessed that the amendments to the standard have no material impact on its financial statements.

The International Accounting Standards Board (IASB) published a package of annual improvements to the IFRS for the 2015–2017 cycle, which represent a collection of amendments to the IFRS. The Company has assessed that improvements to standards have no material impact on its financial statements.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

The amendments to IFRS 3 clarify that a company must remeasure all previously held interests in a business when it acquires control over an arrangement that is a joint operation. The amendments to IFRS 11 clarify that a company is not required to remeasure previously held interests in a business when it acquires joint control over an arrangement that is a joint operation. The Company has assessed that the amendments to the standard have no material impact on its financial statements.

IAS 12 Income Taxes

The amendments to the standard clarify that a company must recognise tax consequences from payments of financial instruments classified to equity in the same item in which it recognised past transactions or events that generated distributable profit. The Company has assessed that the amendments to the standard have no material impact on its financial statements.

IAS 23 Borrowing Costs

Amendments to the accounting standard clarify paragraph 14 thereof, which states that the moment an asset meets the conditions for its intended use or sale and a portion of a loan relating to that asset is unpaid, a company must include that loan in assets under the item 'loans received'. The Company has assessed that the amendments to the standard have no material impact on its financial statements.

B) Standards that are not yet applicable and for which the company has not opted for early adoption

IFRS 17 Insurance Contracts.

The standard applies to annual periods beginning on or after 1 January 2021. Early application is permitted if a company also reports in accordance with IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. IFRS 17 Insurance Contracts provides guidance for recognising, measuring, presenting and disclosing issued insurance contracts. The standard also requires the application of similar principles for reinsurance contracts and investment contracts with discretionary participation features. The purpose of the standard is to ensure that companies include relevant information that faithfully represents those contracts in presentations. This information serves as a basis for the users of financial statements to assess the effect that contracts covered by IFRS 17 have on a company's financial position, financial performance and cash flows. The EU has not yet approved the standard. The Company assesses that the provisions of the standard will not have a significant impact on its financial statements, as it is not involved in the insurance activity.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address discrepancies between the requirements of IFRS 10 and IAS 28 in the treatment of sales or contributions of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a company must recognise the full amount of gains or losses when a transaction includes a business (regardless of whether the business is housed in a subsidiary or not). For transactions involving assets that a company does not use in a business, only a partial gain or loss is recognised even when assets are housed in a subsidiary. In December 2015, the International Accounting Standards Board deferred the effective date of the standard indefinitely while it waits for the results of the research project on the accounting of assets under the equity method. The EU has not yet approved the amendments. The Company assesses that the provisions of the new standard will not have a significant impact on its financial statements.

Conceptual Framework for the IFRS

On 29 March 2018, the International Accounting Standards Board (IASB) published its revised Conceptual Framework for Financial Reporting. The Conceptual Framework defines a comprehensive set of concepts used in financial reporting, the definition of standards, and instructions for the preparers of consistent accounting policies and for the easier understanding and interpretation of standards. The IASB also issued 'Amendments to References of the Conceptual Framework in the IFRS', which presents amendments to those standards and is used for the purpose of updating references to the revised Conceptual Framework. The IASB's aim is to provide support in the transition to the revised Conceptual Framework to companies that adopt their accounting policies based on the instructions set out in the Conceptual Framework whenever a specific transaction is not covered by any of the IFRS. For preparers who adopt their accounting standards based on the Conceptual Framework, the revised version of that framework applies for annual periods beginning on or after 1 January 2020. The Company assesses that the provisions of the new standard will not have a significant impact on its financial statements.

IFRS 3 Business Combinations (amendments)

The IASB published Definition of a Business (Amendments to IFRS 3) with the aim of eliminating uncertainty when determining whether a transaction involves the acquisition of a business or group of assets. The amendments apply to business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Early application of the amendments is permitted. The European Union has not yet adopted the amendments to the standard. The Company assesses that the provisions of the new standard will not have a significant impact on its financial statements.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2020. Early application of the amendments is permitted. The amendments clarify the definition of the term 'material' and how it is used. According to the new definition, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The IASB also explained more clearly interpretations that relate to that definition. The amendments also ensure that the definition of the term 'material' is harmonised with all other IFRS. The Company assesses that the provisions of the new standard will not have a significant impact on its financial statements.

Interest Rate Benchmark Reform – IFRS 9, IAS 39 and IFRS 7 (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Early application of the amendments is permitted. In September 2019, the International Accounting Standards Board (IASB) published amendments to IFRS 9, IAS 39 and IFRS 7 during the final phase of the response to the effects of interbank offered rate (IBOR) reform on financial reporting by companies. During the second phase of the project, the IASB will address matters that could affect financial reporting when a company replaces an existing interest rate benchmark with a risk-free interest rate. The amendments address matters that could affect financial reporting in the period prior to the replacement of an existing interest rate benchmark with an alternative interest rate, and the implications for specific hedge accounting requirements set out in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, where a company must take into account the results of a forward-looking analysis of operations. Companies may apply a temporary exemption for recognising all hedges on which the interbank offered rate reform could have a direct effect, and may continue with the recognition of hedge accounting during the period of uncertainty prior to the replacement of an existing interest rate benchmark with an alternative, nearly risk-free interest rate. Amendments to IFRS 7 Financial Instruments: Disclosures relating to additional disclosures around uncertainty arising from the interest rate benchmark reform. The Company assesses that the provisions of the new standard will not have a significant impact on its financial statements.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (amendments)

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application of the amendments is permitted. The purpose of the amendments is to offer companies assistance in deciding whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current liabilities in the statement of financial position, and thus ensure greater consistency in compliance with requirements. The amendments affect the presentation of liabilities in the statement of financial position, but do not change existing requirements in connection with the measurement or timing of the recognition of assets, liabilities, revenues or expenses, or the information that a company discloses in those items. The amendments also clarify requirements in connection with the classification of debt that a company could settle through the issue of equity instruments. The European Union has not yet adopted the amendments to the standard. The Company assesses that the provisions of the new standard will not have a significant impact on its financial statements.

IV. DETERMINATION OF FAIR VALUE

Taking into account 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 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.

V. 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.

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, 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 adverse economic conditions.

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 recognises impairment losses that represent its estimated losses from operating and other receivables and investments. The main elements of such an impairment loss 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 regular 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.

VI. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Sales revenue

Sales revenue in the amount of EUR 111,827 thousand comprises revenues from services rendered.

TABLE 18: SALES REVENUE

(in EUR thousand)	2019	2018
Revenues from sales to companies in the Group	3,658	3,700
Revenues from sales to others	108,170	108,190
Total	111,828	111,890

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.

The Company discloses rental income in sales revenue. The Company generated rental income of EUR 4,110 thousand in 2019 (EUR 3,497 thousand in 2018). Sales revenue less rental income is equal to revenues from contracts with customers.

TABLE 19: BREAKDOWN OF SALES REVENUE BY BUSINESS LINE AND COUNTRY

(in EUR thousand)	2019	2018
Revenues by business line		
Land transport	51,958	51,294
Logistics solutions	19,273	16,022
Intercontinental transport	36,046	40,292
Other services	4,551	4,281
Total	111,828	111,890
Revenues generated by country (with respect to a customer's head office)		
Slovenia	62,185	62,947
Croatia	1,813	1,562
Bosnia and Herzegovina	1,037	1,258
Montenegro	351	331
Other countries	46,442	45,793
Total	111,828	111,890

TABLE 20: SALES REVENUE WITH RESPECT TO THE TIMING OF RECOGNITION

(in EUR thousand)	Land transport		Logistics solutions		Intercontinental transport		Other services		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenues from completed services	48,345	51,097	22,119	15,989	37,534	39,997	3,519	4,281	111,517	111,365
Revenues from incomplete services	133	197	3	33	164	295	11	0	311	525
Total	48,478	51,294	22,122	16,022	37,698	40,292	3,530	4,281	111,828	111,890

NOTE 2: Other operating income

TABLE 21: OTHER OPERATING INCOME

(in EUR thousand)	2019	2018
Income from the reversal of impairment losses on property, plant and equipment, and investment property	251	0
Gains on the sale of property, plant and equipment, and assets held for sale	186	134
Income from the reversal of provisions	1	963
Government grants received	85	99
Other operating income	183	248
Total	706	1,444

NOTE 3: Costs of goods, materials and services

TABLE 22: COSTS OF GOODS, MATERIALS AND SERVICES

(in EUR thousand)	January–December 2019	January–December 2018
Costs of materials and cost of goods sold	1,911	1,871
Costs of services within the Group	2,091	2,079
Costs of services (excluding the Group):	79,391	79,736
direct costs	71,381	71,602
costs of hired labour and student work	3,084	2,971
maintenance of property, plant and equipment, and investment property	944	902
maintenance of intangible assets	737	736
costs of short-term leases of property, plant and equipment	36	0
costs of leases of intangible assets	404	403
insurance premiums	602	596
costs of asset security	520	481
costs of intellectual services	224	265
costs associated with the Supervisory Board and its committees	183	164
other costs of services	1,277	1,616
Total	83,393	83,686

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 comprise the reimbursement of work-related costs to employees, the costs of intellectual services, the costs of rents, municipal services, education and training costs, security costs, the costs of hired workers, and the costs of payment transactions.

The costs of hired labour and student work include recognised expenses for employee participation in profits for 2019 in the amount of EUR 133 thousand (including social security costs) and relate to the Company's contractual obligation, which will be settled one year after the approval of the annual report (Notes 4 and 22).

NOTE 4: Labour costs

TABLE 23: LABOUR COSTS

(in EUR thousand)	2019	2018
Costs of wages and salaries	12,929	12,718
Social security costs	2,719	2,693
Other labour costs:	3,267	3,385
annual leave allowance	726	681
transportation and meal allowances	1,537	1,477
other labour costs	301	181
expenses for employee participation in profits	703	1,046
Total	18,915	18,796

Expenses for employee participation in profits amounted to EUR 737 thousand in 2019 (including social security costs) and relate to that portion of the Company's contractual obligation that it will settle one year after the approval of the annual report for 2019 (Notes 3 and 22).

TABLE 24: NUMBER OF EMPLOYEES BY QUALIFICATION LEVEL

Categories of educational qualifications	Beginning of 2019	End of 2019	Changes in 2019	Average number of employees by educational qualification in 2019*	Average number of employees by educational qualification in 2018*
Qualification levels I to III	48	52	4	50	49
Qualification levels IV to V	277	289	12	283	278
Qualification levels VI to IX	274	268	-6	271	267
Total	599	609	10	604	594

NOTE 5: Amortisation and depreciation

TABLE 25: AMORTISATION AND DEPRECIATION

(in EUR thousand)	2019	2018
Depreciation of property, plant and equipment, and investment property	3,447	3,582
Amortisation of intangible assets	512	488
Depreciation of right-of-use assets under leases	468	0
Total	4,427	4,070

NOTE 6: Other operating expenses

TABLE 26: OTHER OPERATING EXPENSES

(in EUR thousand)	2019	2018
Building land use fees and similar expenses	876	968
Revaluation operating expenses for intangible assets, and property, plant and equipment	52	44
Costs from the recognition of provisions	181	13
Other operating expenses	136	101
Total	1,244	1,125

NOTE 7: Finance income and costs

TABLE 27: FINANCE INCOME AND COSTS

(in EUR thousand)	2019	2018
Interest income from Group companies	57	46
Interest income from others	419	100
Income from dividends and other shares in profit from Group companies	901	885
Income from participating interest in associate	8	10
Income from the reversal of impairment losses on investments in participating interests and shares in Group companies, and loans	933	0
Gains from the disposal of financial assets	0	9
Net exchange rate differences	1	0
Total finance income	2,318	1,050
Interest expense and other borrowing expenses	-1,759	-1,945
Expenses from impairment losses on investments in participating interests and shares in Group companies, and loans	-494	-122
Net exchange rate differences	0	-7
Total finance costs	-2,253	-2,074
Profit or loss from financing activities	65	-1,024

Interest income and expenses were calculated using the effective interest method.

Income from the reversal of impairment losses on investments in participating interests and shares in subsidiaries and loans in the amount of EUR 933 thousand relate to the reversal of the impairment of the investment in the subsidiary AD Zetatrans, Podgorica in the amount of EUR 846 thousand and the reversal of the impairment of loans to TOV Intereuropa, Kiev in the amount of EUR 87 thousand.

Expenses from the impairment of investments in shares and participating interests in Group companies in the amount of EUR 493 thousand relate to:

- a. expenses from impairment losses on investments in subsidiaries in the amount of EUR 342 thousand broken down as follows:
 - TOV Intereuropa, Kiev in the amount of EUR 62 thousand,
 - TOV TEK ZTS, Uzhhorod in the amount of EUR 250 thousand, and
 - Intereuropa Albania, Durrës in the amount of EUR 30 thousand; and
- b. expenses from impairment losses on loans to the subsidiary TOV TEK ZTS, Uzhhorod in the amount of EUR 151 thousand (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 2019.

TABLE 28: ADJUSTMENTS TO THE EFFECTIVE TAX RATE

(in EUR thousand)	2019	2018
Current tax	-269	-143
Deferred tax	-1,450	-21
Tax	-1,719	-164
Pre-tax profit	5,107	4,308
Tax calculated according to prescribed rate	-970	-819
Tax from unrecognised expenses	-435	-425
Tax from revenues deducted from taxable base	487	364
Tax from expenses deducted from taxable base	2	25
Tax from expenses added to taxable base	-10	-23
Tax from tax allowances and the coverage of tax losses	722	699
Tax relating to deferred taxes	-1,450	21
Tax from equity items	-65	-6
Tax	-1,719	-164
Effective tax rate	0.34	0.04

TABLE 29: CURRENT INCOME TAX

(in EUR thousand)	2019	2018
Current income tax disclosed in the income statement	-233	-143
Current income tax disclosed in the statement of other comprehensive income	-36	0
Total	-269	-143

Unused tax losses amounted to EUR 84,330 thousand as at 31 December 2019 (EUR 86,940 thousand at the end of the previous year). Deferred tax assets were recognised in the amount of EUR 5,135 thousand for unused tax losses in the amount of EUR 27,026 thousand, while no deferred assets were recognised for the remaining amount of EUR 57,304 thousand (they would have totalled EUR 10,888 thousand).

TABLE 30: CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES THAT WERE NOT NETTED IN 2019

(in EUR thousand) Deferred tax assets	Balance as at 1 January 2019	Change in income statement	Change in other comprehensive income	Balance as at 31 December 2019
Revaluation of financial assets	104	0	0	104
Provisions	106	9	59	174
Tax loss	6,998	-1,604	-259	5,135
Employee participation in profits	0	110	0	110
Total	7,208	-1,485	-200	5,523
Deferred tax liabilities	Balance as at 1 January 2019	Change in income statement	Change in other comprehensive income	Balance as at 31 December 2019
Revaluation of land	7,572	0	-235	7,337
Total	7,572	0	-235	7,337
Effect		-1,485	35	

Management's assessment of the reversal of deferred tax assets as the result of tax losses from previous years (in the amount of EUR 1,174 thousand) is based on data from the projection of Intereuropa, d. d.'s operations in the period 2020 to 2026. The following assumptions were taken into account:

- the utilisation of tax losses until 2026, taking into account valid tax rates;
- amended legislation from 2020 on, which permits the utilisation of tax losses and other allowances in the maximum amount of 63% of the tax base;
- the completion of the liquidation of the Ukrainian company, which was dormant as at the reporting date;
- the planned sale of certain land; and
- in addition to taxable profit from the income statement, also assumed was the utilisation of tax losses in the amount of 50% of the revaluation surplus for land, assuming that the tax base will facilitate utilisation in that amount (besides other allowances).

The Company planned to charge 30% of the utilisation of tax losses to taxable profit, while half of the revaluation surplus for land was to account for 70% of the utilisation of tax losses.

Management assumed the normal operations of the Company during the projection period. In the event of significant deviations from the Company's planned operating results, the utilisation of tax losses will be reassessed and the amount of deferred tax assets for tax losses corrected accordingly.

TABLE 31: CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES THAT WERE NOT NETTED IN 2018

(in EUR thousand) Deferred tax assets	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	0	104
Provisions	108	-2	0	106
Tax loss	7,016	-19	0	6,998
Total	7,228	-21	0	7,208
Deferred tax liabilities	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	-15	7,572
Total	7,587	0	-15	7,572
Effect		-21	15	

NOTE 9: Property, plant and equipment

TABLE 32: CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN 2019

(in EUR thousand)	Land	Buildings	Other plant and equipment	Investments in property, plant and equipment owned by others	Land under operating lease	Buildings under operating lease	Equipment under operating lease	Property, plant and equipment in acquisition	Total
COST									
Balance as at 1 January 2019	44,854	94,057	23,946	2	0	0	0	15	162,874
Restatement of the opening balance	0	0	0	0	7	899	714	0	1,620
Acquisitions	0	0	0	0	0	151	96	1,347	1,595
Activations	0	168	965	5	0	0	0	-1,138	0
Disposals	0	0	-154	0	0	0	0	0	-154
Write-downs	0	-11	-344	0	0	-2	-50	0	-407
Transfer to investment property	-3,128	-16,134	-6	0	0	0	0	0	-19,268
Revaluation to fair value – increase	441	0	0	0	0	0	0	0	441
Revaluation to fair value – decrease	-616	0	0	0	0	0	0	0	-616
Balance as at 31 December 2019	41,550	78,080	24,407	7	7	1,049	760	225	146,085
DEPRECIATION AND IMPAIRMENT									
Balance as at 1 January 2019	-121	-57,630	-19,371	0	0	0	0	0	-77,122
Depreciation	0	-1,893	-1,095	0	-1	-235	-232	0	-3,456
Disposals	0	0	154	0	0	0	0	0	154
Write-downs	0	8	344	0	0	2	13	0	367
Transfer to investment property	20	11,419	6	0	0	0	0	0	11,444
Impairment losses	-3	-42	0	0	0	0	0	0	-46
Reversal of impairment losses	0	216	0	0	0	0	0	0	216
Balance as at 31 December 2019	-105	-47,922	-19,962	0	-1	-233	-219	0	-68,443
CARRYING AMOUNT									
Balance as at 1 January 2019	44,732	36,427	4,575	2	0	0	0	15	85,752
Balance as at 31 December 2019	41,445	30,159	4,445	7	6	816	541	225	77,641

The Company made investments in the amount of EUR 1,595 thousand in 2019, with investments in equipment (EUR 1,039 thousand) accounting for the majority.

TABLE 33: 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
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	-46	0	0	0	0	-46
Balance as at 31 December 2018	44,854	94,057	23,946	2	15	162,875
DEPRECIATION AND IMPAIRMENT						
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
Impairment losses	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

The cost of property, plant and equipment whose carrying amount was zero as at 31 December 2019 and are still in use was EUR 25,836 thousand (EUR 27,676 thousand at the end of 2018).

The carrying amount of land would be EUR 9,060 thousand as at 31 December 2019 if the cost model was used (EUR 9,948 thousand at the end of 2018).

The Company had commitments to purchase property, plant and equipment in the amount of EUR 310 thousand as at the reporting date (EUR 930 thousand as at 31 December 2018).

The carrying amount of real estate pledged as collateral was EUR 64,546 thousand as at the reporting date (EUR 73,056 thousand at the end of the previous year). The Company had no other legal restrictions on the disposal of assets.

The Company's real estate was appraised in 2019. That appraisal was carried out by an independent real estate valuer with respect to cash-generating units (e.g. individual location). The market approach and income approach were used to perform the valuation. The appraised values were used to determine the value of real estate as at 31 October 2019.

TABLE 34: VALUATION METHODS AND THE ASSUMPTIONS APPLIED

Locations	Type of asset	Applied valuation method	Applied assumptions (level 3 inputs)
Koper	Land	Market approach	Level 3: applied arithmetic mean of corrected market values of selected comparable properties
	Buildings	Income approach	Capitalisation rate: 7.7%, 8.2% Deduction rate for vacancy: 10% Deduction rate for bad debt: 1% Life span of improvement: 60 to 80 years
Ljubljana	Land	Market approach	Level 3: applied arithmetic mean of corrected market values of selected comparable properties
	Buildings	Income approach	Capitalisation rate: 8.2% Deduction rate for vacancy: 10% Deduction rate for bad debt: 1% Life span of improvement: 60 to 80 years
Other locations	Land	Market approach	Level 3: applied arithmetic mean of corrected market values of selected comparable properties
	Buildings	Income approach	Capitalisation rate: 7.7%, 7.78%, 8.2% Deduction rate for vacancy: 10% Deduction rate for bad debt: 1% Life span of improvement: 60 to 80 years

The recoverable amount of cash-generating units is based on fair value less costs to sell. The valuer used the income approach to appraise the value of the entire location. Because land is valued at fair value, the fair value of land was determined using the sales comparison approach. The value of buildings was appraised as the difference between the value of the location and the value of land.

A detailed analysis was performed for each lot of property using transactions involving comparable land in the direct vicinity of the property subject to valuation. Adjustments were also made to approximate the indicative price of comparable land. Those adjustments relate to surface area, location and other functional characteristics of real estate subject to valuation, taking into account other comparable sold or advertised real estate.

The recoverable amount was determined while valuing buildings, i.e. their fair value less costs to sell, which was compared with their carrying amount. If the recoverable amount was higher than the carrying amount, previous impairment losses on of that real estate were reversed, while impairment losses were recognised if the opposite was true.

TABLE 35: FAIR VALUES AND RECOVERABLE AMOUNTS OF REAL ESTATE BY LOCATION

(in EUR thousand)							
Locations	Type of asset	Fair value*	Recoverable amount*	Impairment losses recognised in income statement	Reversal of impairment losses recognised in income statement	Revaluation to fair value in other comprehensive income – increase	Revaluation to fair value in other comprehensive income – decrease
Koper	Land	10,114		0	0	317	0
	Buildings		1,529	0	0	0	0
Ljubljana	Land	10,688		3	0	0	239
	Buildings		6,653	0	251	0	0
Other locations	Land	5,005		0	0	135	744
	Buildings		5,978	43	0	0	0
Total	Land	25,807		3	0	452	983
	Buildings		14,160	43	251	0	0

* Includes investment property.

NOTE 10: Investment property

TABLE 36: CHANGES IN INVESTMENT PROPERTY

(in EUR thousand)	2019	2018
COST		
Balance as at 1 January 2019	18,416	13,495
Acquisitions	20	31
Transfer from property, plant and equipment	19,267	4,889
Write-downs	-5	0
Revaluation to fair value – decrease	-367	0
Balance as at 31 December 2019	37,332	18,416
DEPRECIATION AND IMPAIRMENT		
Balance as at 1 January 2019	-8,278	-4,827
Depreciation	-458	-215
Transfer from property, plant and equipment	-11,444	-3,235
Write-downs	2	0
Reversal of impairment losses	35	0
Balance as at 31 December 2019	-20,143	-8,278
CARRYING AMOUNT		
Balance as at 1 January 2019	10,138	8,668
Balance as at 31 December 2019	17,188	10,138

The Company transferred real estate valued at EUR 7,823 thousand from property, plant and equipment to investment property in 2019.

The fair value of all investment property was EUR 19,839 thousand on the final day of 2019 (EUR 10,138 thousand on the final day of 2018).

The carrying amount of investment property pledged as collateral was EUR 13,353 thousand as at the reporting date (EUR 9,737 thousand at the end of the previous year). That amount represents additional collateral for liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

The Company had no binding contracts to purchase investment property at the end of 2019.

Investment property was also subject to appraisal. The recoverable amount was determined while valuing those assets, i.e. their fair value less costs to sell, which was compared with their carrying amount. If the fair value was higher than the carrying amount, previous impairment losses on that investment property were reversed, while impairment losses were recognised if the opposite was true. Applied valuation techniques and assumptions regarding investment property were the same as those used for real estate and are presented in Table 34 Applied valuation techniques and assumptions.

TABLE 37: FAIR VALUES AND RECOVERABLE AMOUNTS OF INVESTMENT PROPERTY BY LOCATION

(in EUR thousand)	Type of asset	Recoverable amount	Impairment losses recognised in income statement	Reversal of impairment losses recognised in income statement	Revaluation to fair value in other comprehensive income - decrease
Locations					
Koper	Land	0	0	0	0
	Buildings	3,700	0	0	0
Ljubljana	Land	0	0	0	7
	Buildings	927	0	0	0
Other locations	Land	0	0	0	359
	Buildings	3,214	0	35	0
Total	Land	0	0	0	366
	Buildings	7,841	0	35	0

TABLE 38: INCOME AND EXPENSES FROM INVESTMENT PROPERTY

(in EUR thousand)	2019	2018
Rental income from investment property	3,088	1,086
Direct operating expenses from investment property	-1,662	-587
Total	1,426	498

NOTE 11: Intangible assets

TABLE 39: CHANGES IN INTANGIBLE ASSETS IN 2019

(in EUR thousand)	Long-term property rights	Other intangible assets	Intangible assets under construction	Total
COST				
Balance as at 1 January 2019	4,141	4,456	446	9,043
Acquisitions	0	0	236	236
Activations	141	0	-141	0
Balance as at 31 December 2019	4,282	4,456	541	9,279
AMORTISATION AND IMPAIRMENT				
Balance as at 1 January 2019	-3,774	-1,838	0	-5,612
Amortisation	-209	-303	0	-512
Balance as at 31 December 2019	-3,983	-2,142	0	-6,125
CARRYING AMOUNT				
Balance as at 1 January 2019	367	2,618	446	3,431
Balance as at 31 December 2019	299	2,314	541	3,154

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 cost of intangible assets whose carrying amount was zero as at 31 December 2019 and are still in use was EUR 2,352 thousand (EUR 2,340 thousand at the end of the previous year).

The Company had commitments to buy intangible assets in the amount of EUR 156 thousand as at the reporting date (EUR 190 thousand at the end of the previous year).

TABLE 40: CHANGES IN INTANGIBLE ASSETS IN 2018

(in EUR thousand)	Long-term property rights	Other intangible assets	Intangible assets under construction	Total
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
AMORTISATION AND IMPAIRMENT				
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

NOTE 12: Other non-current assets

Other non-current assets in the amount of EUR 23 thousand comprise non-current deferred costs and expenses.

NOTE 13: Loans and deposits

TABLE 41: STRUCTURE OF LOANS AND DEPOSITS

(in EUR thousand)	31 December 2019	31 December 2018
Long-term loans granted and deposits	0	102
- loans to subsidiaries	0	92
- deposits	0	10
Short-term loans granted and deposits	2,326	1,615
- loans to subsidiaries	2,316	1,585
- deposits	10	30
Total	2,326	1,717

As at the balance-sheet date, the Company had pledged short-term deposits in the amount of EUR 10 thousand as collateral for contingent liabilities.

Based on an assessment, the Company recognised an impairment loss on loans to TOV TEK ZTS, Uzhhorod in the amount of EUR 151 thousand, and reversed the impairment loss on loans to TOV Intereuropa Ukraine, Kiev in the amount of EUR 87 thousand.

TABLE 42: CHANGES IN LONG-TERM LOANS GRANTED AND DEPOSITS

(in EUR thousand)	2019	2018
Balance as at 1 January 2019	102	229
Transfer to current portion	-102	-127
Balance as at 31 December 2019	0	102

TABLE 43: LONG-TERM LOANS GRANTED AND DEPOSITS BY MATURITY

(in EUR thousand)	31 December 2019	31 December 2018
Maturity from 1 to 2 years	0	102
Maturity from 2 to 3 years	0	0
Total	0	102

TABLE 44: SHORT-TERM LOANS GRANTED WITH RESPECT TO COLLATERAL

(in EUR thousand)	31 December 2019	31 December 2018
Secured	623	780
Bills of exchange	531	683
Other forms of collateral	92	97
Unsecured	1,693	805
Total	2,316	1,585

NOTE 14: Other non-current financial assets

TABLE 45: OTHER NON-CURRENT FINANCIAL ASSETS

(in EUR thousand)	31 December 2019	31 December 2018
Non-current investments in shares and participating interests in subsidiaries	44,823	44,257
Non-current investments in participating interests in associates	39	39
Other non-current financial assets	27	27
Total	44,889	44,323

Investments in subsidiaries

TABLE 46: INVESTMENTS IN SHARES AND PARTICIPATING INTERESTS IN SUBSIDIARIES

(in EUR thousand)	Percentage of ownership as at 31 December 2019/ 31 December 2018	Value of equity as at 31 December 2019	Value of equity as at 31 December 2018	Value of participating interest as at 31 December 2019	Value of participating interest as at 31 December 2018
Interagent, d. o. o., Koper	100.00%	217	199	430	430
Interzav, d. o. o., Koper	71.28%	68	101	48	48
Intereuropa, logističke usluge, d. o. o., Zagreb	99.96%	41,571	42,959	22,104	22,104
Intereuropa sajam, d. o. o., Zagreb	51.00%	667	683	32	32
Intereuropa Skopje, d. o. o., Skopje	99.56%	1,275	1,607	855	855
Intereuropa RTC, d. d., Sarajevo	95.77%	12,241	11,551	7,438	7,438
A.D. Intereuropa logističke usluge, Belgrade	73.62%	6,776	7,181	3,658	3,658
TOV TEK ZTS, Uzhhorod	89.93%	3	-95	0	250
Intereuropa Kosova L.L.C.	90.00%	666	651	137	137
Zetatrans A.D., Podgorica	69.27%	18,222	15,724	10,120	9,274
TOV Intereuropa, Kiev, Ukraine	100.00%	-304	-318	0	0
Intereuropa Albania, Durrës	100.00%	86	86	0	30

TABLE 47: CHANGES IN INVESTMENTS IN SUBSIDIARIES

(in EUR thousand)	31 December 2019	31 December 2018
Balance as at 1 January 2019	44,257	44,257
Capital increase	62	122
Impairment losses	-342	-122
Reversal of impairment losses	846	0
Balance as at 31 December 2019	44,823	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 2020 to 2024, 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 assessed recoverable value of the investments in Intereuropa, logističke usluge, d. o. o., Zagreb, AD Intereuropa logističke usluge, Belgrade, Intereuropa RTC, d. d., Sarajevo, Zetatrans A.D., Podgorica and TOV TEK ZTS, Uzhhorod according to the discounted cash flow model is lower than the carrying amount of those investments, their value was also estimated on the basis of the net value of assets. In addition to the aforementioned companies, the value of TOV Intereuropa, Kiev, Ukraine (dormant company) was also estimated based on the net value of assets. Based on estimates made, the Company reversed the impairment loss on the investment in participating interests and shares of the subsidiary AD Zetatrans, Podgorica in the amount of EUR 846 thousand, and recognised impairment losses on investments in participating interests and shares of Group companies in the amount of EUR 342 thousand, as follows:

- TOV Intereuropa, Kiev in the amount of EUR 62 thousand,
- TOV TEK ZTS, Uzhhorod in the amount of EUR 250 thousand, and
- Intereuropa Albania, Durrës in the amount of EUR 30 thousand.

The carrying amount of investments in shares and participating interests in subsidiaries pledged as collateral was EUR 9,274 thousand as at the reporting date (EUR 9,274 thousand at the end of the previous year). That amount represents additional collateral for liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

Investment in associate

This item comprises an investment in the associate Rail Cargo Logistics, Železniška špedicija, d. o. o., Ljubljana, in which Intereuropa, d. d. holds a 26% participating interest. The carrying amount of that investment was equal to its cost as at 31 December 2019 (EUR 39 thousand) and was unchanged relative to the end of 2018.

Investments in the shares of other companies measured at fair value through profit or loss

Investments in the aforementioned shares amounted to EUR 27 thousand as at 31 December 2019. That value was unchanged relative to the end of 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

Assets held for sale were sold in their entirety in 2019.

TABLE 48: CHANGES IN AVAILABLE-FOR-SALE ASSETS

(in EUR thousand)	2019	2018
Balance as at 1 January 2019	2,714	237
Transfer from property, plant and equipment	0	2,714
Sales	-2,714	-237
Balance as at 31 December 2019	0	2,714

NOTE 16: Assets from contracts with customers

Assets from contracts with customers as at 31 December 2019 in the amount of EUR 349 thousand (EUR 590 thousand at the end of 2018) comprised receivables from incomplete services in the amount of EUR 311 thousand and from uncharged customs and other duties that arise in customs clearance procedures that are charged to customers (as suspense items) in the amount of EUR 38 thousand.

NOTE 17: Current operating receivables

TABLE 49: CURRENT OPERATING RECEIVABLES

(in EUR thousand)	31 December 2019	31 December 2018
Current operating receivables from Group companies	707	566
Current operating receivables from Group companies for interest	202	193
Current trade receivables (excluding the Group)	20,395	21,773
Other current operating receivables	1,107	1,089
Total	22,410	23,620

Current operating receivables as at 31 December 2019 in the amount of EUR 360 thousand were secured by enforcement drafts, guarantees and liens, or the retention of title (EUR 726 thousand at the end of 2018).

The Company had current trade receivables in the 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). That amount was unchanged relative to the end of 2018.

NOTE 18: Other current assets

Other current assets amounted to EUR 189 thousand on the final day of 2019 (EUR 145 thousand as at 31 December 2018) and comprise current deferred costs.

NOTE 19: Cash and cash equivalents

Cash and cash equivalents amounted to EUR 2,757 thousand as at 31 December 2019 (EUR 5,430 thousand as at 31 December 2018), and comprised 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 2019, 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 2018.

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 comprises amounts from the simple reduction of the Company's share capital, and 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 2019.

Profit reserves

Profit reserves amounted to EUR 2,749 thousand as at 31 December 2019. 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 original 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 2019. Profit reserves were unchanged in 2019.

Fair value reserves

Fair value reserves amounted to EUR 30,626 thousand at the end of 2019, and comprised the revaluation of land, including the revaluation of land prior to transfer to investment property, (the amount of revaluation is reduced for deferred taxes) in the amount of EUR 31,277 thousand and provisions for actuarial losses from the revaluation of provisions for termination benefits in the negative amount of EUR 651 thousand. Changes during the financial year are disclosed in the statement of comprehensive income.

Retained earnings

Changes during the financial year are disclosed in the statement of comprehensive income and in the statement of changes in equity.

TABLE 50: BASIC EARNINGS PER SHARE

Basic earnings per share (in EUR)	2019	2018
Net profit of ordinary shareholders	2,008,275.82	2,470,941.85
Average number of ordinary shares (excluding treasury shares)	16,812,703	16,812,703
Basic earnings per share	0.12	0.15

Basic earnings per share (EUR 0.12) are calculated as net profit pertaining to the parent company's ordinary shareholders divided by the weighted average number of ordinary shares (excluding treasury shares).

TABLE 51: DILUTED EARNINGS PER SHARE

Diluted earnings per share (in EUR)	2019	2018
Net profit	3,387,948.41	4,143,909.24
Average number of total shares*	27,470,668	27,470,668
Diluted earnings per share (in EUR)	0.12	0.15

* 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 52: CHANGES IN PROVISIONS IN 2019

(in EUR thousand)	Balance as at 1 January 2019	Drawn down (used)	Reversed	Additional recognition of provisions charged to expenses	Additional recognition of provisions charged to equity	Balance as at 31 December 2019
Provisions for termination benefits upon retirement and employee anniversary bonuses	1,055	-106	0	217	623	1,789
Provisions for lawsuits	13	-10	-1	181	0	183
TOTAL	1,068	-116	-1	398	623	1,972

TABLE 53: CHANGES IN PROVISIONS IN 2018

(in EUR thousand)	Balance as at 1 January 2018	Drawn down (used)	Reversed	Additional recognition of provisions charged to expenses	Additional recognition of provisions charged to equity	Balance as at 31 December 2018
Provisions for termination benefits upon retirement and employee anniversary bonuses	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

The calculation of provisions for termination benefits upon retirement and employee anniversary bonuses is based on an actuarial calculation for 2019, 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 October 2019;
- the method for calculating termination benefits upon retirement (two average gross salaries of an employee or two average gross salaries in the Republic of Slovenia);
- increase in salaries in the Republic of Slovenia of 5.5% in 2020 and 2021 (source: Autumn forecast of economic trends in 2019, IMAD), and wage growth of 2% (amount of inflation) and real growth of 1% from 2022 on;
- increase in basic salaries and the variable component of salaries at the Company in the amount of annual inflation (2%);
- 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 2007; and
- an annual discount rate of 0.1% based on the published yields on Slovenian government bonds as at 31 October 2019 (source: <https://www.mtsdata.com>).

Assumptions for the actuarial calculation of provisions for employee anniversary bonuses and termination benefits upon retirement were as follows in 2018:

- 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 termination benefits upon 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 54: CHANGES IN PROVISIONS FOR TERMINATION BENEFITS AND EMPLOYEE ANNIVERSARY BONUSES IN 2019

(in EUR thousand)	Balance as at 1 January 2019	Interest expense	Payments	Increase during current year	Actuarial losses	Balance as at 31 December 2019
Provisions	1,055	16	-106	76	748	1,789
Employee anniversary bonuses	224	3	-46	16	125	322
Termination benefits	832	13	-60	60	623	1,468

TABLE 55: CHANGES IN PROVISIONS FOR TERMINATION BENEFITS AND EMPLOYEE ANNIVERSARY BONUSES IN 2018

(in EUR thousand)	Balance as at 1 January 2018	Interest expense	Payments	Increase during current year	Actuarial losses	Balance as at 31 December 2018
Provisions	1,023	54	-86	55	10	1,055
Employee anniversary bonuses	237	13	-39	13	0	224
Termination benefits	786	41	-47	42	10	832

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 recognised based on the assessments of legal experts.

TABLE 56: SENSITIVITY ANALYSIS WITH RESPECT TO THE DISCOUNT RATE AND EMPLOYEE TURNOVER RATE FOR 2019

	Discount rate		Turnover	
Change in percentage points	-0.5	+0.5	-0.5	+0.5
Effect on balance of provisions (in EUR thousand)	16,007	-77,126	83,823	-78,735

TABLE 57: SENSITIVITY ANALYSIS WITH RESPECT TO THE DISCOUNT RATE AND EMPLOYEE TURNOVER RATE FOR 2018

	Discount rate		Turnover	
Change in percentage points	-1	+1	-1	+1
Effect on balance of provisions (in EUR thousand)	74	-97	79	-102

NOTE 22: Non-current operating liabilities

TABLE 58: NON-CURRENT OPERATING LIABILITIES

(in EUR thousand)	31 December 2019	31 December 2018
Non-current trade payables	139	304
Non-current liabilities for employee profit-sharing	870	1,097
Total	1,009	1,401

The Company's contractual obligation for employee participation in profits, which will be settled one year after the approval of the annual report for 2019, amounted to EUR 870 thousand and comprised expenses for employee participation in profits in the amount of EUR 737 thousand (including social security costs) and expenses for the participation of hired labour in profits in the amount of EUR 134 thousand. The latter amount was recognised in the item 'costs of hired labour and student work' (Notes 3 and 4).

NOTE 23: Financial liabilities

TABLE 59: FINANCIAL LIABILITIES

(in EUR thousand)	31 December 2019	31 December 2018
Non-current lease liabilities	870	0
Short-term loans received	60,945	71,778
Current lease liabilities	560	0
Total	62,375	71,778

The Company had EUR 5,530 thousand in approved and undrawn revolving loans as at 31 December 2019.

The Company had no overdue unpaid liabilities under loan agreements as at the reporting date.

During the 2019 financial year, the Company strove for the fulfilment of financial objectives and commitments agreed with banks, as set out in the financial restructuring agreement concluded in 2012, and succeeded in that regard. At the beginning of 2020, the Company completed activities aimed at the refinancing of all of its financial liabilities (described in more detail in Note 30).

TABLE 60: CHANGES IN FINANCIAL LIABILITIES IN 2019

(in EUR thousand)	Long-term loans (excluding leases)	Long-term leases	Short-term loans (excluding leases)	Total financial liabilities
Balance as at 31 December 2018	64,188	0	7,590	71,778
Restatements due to IFRS 16	0	1,620	0	1,620
Balance as at 1 January 2019	64,187	1,620	7,590	73,397
Cash flow	-7,339	-461	-3,448	-11,248
Reclassification to disposal groups	0	-37	0	-37
New leases	0	265	0	265
Other	0	43	-45	-2
Balance as at 31 December 2019	56,848	1,430	4,097	62,375

TABLE 61: CHANGES IN FINANCIAL LIABILITIES IN 2018

(in EUR thousand)	Long-term loans (excluding leases)	Long-term leases	Short-term loans (excluding leases)	Other financial liabilities	Total financial liabilities
Balance as at 1 January 2018	70,490	0	500	533	71,523
Cash flow	-6,302	0	7,090	0	788
Other	0	0	0	-533	-533
Balance as at 31 December 2018	64,188	0	7,590	0	71,778

TABLE 62: SHORT-TERM BANK LOANS RECEIVED WITH RESPECT TO COLLATERAL

(in EUR thousand)	31 December 2019	31 December 2018
Liens on real estate and securities	56,845	69,717
Unsecured	4,100	2,060
Total	60,945	71,778

NOTE 24: Current operating liabilities

TABLE 63: STRUCTURE OF CURRENT OPERATING LIABILITIES

(in EUR thousand)	31 December 2019	31 December 2018
Current operating liabilities to Group companies	374	356
Current trade payables	12,973	15,176
Other current operating liabilities	3,260	2,524
Total	16,607	18,056

Of the total current operating liabilities as at 31 December 2019, EUR 1,853 thousand related to liabilities for costs for which suppliers' invoices were not yet received (EUR 2,051 thousand at the end of the previous year).

Only liabilities for customs duties amounting to EUR 2,862 thousand on the final day of 2019 (EUR 3,496 thousand on the final day of 2018) were 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. An estimate of contingent liabilities as at 31 December 2019 is shown in the table below.

TABLE 64: CONTINGENT LIABILITIES

(in EUR thousand)	31 December 2019	31 December 2018
From bank guarantees and guarantees given to Group companies	156	468
From bank guarantees and guarantees given to others	9,555	9,555
From lawsuits	7	68
To D.S.U., družba za svetovanje in upravljanje, d. o. o.	66	66
Total	9,784	10,157

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 59 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 65: FAIR VALUE OF FINANCIAL INSTRUMENTS

(in EUR thousand)	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Financial assets measured at fair value through profit or loss	27	27	27	27
Loans and deposits	2,326	2,326	1,717	1,717
Operating receivables	21,872	21,872	22,868	22,868
Cash and cash equivalents	2,757	2,757	5,430	5,430
Total	26,982	26,982	30,043	30,043
Liabilities				
Loans and leases	62,375	62,375	71,777	71,777
- at fixed interest rates	4,100	4,100	2,060	2,060
- at variable interest rates	58,275	58,275	69,717	69,717
Trade payables	13,905	13,905	16,388	16,388
Total	76,280	76,280	88,165	88,165

The Company assumes 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 66: FAIR VALUE HIERARCHY FOR ASSETS MEASURED AT FAIR VALUE

(in EUR thousand)	31 December 2019			
	Level 1	Level 2	Level 3	Total
Fair value hierarchy				
Land	0	0	41,445	41,445
Financial assets measured at fair value through profit or loss	0	0	27	27
Total	0	0	41,472	41,472

(in EUR thousand)	31 December 2018			
	Level 1	Level 2	Level 3	Total
Fair value hierarchy				
Land	0	0	44,732	44,732
Financial assets measured at fair value through profit or loss	0	0	27	27
Total	0	0	44,759	44,759

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 67: LIQUIDITY RISK AS AT 31 DECEMBER 2019

(in EUR thousand)	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
31 December 2019							
Loans received within the Group on the basis of loan agreements	4,100	4,123	2,819	1,304	0	0	0
Loans received from others on the basis of loan agreements	56,845	56,972	56,972	0	0	0	0
Lease liabilities	1,430	1,503	297	237	361	608	0
Operating liabilities to Group companies	374	374	374	0	0	0	0
Trade payables (excluding the Group)	13,113	13,113	12,905	69	24	47	69
of which trade payables for short-term leases	16	16	16	0	0	0	0
Other operating liabilities	1,288	1,288	418	0	870	0	0
Total	77,150	77,373	73,785	1,610	1,255	654	69

On 31 January 2020, the Company refinanced financial liabilities to creditor banks in the amount of EUR 59,840 thousand until 2027.

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 68: 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	1,650	1,650	553	0	1,097	0	0
Total	89,262	90,561	25,696	63,465	1,261	71	69

Currency risk

TABLE 69: CURRENCY RISK AS AT 31 DECEMBER 2019

(in EUR thousand) 31 December 2019	EUR	USD	Other	Total
Operating receivables from Group companies	909	0	0	909
Other operating receivables	21,680	107	6	21,793
- of which trade receivables	20,563	89	1	20,653
Short-term loans to Group companies	2,316	0	0	2,316
Short-term loans granted and deposits placed with others	10	0	0	10
Short-term loans received from Group companies	-4,100	0	0	-4,100
Short-term loans received from others and other current financial liabilities	-56,845	0	0	-56,845
Lease liabilities	-1,430	0	0	-1,430
Operating liabilities within the Group	-374	0	0	-374
Other operating liabilities	-14,129	-226	-46	-14,401
- of which trade payables	-12,863	-208	-42	-13,113
Exposure disclosed in the statement of financial position	-51,964	-119	-41	-52,123

TABLE 70: 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
Other operating liabilities	-16,948	-159	-21	-17,128
- of which trade payables	-15,311	-150	-17	-15,478
Exposure disclosed in the statement of financial position	-63,925	32	-15	-63,908

Credit risk

TABLE 71: CREDIT RISK AS AT 31 DECEMBER 2019

(in EUR thousand)	31 December 2019	31 December 2018
Loans to Group companies	2,316	1,678
Loans granted and deposits placed with others	10	40
Operating receivables	22,701	23,636
- of which trade receivables within the Group	707	566
- of which receivables within the Group for interest	202	193
- of which trade receivables	20,686	21,789
- of which receivables from others	1,107	1,089
Cash and cash equivalents	2,757	5,430
Sureties and guarantees granted	156	468
Total	27,940	31,252

TABLE 72: CHANGES IN ADJUSTMENTS TO THE VALUE OF CURRENT TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES

(in EUR thousand)	31 December 2019	31 December 2018
Opening balance of adjustments to the value of trade receivables	2,623	2,092
Changes due to the transition to IFRS 9	0	428
Adjustments to the value of trade receivables as at 1 January 2019	2,623	2,520
- write-offs of receivables	-315	-185
- impairment losses on receivables (including the reversal of impairment losses)	38	288
Adjustments to the value of trade receivables as at 31 December 2019	2,346	2,623
Adjustments to the value of other current receivables as at 1 January 2019	1,264	1,264
- write-offs of receivables	-422	0
- impairment losses on receivables (including the reversal of impairment losses)	-570	0
Adjustments to the value of other current receivables as at 31 December 2019	272	1,264

TABLE 73: EXPOSURE TO CREDIT RISK AND EXPECTED CREDIT LOSSES IN CONNECTION WITH CURRENT TRADE RECEIVABLES AS AT 31 DECEMBER 2019

(in EUR thousand)	Gross value as at 31 December 2019	Average percentage of impairment losses recognised	Impairment losses as at 31 December 2019
Not due	15,902	0.18%	29
1 to 30 days past due	3,721	0.56%	21
31 to 90 days past due	1,330	2.12%	28
91 to 180 days past due	283	27.88%	79
More than 180 days past due	2,189	100.00%	2,189
Exchange rate differences	-1	0.00%	0
Total	23,425		2,346

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 74: EXPOSURE TO CREDIT RISK IN CONNECTION WITH CURRENT TRADE RECEIVABLES AS AT 31 DECEMBER 2018

(in EUR thousand)	Gross value as at 31 December 2018	Average percentage of impairments recognised	Impairments as at 31 December 2018
Not 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

TABLE 75: EXPOSURE TO CREDIT RISK AND EXPECTED CREDIT LOSSES IN CONNECTION WITH OTHER CURRENT OPERATING RECEIVABLES

(in EUR thousand)	Gross value as at 31 December 2019	Impairment losses as at 31 December 2019	Gross value as at 31 December 2018	Impairment losses as at 31 December 2018
Not due	272	0	323	0
More than 30 days past due	272	272	1,264	1,264
Total	544	272	1,587	1,264

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

TABLE 76: INTEREST-RATE RISK IN 2019

(in EUR thousand) Type of variable interest rate	Loan amount as at 31 December 2019	Increase in IR by 10 basis points	Increase in IR by 25 basis points	Increase in IR by 50 basis points
3-month EURIBOR	56,848	-57	-142	-284

TABLE 77: INTEREST-RATE RISK IN 2018

(in EUR thousand) Type of variable interest rate	Loan amount as at 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

Capital management

TABLE 78: CAPITAL MANAGEMENT

(in EUR thousand)	2019	2018
Non-current financial liabilities	870	0
Current financial liabilities	61,505	71,778
Total financial liabilities	62,375	71,778
Equity	87,227	85,005
Debt / equity	0.72	0.84
Current financial assets	2,316	1,615
Cash and cash equivalents	2,757	5,430
Net financial liabilities	57,302	64,733
Net debt / equity	0.66	0.76
Total assets	176,748	185,114
Equity to total assets	0.49	0.46

The main purpose of capital management is to ensure capital adequacy, the highest possible level of financial stability and long-term solvency for the needs of financing operations, and the maximisation of value for shareholders. The Company continued with deleveraging activities in 2019 in accordance with its strategic policy to reduce debt.

NOTE 28: Other notes

TABLE 79: COSTS OF AUDITING SERVICES

(in EUR thousand)	2019	2018
Auditing of the annual report	38	51
Other audit services	1	1
Total	39	52

Auditing services for 2018 were provided by the audit firm KPMG Slovenija, d. o. o., Ljubljana. In 2019, the aforementioned company also examined certain items from the financial statements. The costs of auditing the 2019 annual report, which was conducted by Ernst & Young, d. o. o., Ljubljana were recognised taking into account the stage of completion of those services.

Related parties

The direct controlling company of Intereuropa, d. d. is Pošta Slovenije, d. o. o., while the ultimate controlling party is the Republic of Slovenia.

Other 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 80: DISCLOSURE OF TRANSACTIONS WITH THE PARENT COMPANY

(in EUR thousand)	Parent company 13 November 2019 to 31 December 2019
Revenues from the sale of services	18
Costs of services	12
(in EUR thousand)	Parent company 31 December 2019
Balance of operating receivables	10
Balance of operating liabilities	12

TABLE 81: DISCLOSURE OF TRANSACTIONS WITH RELATED PARTIES

(in EUR thousand)	Subsidiaries		Associate		Other*	
	2019	2018	2019	2018	2019	2018
Revenues from the sale of services	3,811	3,700	438	547	110	55
Interest income	57	46	0	0	0	0
Income from participating interests	901	885	8	10	0	0
Costs of services	2,091	2,079	4,469	4,432	9	12
Interest expenses	31	22	0	0	0	0

(in EUR thousand)	Subsidiaries		Associate		Other*	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Non-current investments in shares and participating interests	44,823	44,257	39	39	27	27
Balance of operating receivables	908	759	74	91	116	6
Loans granted	2,316	1,677	0	0	0	0
Balance of operating liabilities	374	356	467	694	0	0
Loans received	4,100	2,060	0	0	0	0

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 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 2019

The Company did not approve any advances, loans or sureties to members of the Management Board, Supervisory Board or employees on individual contracts.

TABLE 82: REMUNERATION OF MANAGEMENT BOARD MEMBERS

(in EUR)	Period (from – to)	Wages – fixed portion		Fringe benefits and other remuneration		Total	
		Gross	Net	Gross	Net	Gross	Net
Ernest Gortan, MSc	1 January – 11 November 2019	136,002	68,512	19,273	18,360	155,276	86,872
Marko Cegnar	1 January – 31 December 2019	125,301	64,571	14,661	13,985	139,963	78,556
Marko Rems	1 January – 31 December 2019	123,907	64,180	9,462	10,300	133,369	74,480
Matija Vojsk, MSc	12 November – 31 December 2019	0	3,100	0	0	0	3,100
Total		385,211	200,362	43,397	42,645	428,608	243,007

(in EUR)	Period (from – to)	Net fringe benefits and other remuneration				
		Supplementary pension insurance	Other fringe benefits	Reimbursement of expenses	Other remuneration	TOTAL
Ernest Gortan, MSc	1 January – 11 November 2019	2,795	3,279	1,230	11,057	18,360
MARKO CEGNAR	1 January – 31 December 2019	2,819	3,845	1,273	6,048	13,985
MARKO REMS	1 January – 31 December 2019	2,819	3,187	1,267	3,027	10,300
Total		8,433	10,311	3,770	20,132	42,645

TABLE 83: REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

(in EUR)	Function	Period (from – to)	Remuneration for function performed	Remuneration for work on committees	Session attendance fees	Reimbursement of expenses	Other remuneration and fringe benefits	Total
Vojko Čok	Chairman of the Supervisory Board	1 January 2019 – 29 December 2019	16,500	2,750	4,972	684	83	24,989
Tjaša Benčina	Deputy Chairperson of the Supervisory Board	1 January 2019 – 31 December 2019	12,100	2,750	4,972	350	83	20,256
Zlatka Čretnik	Member of the Supervisory Board	1 January 2019 – 31 December 2019	11,000	2,750	6,732	2,460	83	23,025
Matija Vojsk, MSc	Member of the Supervisory Board	1 January 2019 – 11 November 2019	10,420	3,907	6,237	1,290	83	21,937
Dr Rok Rape	Member of the Supervisory Board	1 January 2019 – 29 December 2019	11,000	2,750	6,732	1,044	83	21,609
Jure Fišer	Member of the Supervisory Board	1 January 2019 – 19 June 2019	6,080	2,280	3,212	1,900	6	13,478
Jože Golobič	Member of the Supervisory Board	27 June 2019 – 29 December 2019	4,706	1,519	1,540	311	78	8,154
Barbara Nose	External member of the Supervisory Board's Audit Committee	1 January 2019 – 31 December 2019	0	7,150	2,827	294	0	10,271
Total			71,806	25,856	37,224	8,333	500	143,719

TABLE 84: REMUNERATION OF EMPLOYEES ON INDIVIDUAL CONTRACTS

(in EUR)	Gross wages	Fringe benefits and other remuneration (annual leave allowance, reimbursement of work-related expenses, termination benefits, employee anniversary bonuses, etc.)	Total remuneration
Employees under individual contracts	1,718,093	256,346	1,974,439

NOTE 29: Distributable profit

TABLE 85: DISTRIBUTABLE PROFIT

(in EUR thousand)	31 December 2019	31 December 2018
Retained earnings	4,520	0
Net profit for the financial year	3,388	4,043
Total distributable profit	7,908	4,043

NOTE 30: Events after the balance-sheet date

- On 31 January, the parent company successfully completed the refinancing of several loans arranged under the financial restructuring agreement concluded in 2012. The Company and a syndicate of banks, including Nova Ljubljanska banka, d. d. acting as the organiser and agent, concluded a long-term loan agreement in the amount of EUR 54,850 thousand. The new loan was concluded in two tranches, one with a maturity of seven years and the other with a maturity of four years. Interest rates were reduced by more than half relative to the previous terms of financing. Pošta Slovenije, d. o. o. contributed to that successful refinancing by issuing a guarantee covering 80% of the amount of that loan.

- In February 2020, the Company submitted a letter of intent to purchase the remaining participating interest in the subsidiary Intereuropa RTC, d. d. Sarajevo, by which it will become 100% owner of that company.

Impact of COVID19 on operations

The outbreak of the COVID-19 coronavirus is having a significant impact on health-related, economic and other developments across the world. The World Health Organisation declared a pandemic on 11 March 2020, and the Slovenian government followed suit the next day by declaring an epidemic. Intereuropa, d. d. and Intereuropa Group companies are carefully monitoring current events in Slovenia and around the world, and are doing everything necessary, in accordance with the measures adopted by the competent institutions and the recommendations of experts, to protect the health of employees and business partners, and to ensure the business continuity of all Group companies. Companies are regularly adjusting their activities to the situation in the countries where the Intereuropa Group provides services, while carrying out all the key activities to meet the needs of customers. Even in these difficult conditions, they are ensuring the flow of goods along the entire supply chain, which in Slovenia, where Intereuropa is the largest logistics company with a comprehensive range of services, is crucial for the continuous functioning of those chains in extraordinary conditions.

Concern for the health and safety of employees in the workplace is paramount. We have enabled the employees of Group companies to work from home to the greatest extent possible, and provided protective equipment for employees who must be present in the business process due to the nature of their work. Employees are regularly informed of newly adopted measures and developments at individual companies.

In the period until the final preparation of the annual report, the management of the Company and Group assessed on the basis of current data regarding orders and information from the environment that the epidemic could have the following effects on the operations of the Intereuropa Group and Intereuropa:

- A drop in economic activity will be seen in falling demand for services and lower sales revenue. Given that Intereuropa has a highly diversified structure of customers and the Group continues to provide its customers all services despite the epidemic, a gradual increase in demand can be expected towards the end of the second quarter.
- We do not expect any major problems in ensuring capacities at the suppliers of transport services.
- Due to the declining scope of operations, the Intereuropa Group and Intereuropa are continuously adapting the number of active employees and agency workers to the volume of business. Countries have and continue to adopt measures to subsidise labour costs for employees on furlough or sick leave.
- Increased credit risk and the resulting additional impairment losses on receivables. There has been a temporary deterioration in the payment discipline of customers as the result of a liquidity crunch in the economy. A portion of that effect may be passed through to suppliers, while the government is adopting and announcing additional measures to ease that crunch.

On 20 March 2020, the National Assembly of the Republic of Slovenia adopted the Intervention Measure Act on the Deferral of Payments of Borrowers' Obligations (ZIUOPOK), which was supplemented to a lesser degree by the Intervention Measures to Mitigate the Effects of the COVID-19 Infectious Disease Epidemic on Citizens and the Economy Act (ZIUZEOP) adopted on 2 April 2020. Based on the ZIUOPOK, Intereuropa, d. d. submitted a request for the deferral of loan repayment to the agent of a syndicated loan on 30 March 2020, in which it asked for a 12-month deferral of the payment of principal and interest in accordance with the aforementioned law.

The Management Board assesses that the epidemic could have a significant impact on the operating results of the Intereuropa Group and Intereuropa, d. d. A reliable assessment regarding the impact of the epidemic could not be given during the final preparation of the annual report because the scope and duration of the impact of the COVID-19 coronavirus and announced government measures remain uncertain.

The Management Board has assessed the impact of the COVID-19 coronavirus on the assumption of Intereuropa as a going concern, where primarily the duration of the epidemic on the key markets of companies and the Group as a whole represents significant uncertainty. Assuming a gradual improvement in the level of sales during the summer months based on a gradual improvement in economic activity on the Asian market where the epidemic started, and taking into account planned government measures to ease the liquidity crunch in the economy, the Company's Management Board assesses that the assumption of Intereuropa as a going concern is not in jeopardy.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Intereuropa d.d.

Opinion

We have audited the financial statements of Intereuropa d.d. (the Company), which comprise the statement of financial position as at 31 December 2019, the income statement, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



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Revenue recognition

As at 31 December 2019, the net sales revenues amounted to EUR 111.8 million as disclosed in Note 1: Sales revenues. The recognition of revenue in accordance with IFRS 15 is complex for the Company because of the variety of contracts in place for transportation and logistical services, client representation in front of customs authority, warehousing services and other services. Agreements with customers and services sometimes include multiple element arrangements which increases the complexity in the revenue recognition process.

We focused on this area because of the various revenue streams, nature of services and involved management judgement in assessment of how the performance obligation fulfilment affect the timing of revenue recognition. We identified revenue recognition as a risk mostly due to the possibility of improper timing of revenue recognition; resulting in overstatement of revenue as a result of premature recognition of revenue or understatement of revenue as a result of late recognition of revenue.

These facts require more extensive audit procedures and is therefore considered as key audit matter.

Our audit procedures included considering the appropriateness of the Company's revenue recognition accounting policies and assessing compliance with the policies in terms of International Financial Reporting Standards as adopted by the European Union.

We tested the design, implementation and operating effectiveness of internal controls over revenue recognition in terms of error, fraud prevention and timing of revenue.

On a sample of transactions, we tested appropriateness of determining the performance obligations as well as allocation of the price consideration to individual performance obligation and timing of control transfer for each revenue stream, in accordance with IFRS 15. We involved information technology specialists to assist us in evaluating of the application controls in the process of revenue recognition.

We also tested a sample of sales transactions taking place at either side of the statement of financial position date as well as credit notes issued after the statement of financial position date to assess whether revenue was recognised in the correct period and whether accruals for discounts as at 31 December 2019 are fully recognized.

For a sample of customers contracts open at the statement of financial position date, we assessed the management estimate of the level of the contract that has been fulfilled, based on the obtained supporting documentation from third parties (i.e. invoices of service providers, customs documentation, flight lists etc).

In relation to the sample of customers contracts open at the statement of financial position date, we reviewed the appropriateness of the amount of the assets from contracts with customers and liabilities from contracts with customers, respectively.

Finally, we assessed the adequacy of disclosures on revenues included in Note V – (O) Revenues from service rendered and Note 1: Sales revenue of standalone and Note 16 Assets from contracts with customers in respect to current receivables from incomplete services, and their compliance with International Financial Reporting Standards as adopted by the European Union.



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Land measured at fair value

The Company's property plant and equipment includes land plots across Slovenia used to support its business operations, primarily in providing its warehousing and storage services. As at 31 December 2019 the carrying amount of land amounts to €41.5 million in the financial statements.

The management's assessment of fair value of land was significant to our audit because this process is complex and requires significant management judgement. The management prepares estimates of the fair value with the assistance of external appraisals, and references to the observed recent transactions with similar assets. The management prepares estimates of fair value every five years, or more frequently if indications of impairment point to a significant deviation in fair value.

The management process of identification of indications of impairment is complex and requires significant judgement.

We therefore determined this to be a key audit matter.

We evaluated management's assessment of fair value of land.

We assessed the competency, the experience and objectivity of the external appraisals and discussed their valuation report and work performed with them directly. We involved valuation experts to assist us in the evaluation of judgments and assumptions used in the valuations, such as, but not limited to, assessing the selection of comparable transactions and reasonableness of any related adjustments for size, location and type of transactions; assessment of the accuracy and relevance of the input data in the valuation reports.

We assessed the historical accuracy of management's estimates based on the Company's recent sales transactions and by reviewing whether these transactions resulted in significant profits or losses. We also evaluated the adequacy of disclosures regarding the revaluation of land, which are included in Note 9 – *Property, plant and equipment* and Note 10 – *Investment property* of the financial statements and their compliance with International Financial Reporting Standards as adopted by the EU.

Impairment of property, plant and equipment and investment property

The Company's property, plant and equipment includes buildings and equipment in various locations across Slovenia. The Company's investment property includes land and buildings at various locations that are leased out and held for the purpose of achieving a rental income or appreciation of value. As at 30 December 2019, property, plant and equipment amounts to €77,6 million and investment property €17,1 million in the financial statements.

The Company conducts annual impairment test of asset's balances. The impairment test involves determining the recoverable amount of cash generating unit as a whole or individual assets, which corresponds to the value in use or selling price less cost to sell. Value in use is the present value of the future cash flows expected to be derived from a cash generating unit.

Management's assessment of the impairment indicators and impairment loss recognized for property, plant and equipment was significant to our audit because this process is complex and requires significant management judgement. We therefore determined this to be a key audit matter.

We evaluated management's assessment of impairment indications for property, plant and equipment and investment property.

We tested management's assumptions and other input data used in the value in use calculations as well as assessed the appropriateness of the Management's grouping of assets to separate cash generating units. We evaluated supporting external appraisal reports obtained by management to assess the recoverability or fair value less cost of disposal, where applicable. We assessed the competency, the experience and objectivity of the external appraisals and discussed their valuation report and work performed with them directly. We involved valuation experts in the audit team to assist us in evaluation of the discount rates used, and assessing the consistency of valuation methodologies applied. We also evaluated the adequacy of the disclosures regarding the impairments of these property, plant and equipment and investment property, which are included in Note 9 – *Property, plant and equipment* and Note 10 – *Investment property* of the financial statements and their compliance with International Financial Reporting Standards as adopted by the EU.



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Recoverability of deferred tax assets

At 31 December 2019, deferred tax assets amount to EUR 5.52 million as disclosed Note 8 - *Corporate income tax (current and deferred tax)* to the financial statements, majority of which relates to unused tax losses (EUR 5.1 million). The risk exists that future taxable profits will not be sufficient to fully recover the deferred tax assets. Management supports the recoverability of the deferred tax assets mainly with income projections that contain estimates of and tax strategies for future taxable income.

Changes in the business and its markets and changes in tax regulations may affect these projections. The valuation of deferred tax assets is significant to our audit because the assessment process is complex and involves significant estimates. We therefore consider it a key audit matter.

We performed audit procedures on the valuation and accuracy of the amounts recognized deferred tax and the evaluation of tax exposures. In addition, in respect of deferred tax assets, we assessed and tested the Management's analysis and assumptions supporting the probability that deferred tax assets recognized in the statement of financial position will be recovered through taxable income in future years and available tax planning strategies. We included in our team tax specialists to analyze the tax positions and to challenge the assumptions used to determine future tax positions. We assessed the adequacy of the disclosures on the deferred tax assets included in Note 8 - *Corporate income tax (current and deferred tax)* of the financial statements and their compliance with International Financial Reporting Standards as adopted by the EU.

Impairment of investment in subsidiaries in the separate financial statements

Equity investments in subsidiaries amount to EUR 44.8 million as at 31 December 2019 which represents 25,4% of total assets as at 31 December 2019 in the separate financial statements. Management's impairment tests are prepared based on the discounted future cash flows or net asset model and are significant to our audit because the assessment process is complex and requires significant management judgment and imposes significant estimates. Given the inherent subjectivity in the valuation, we determined this to be a key audit matter.

Our audit procedures included an assessment of the historical accuracy of management's estimates, evaluation and testing of the assumptions, methodologies, discount rates and other inputs used by the Company. We included in our team a valuation expert to assist us with our assessment of the discount rates and the appropriateness of the models used. Furthermore, we considered sensitivities such as the impact on the impairment tests if net operating income would be decreased, or the discount rates would be increased.

We assessed the adequacy of the Company's disclosures on the impairment test performed, included in Note 14- *Other non-current financial assets - Investments in subsidiaries* of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Other matter

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor, who expressed an unmodified opinion on those statements on April 5, 2019.

Other information

Other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management, audit committee and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 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.

The audit committee and the supervisory board are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISA 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 financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the 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 auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;



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- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee and the supervisory board 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 the audit committee and the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the audit committee and the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Company at the general meeting of shareholders on 27 June 2019, the president of the supervisory board has signed the audit agreement on 10 October 2019. The agreement was signed for the period of three years.

Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 1 year. Sanja Košir Nikašinić and Lidija Šinkovec are certified auditors, responsible for the audit in the name of Ernst & Young d.o.o..

Consistence with Additional Report to Audit Committee

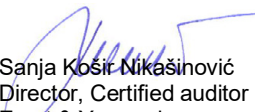
Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on 7 April 2020.

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services which were provided by us to the Company.

Ljubljana, 10 April 2020


Sanja Košir Nikašinić
Director, Certified auditor
Ernst & Young d.o.o.
Dunajska 111, Ljubljana


Lidija Šinkovec
Certified auditor

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