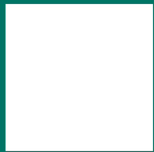
GROWING
WITH OUR CUSTOMERS

Annual Report of the Intereuropa Group 2011

Intereuropa®
Global Logistics Service



The leading provider of comprehensive logistics services in the countries of the former Yugoslavia

A one-stop-shop for regional logistics services

Focused on complex logistic solutions

Annual Report
of the Intereuropa Group
for 2011

Intereuropa®
Global Logistics Service

Growing with Our Customers

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1 Introduction

1.1 HIGHLIGHTS OF OPERATIONS OF THE INTEREUROPA GROUP

Table 1: Income statement (in € thousand)

	2008	2009	2010	2011	I 11/10
Sales revenues	257,697	191,117	190,624	211,880	111
Earnings before interest, taxes and depreciation and amortisation (EBITDA)	27,864	15,136	21,554	22,653	105
Operating profit	13,196	-50,638	-27,195	6,780	-
Profit from continuing operations	3,639	-61,307	-39,793	-7,895	-
Net profit or loss	3,688	-53,907	-39,193	-7,596	-
Value added	79,691	62,845	63,018	62,739	100
Basic earnings per share (in €)	0.39	-6.87	-5.07	-1.00	-
Gross dividend per share (in €)	0.58	0.00	0.00	0.00	-

Table 2: Statement of financial position (in € thousand)

	2008	2009	2010	2011	I 11/10
Total assets	451,678	489,270	425,428	407,207	95
Non-current assets	356,585	406,821	351,801	331,390	94
Current assets	95,093	82,449	73,627	75,817	103
Equity	169,360	188,803	148,163	140,988	95
Average capital*	175,913	206,035	188,080	147,281	78
Financial and operating liabilities	278,850	296,663	274,181	263,493	96

**Equity does not include net profit for the year.*

Table 3: Employees (per hours paid)

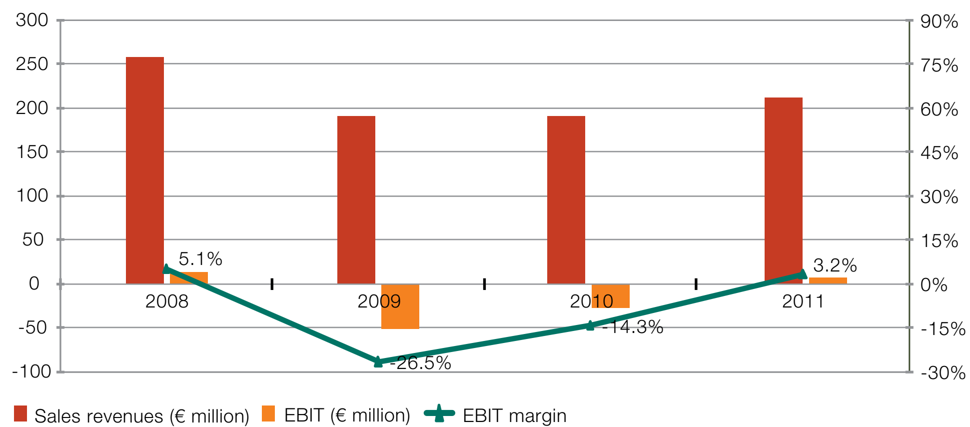
	2008	2009	2010	2011	I 11/10
Number of employees in the Group	2,657	2,510	2,274	2,137	94
Number of employees in the parent company	932	863	784	744	95
Number of employees in subsidiaries	1,725	1,647	1,490	1,393	93

Table 4: Performance Indicators

	2008	2009	2010	2011	I 11/10
Return on equity	2.1%	–26.2%	–20.8%	-3.7%	-
Return on assets	0.9%	–11.5%	-8.6%	-1.3%	-
Productivity (in €)	96.98	76.15	83.82	99.16	118
Return on revenue	1.3%	–27.2%	–19.1%	-2.5%	-

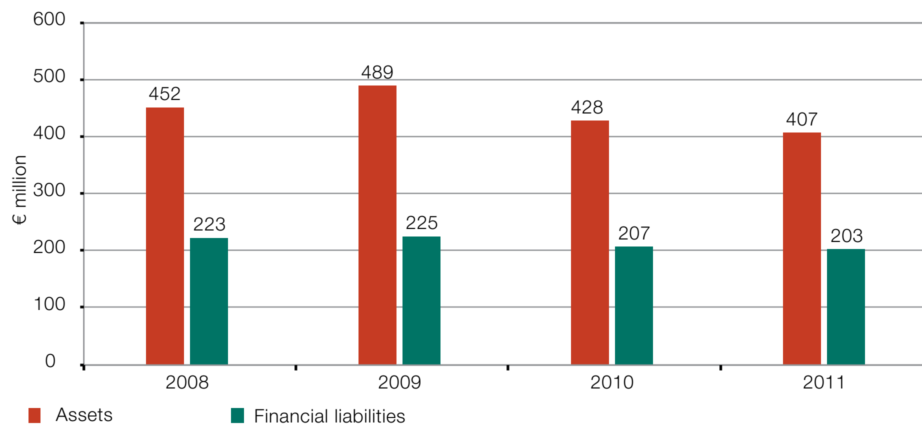
EBITDA: depreciation and amortisation + revaluation operating expenses for intangible fixed assets, and property, plant and equipment + operating profit
Value added: EBITDA + labour costs
Return on equity: net profit or loss / average capital
Return on assets: net profit or loss / average assets
Productivity: sales revenues / no. of employees
Return on revenues: net profit or loss / total revenues

Chart 1: Sales revenues, EBIT and EBIT margin of the Group, 2008-2011



The Group has made operating profit (3.2% of sales revenues) for the first time since 2008, a result of an 11% increase in sales revenues and streamlining of business processes. Excluding events not directly linked to continuing operations (notably sale of property, plant and equipment) would bring the share to 4.0%.

Chart 2: Assets and financial liabilities of the Group, 2008-2011 (€ million)



Disposal of and low investments in property, plant and equipment (€ 2.6 million) were the reasons for the 4% decrease in the Group's assets. The biggest changes in liabilities stemmed from the fact that the bulk of received loans were transferred from non-current to current liabilities.

The Annual Report of the Intereuropa Group consists of the business and the financial report. The financial report includes financial statements with notes referring to the Intereuropa Group and the financial statements with notes for the parent company.

Achieving growth under difficult circumstances

RESULTS OF BUSINESS AND FINANCIAL RESTRUCTURING

- Streamlining business processes
- Revamping the customer portfolio
- New services
- Growing consolidated sales revenues and enhanced sales efficiency
- Introducing IT system for operational processes in land transport
- Providing for financial stability through loan reprogramming
- Reducing back office costs
- Disinvestment
- Reducing debt
- Efficient management of working capital

1.2 A PRESENTATION OF THE INTEREUROPA GROUP

1.2.1 Group profile

Parent company

Abbreviated name	**Intereuropa d.d.**
Country of the parent company	Slovenia
Head office of the parent company	Vojkovo nabrežje 32, 6000 Koper
Comp. ID no.	5001684
Tax no.	56405006
Entry in the Companies Register	Registered with the Regional Court of Koper, reg. no. 1/00212/00
Share capital	€ 32,976,185.11
Number of issued and paid-up shares	7,902,413 no-par value shares
Share listing	Shares designated IEKG are included in blue chips on the Ljubljana Stock Exchange
Management Board	Ernest Gortan, President of the Management Board
	Tatjana Vošinek Pucer, Deputy President of the Management Board
Chair of the Supervisory Board	Bruno Korelič

Intereuropa Group

Number of employees*	2,114
Total warehousing area*	262,400 m² of in-house warehouses
Total land area*	2,152,200 m²
Vehicle fleet*	264 company-owned trucks, tractors and trailers and other commercial vehicles
Membership in international organisations	FIATA, IATA, FETA, FONASBA, BIMCO and IRU
Quality certificates**	The following companies have the ISO 9001:2008 certificate: • Intereuropa d.d., Koper • Intereuropa, logističke usluge, d.o.o., Zagreb • Interagent, d.o.o., Koper • Intereuropa RTC d.d. Sarajevo
Branch network	Slovenia, Croatia, Montenegro, Bosnia and Herzegovina, Serbia, Kosovo, Macedonia, Albania, Ukraine and Russia

** As at 31 December 2011*
*** The list excludes Intereuropa Transport, d.o.o., in liquidation proceedings since 17 January 2012 and Intereuropa Transport & Spedition GmbH, Troisdorf, in liquidation proceedings since 1 September 2011.*

1.2.2 Our activity

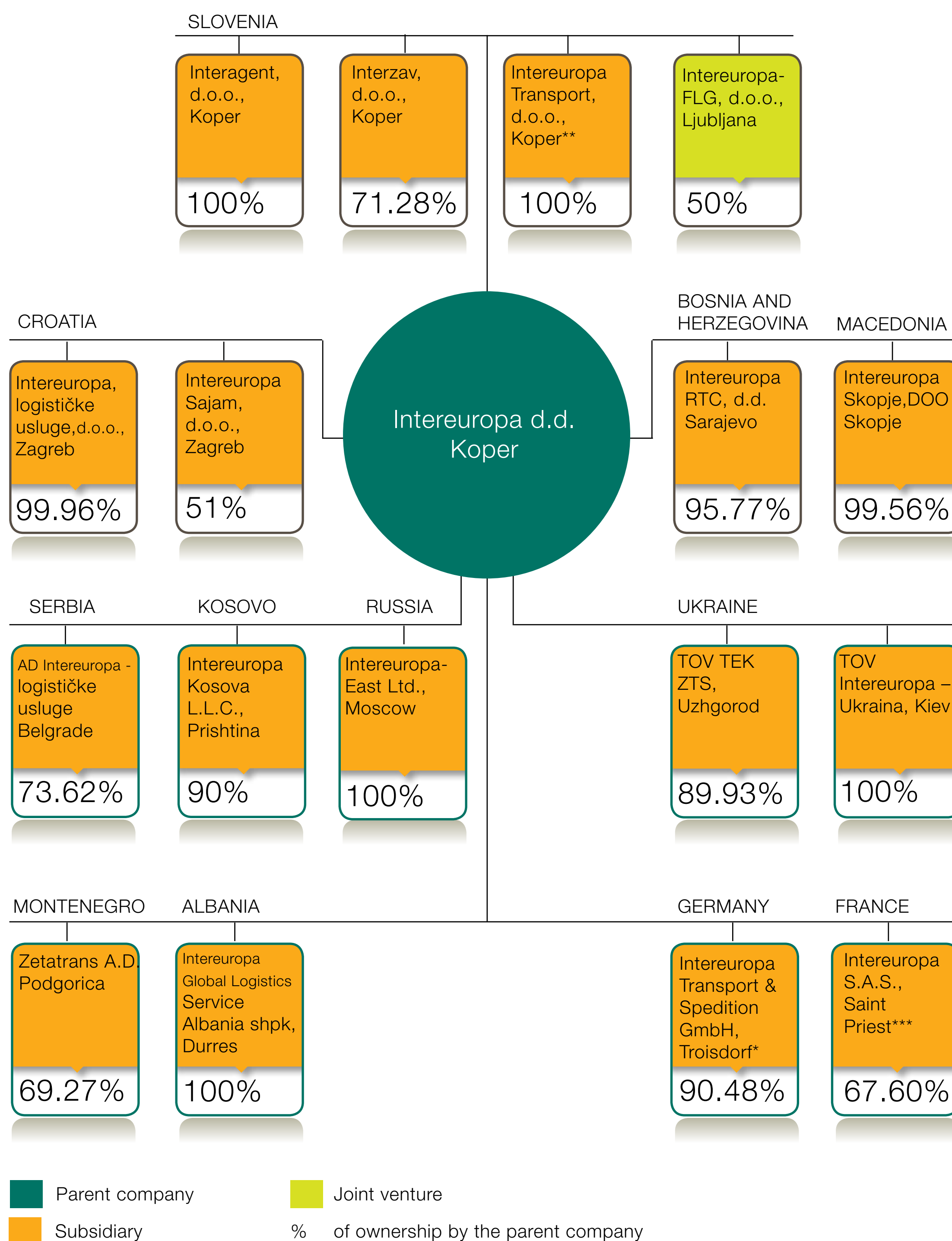
Providing comprehensive logistic services with a high degree of qualifications and expertise. Seeking out optimal solutions for logistical needs of our customers.

The Intereuropa Group renders all types of comprehensive logistic services in three segments:

Land transport	groupage, express transport, road transport, railway transport, customs services and distribution of spare parts
Intercontinental transport	air freight, sea freight, shipping agency and car logistics
Logistics solutions	warehousing and distribution and logistics projects

Our advantages:
- ⟶ Experts in providing a comprehensive range of logistic services and optimal solutions tailored to the desires and needs of our customers.
- ⟶ We are developing comprehensive logistics solutions for a wide range of goods which are warehoused, distributed and transported by land, sea or air in all directions. We have in-house warehousing capacity at our disposal.
- ⟶ We are responding to logistical needs of our customers by providing additional services such as presentation on fairs services, rentals and agency services for insurance deals.
- ⟶ We implement complex and comprehensive logistics projects and are a reliable partner for outsourced logistic services for manufacturers and retail and wholesale companies.

1.2.3 Organisation chart of the group as at 31 December 2011



** Intereuropa Transport & Spedition, GmbH Troisdorf has been in liquidation proceedings since 1 September 2011.*
*** Intereuropa Transport d.o.o., Koper has been in liquidation proceedings since 17 January 2012.*
**** Intereuropa S.A.S., Saint Priest, France, was sold in the first half of 2011.*

1.2.4 A presentation of members of the Intereuropa Group

Company	Managing Director/ President of the Management Board	Supervisory body	Chair of the supervisory board/ Representative of Intereuropa in the supervisory board	Land Transport	Logistics Solutions	Intercon-tinental Transport	Other services	Distinction
Intereuropa d.d., Koper	**Ernest Gortan**, President of the Management Board **Tatjana Vošinek Pucer**, Deputy President of the Management Board	Supervisory Board	Bruno Korelič, Chair of the Supervisory Board	•	•	•	•	The leading provider of comprehensive logistic services in Slovenia / 68 freight and commercial vehicles / 129,200 m^2 of in-house and 4,400 m^2 of rented warehousing area
Interagent, d.o.o., Koper	**Sandi Križman**, Managing Director	Management Board of Intereuropa d.d.	President of the Management Board of Intereuropa d.d.			•		The number one agent by the number of represented ships at the Port of Koper
Interzav, d.o.o., Koper	**Boris Šafar**, Managing Director	Annual General Meeting	A representative of Intereuropa d.d. by power-of-attorney granted by the Management Board				•	An agent in insurance deals
Intereuropa Transport, d.o.o., Koper (in liquidation proceedings as of 17 January 2012)	**Bojan Novak**, Managing Director **Ernest Gortan**, Receiver as of 17 January 2012	Management Board of Intereuropa d.d.	President of the Management Board of Intereuropa d.d.	•				A carrier in international road freight transport / 57 freight and commercial vehicles
Intereuropa, logističke usluge, d.o.o., Zagreb	**Andrija Jurgec**, President of the Management Board	Supervisory Board	**Ernest Gortan,** Chair of the Supervisory Board	•	•	•	•	A provider of comprehensive logistic services in Croatia / 57 freight and commercial vehicles / 57,100 m^2 of warehousing area
Intereuropa Sajam, d.o.o., Zagreb	**Vjekoslav Granić**, Managing Director	Supervisory Board	**Tatjana Vošinek Pucer,** Chair of the Supervisory Board	•	•		•	Focus on logistics for fairs / 3 freight and commercial vehicles/ 640 m^2 of warehousing area
Intereuropa RTC d.d. Sarajevo	**Haris Avdić**, Managing Director	Supervisory Board Audit Committee	**Ernest Gortan,** Chair of the Supervisory Board **Redžep Franca**, Chair of the Audit Committee	•	•	•	•	The leading provider of comprehensive logistic services in Bosnia and Herzegovina / 26 freight and commercial vehicles / 6,900 m^2 of warehousing area
AD Intereuropa - logističke usluge Belgrade	**Nemanja Kačavenda**, Executive Director	Board of Directors	**Bojan Beškovnik,** President of the Board of Directors	•	•	•		A leading provider of comprehensive logistic services in Serbia / 11 freight and commercial vehicles / 23,800 m^2 of warehousing area
Intereuropa Kosova L.L.C., Prishtina	**Arben Mustafa**, Managing Director **Andrej Kariš**, Managing Director	Annual General Meeting	A representative of Intereuropa by power-of-attorney granted by the Management Board	•	•	•	•	The sole provider of comprehensive logistic services in Kosovo / 3 freight and commercial vehicles/ 1,800 m^2 of rented warehousing area
Zetatrans A.D. Podgorica	**Anton Turk**, Executive Director	Board of Directors	**Vado Keranović,** President of the Board of Directors	•	•	•	•	The leading provider of comprehensive logistic services in Montenegro / 5 freight and commercial vehicles / 18,200 m^2 of warehousing area
Intereuropa Skopje, DOO Skopje	**Nebojša Cvetanovski**, Managing Director	An independent supervisor	**Tatjana Vošinek Pucer,** Independent Supervisor	•	•	•		The leading provider of groupage in Macedonia / 2 commercial vehicles/ 2,100 m^2 of warehousing area
Intereuropa Global Logistics Service Albania shpk, Durres	**Dashamir Mandija**, Managing Director	Annual General Meeting	**Bojan Beškovnik,** representative of Intereuropa d.d. by power-of-attorney granted by the Management Board			•		A provider of sea freight services
Intereuropa-East Ltd., Moscow	**Mikhail Novodvorsky**, Managing Director	Supervisory Board	**Ernest Gortan,** Chair of the Supervisory Board	•	•	•	•	11 freight vehicles / 27,400 m^2 of warehousing area and a car terminal with the capacity of up to 16,000 cars
TOV TEK ZTS, Uzhgorod	**Anatolly Nikolajević Parfenyuk,** Managing Director	Annual General Meeting; Audit Committee	**Miha Romih,** representative of Intereuropa d.d. by power-of-attorney granted by the Management Board, **Peter Janežič**, Chair of the Audit Committee	•				A company specialised in railway transport and international road transport / 21 freight and commercial vehicles
TOV Intereuropa – Ukraina, Kiev	**Igor Bibikov,** Managing Director	Management Board of Intereuropa d.d.	President of the Management Board of Intereuropa d.d.	•		•		A provider of services of part or full loads and container sea freight / The company did no business in 2011

1.3 A DISCUSSION WITH THE PRESIDENT OF THE MANAGEMENT BOARD

Ernest Gortan, MSc,
President of the Management Board of Intereuropa d.d.

Healthy business growth of the group

The financial year 2011 was the best of the last four years by the majority of business indicators. Sales revenues of the Intereuropa Group rose by 11% and the group posted EBIT (earnings before interest and tax) equalling 3.2% of sales revenues. Positive trends are based on improved business processes reflected in an 8% increase in productivity from the previous year.

Ernest Gortan, MSc, President of the Management Board of Intereuropa d.d., explains the group's business and financial restructuring. Beside the business indicators turning positive, Mr. Gortan provided a comprehensive overview of the group's situation and of laying the foundations to alleviate the financial burden of the past.

Mr. President, the group went through a difficult year. How would you assess its achievements?

Any comment on the business in 2011 should start by finding that process streamlining delivered the desired results enabling us to improve profitability significantly despite the crisis.

Restructuring of the parent company and the entire group enhanced profitability.

Restructuring of the parent company and the entire group enhanced profitability. That provided a sound base for further development and for putting our financial liabilities in order. We have improved all key business indicators and mostly turned them positive. EBIT has been positive for the first time since 2008 equalling € 6.8 million. Our main success was undoubtedly operating profit of 3.2% of sales revenues; a

higher return than achieved by comparable logistics companies, as far as can be gathered from publicly available data. Sales productivity has improved. Sales revenues per employee grew by 18%. Sales revenues rose by 11% to € 211.9 million. The achievements would look even better if we took into account that our subsidiaries in France and Germany were liquidated during the year and that Intereuropa Transport was reducing its business volume and the number of vehicles in use. Our accounts receivable fell by € 10 million from 2010 despite a deepening liquidity crisis in the economy.

Resolving the issue of the high amount of debt piled up in the past is crucial for Intereuropa d.d. and we took time to negotiate with bank creditors. Interest on loans taken in the past resulted in net loss totalling € 5.4 million.

Business restructuring is a complex process bringing results in the long term. How was it designed?

We have complied with the strategic guidelines approved by the Supervisory Board. The concept of business and financial restructuring was enforced at all levels of operations. It was carried out in three key directions. They were strengthening the market position, continued streamlining of processes and providing for financial stability of the parent company and the group. We expect improvements in the long term, in particular from financial restructuring, but we aimed at and achieved immediate positive business results as well.

Which business activities would you like to highlight?

All our abilities and business development became even more oriented towards customers who thus have even more reasons to do business with Intereuropa d.d. We are focused on product development and marketing where our key competitive advantages can come to the fore. They include comprehensive logistics services in Southeastern Europe where we have substantial market shares. We therefore closed our subsidiaries in France and Germany because they failed to meet profit targets and strategic objectives. The decision on reducing hauls with the in-house fleet was based on the same premise. The lack of competitiveness of our carrier Intereuropa Transport resulted in the decision to wind up the company and strengthen partnerships with subcontracted carriers. The share of outsourced transport rose in our subsidiaries in Croatia and Bosnia and Herzegovina as well, notably in domestic distribution. Implementation of a new software solution supporting land transport products is worth mentioning as it enabled further streamlining of processes in the entire logistics chain and tracing shipments by our customers. Liquidity and financial stability are crucial for the business and have been successfully provided for by agreements made with banks, loan reprogramming and efficient working capital management.

All our abilities and business development became even more oriented towards customers who thus have even more reasons to do business with Intereuropa d.d.

What was the progress of negotiations with the banks and the status at the end of 2011 and the beginning of 2012?

In parallel with improving and raising efficiency of business processes, intensive negotiations with bank creditors on financial restructuring of Intereuropa d.d. had been taking place since June. An agreement on the underlying principles was reached in February 2012 and the Supervisory Board approved it in the same month. The banks expressed their readiness to engage in financial restructuring of the company and granted a grace period on loan repayment until 30 September 2012 to Intereuropa d.d. despite the fact that the major shareholders were unwilling to increase the company's capital. The banks also expressed readiness to convert a portion of their receivables into equity, counting on the support of shareholders for reducing share capital of the company by decreasing the share's nominal value to one euro. They expect further disinvestment, notably of the subsidiary Intereuropa-East Ltd. The Management Board presented the underlying principles of financial restructuring to shareholders and invited them to participate in a capital increase. If that were not possible, shareholders would be asked to support the presented financial restructuring put forward by bank creditors. The company is over-indebted given its business capacity and therefore our efforts are concentrated on financial restructuring and reprogramming the existing loans to make liabilities sustainable in the long term. That will lay the foundations for continued operations of the group. The performance in 2011 was encouraging and proved that it can be done. The banks are not interested in remaining shareholders of the company and therefore we can expect activities to sell the company to a strategic partner to be initiated eventually.

The Management Board presented the underlying principles of financial restructuring to shareholders and invited them to participate in a capital increase.

I would like to point out that increased revenues are an important aspect of operations but the productivity improved by streamlined operational processes is even more essential.

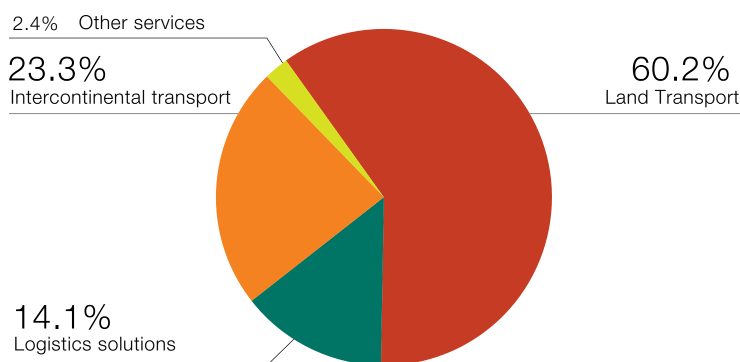
You have mentioned changes in the land transport segment resulting in loss of revenue, however, the segment nevertheless made a substantial progress. What were the reasons and how would you comment operations in the land transport segment?

The measures for streamlining land transport, which I have already mentioned, did result in revenue lost but new business on the other hand brought in revenue. Land transport generating 60% of the group's revenues saw its revenue intake rise by 8% and 11% from the previous year and the plan, respectively. New business included logistics services related to petroleum products in Ukraine which increased revenues from railway transport by 1.8 times from 2010. The volume of customs services rendered in Croatia and Slovenia rose as well. However, we expected and detected a different sort of developments in certain business segments. Sales volume in express transport fell by 15% as a result of reducing the share of hauls with the in-house fleet in Croatia and focusing on narrower sale segments in Slovenia. I would like to point out that increased revenues are an important aspect of operations but the productivity improved by streamlined operational processes is even more essential. Implementation of a new IT system in the parent company played a big part. The activities to implement the IT support in subsidiaries are underway. The new IT system will yield its true benefits in the future.

Growth in car logistics was noticeable in the intercontinental transport segment. How did the segment perform?

The intercontinental transport segment had a good year exceeding sales targets by 12% and revenues from 2010 by 15%. More than a half of revenues were again generated in sea freight services. Revenues from car logistics grew strongly increasing by 39% or 7 percentage points more than in 2010, mostly because of improved performance of the car terminal in Chekhov. As regards sea freight, the plan was exceeded by a hefty 47% in container transport. The development of sea grouping lines contributing to the sound performance will continue in 2012 by enhanced presence in all eastern Adriatic ports and utilising synergies in the sales network.

Chart 3: The structure of sales revenues by business segment in 2011



You said that the group improved its performance in Russia but the financial restructuring plan nevertheless envisages selling the terminal in Chekhov.

The terminal's performance substantially improved in 2011 and its logistics capacity was better utilised which resulted in operating profit but it was insufficient even to cover finance costs of the investment. Sale of the logistics centre thus makes sense because of the value of its assets and the risks it faces in its operations. The sale is a major factor in financial restructuring and debt reduction of Intereuropa d.d. Although the sale process has been underway for more than a year and has yet to be completed successfully, certain solutions are becoming apparent. We hope to bring the matter to a successful conclusion.

The biggest growth among the three business segments was recorded in logistics services where sales revenues grew by a fifth.

The logistics services segment contributed 14% to total revenues of the group with the share continuously rising. It is particularly important that the structure of our customers changed in favour of those requiring more complex and comprehensive logistics services in the wider region. Our focus on efficient management of key customers bore fruit because we used IT and cooperated with the customers to develop tailored logistic solutions. The biggest growth was achieved in Slovenia where sales grew by a third whereas in Croatia they fell because of the crisis and enhanced competition from foreign logistics companies. The same applies to other markets of the Western Balkans. Positive exceptions were Bosnia and Herzegovina where growth equalled 16% and Russia where our warehousing capacity has been filled.

Various markets are thus in a very different situation. How would you assess business by market?

Our primary region is Southeastern Europe where the situation is difficult, in Slovenia as well as in other countries of the former Yugoslavia. We see a strong downward pressure on prices, the customers are increasingly using invitations to bid where they expect more favourable offers and the carriers are facing higher input costs, notably fuel prices, which are very difficult to pass on to customers. Liquidity is getting worse and bankruptcies and poor payment discipline are a drag on working capital. Despite the difficult situation, we have managed to retain the position of a leading provider of logistics services in the western Balkans.

Despite the difficult situation, we have managed to retain the position of a leading provider of logistics services in the western Balkans.

The group's improved competitiveness was reflected in the structure of sales revenues by market resulting from the offer of comprehensive logistics services. The bulk of sales are still generated in Slovenia (57%) but the share has been gradually falling and decreased by 3 percentage points from 2010. While companies in France and Germany are being wound up, other markets are gaining significance. Sales rose on virtually every market, the highest growth was in Ukraine and Russia, while lower sales were recorded by companies in Kosovo, Croatia and Macedonia.

The organisational climate indicators used to monitor employee satisfaction in the parent company have been improved in the majority of observed categories.

You said that the orientation towards customer satisfaction provided for by qualified staff was a foundation for achieving the strategic goals. How was that orientation reflected in business restructuring?

Providing for long-term sustainable operations places emphasis on a responsible attitude towards employees. The business situation and the restructuring have forced us to reduce the number of employees but we still employed more than two thousand people and hired 236 new staff in the group in 2011. It is worth mentioning that gross salaries in the parent company rose by 4% on average despite the difficult economic situation while total costs fell by roughly € 724 thousand even as revenues grew. Our industry is marked by fluctuations related to changes in the flow of goods and we have therefore given priority to more flexible forms of labour enabling us to respond better to market needs.

The results of our participation in the Zlata nit (Golden Thread) Slovene selection of the best employers have been an encouragement to us. The organisational climate indicators used to monitor employee satisfaction in the parent company have been improved in the majority of observed categories. Although facing a difficult situation, our overall score improved by 0.12 percentage points from the last measurement two years ago. The employees gave a higher score to statements related to company loyalty, the example set by the management, interpersonal communications and the company's understanding for the needs of the employees' personal lives. It means a lot to us. The results are of course primarily a guide for future improvements.

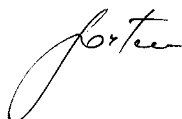
Our main goal in 2012, another crucial financial year, is to step up our efforts in the initiated processes and complete the company's financial restructuring despite the adverse economic situation.

How do you plan to face the challenges in 2012?

The year 2011 was a turning point in a way because we proved that the Intereuropa Group has sufficient potential to reverse adverse business trends. We have performed better than the industry average and enhanced profitability of our business, streamlined business processes, introduced new IT solutions and focused on key customers. Higher productivity and streamlined operations at all levels are certainly very important. In short, we grew in a healthy manner and we have all the opportunities to continue that way. Employees play an active and major part and I would like to thank them for their efforts in implementation of the changes.

Our main goal in 2012, another crucial financial year, is to step up our efforts in the initiated processes and complete the company's financial restructuring despite the adverse economic situation. The importance of the task stems from possible consequences of an unfavourable ratio between company's equity and liabilities. I believe that by continuing to work on the set path we will justify the trust of the present and future shareholders.

Ernest Gortan, Msc.
President of the Management Board of Intereuropa d.d.



Growing with Our Customers

By **8%**

Sales revenues in the land transport segment grew by 8% and exceeded the target by 11%. Road and railway transport did particularly well.

Musical instruments are delicate items.

Much effort is needed for music to come from a precious instrument. Musical instruments must travel safely from the hands of master makers to the hands of gifted performers. Each step on the way counts: from packaging, warehousing and shipment handling to the final delivery.

1.4 REPORT OF THE SUPERVISORY BOARD ON THE EXAMINATION OF THE AUDITED CONSOLIDATED ANNUAL REPORT OF THE INTEREUROPA GROUP FOR 2011

The Supervisory Board has carefully monitored and followed the implementation of strategic guidelines specified in the Strategic Business Plan of the Intereuropa Group 2010-2014 and the annual business objectives. The Supervisory Board's attention was focused primarily on the effects of the business restructuring, consolidation of the market position and providing for financial stability of the Group.

The market situation and the business environment of the Intereuropa Group in 2011 were marked by price pressures, stiffening international competition and input price increases. Risk management thus played an important role in the Group concerning the investments made before the global economic crisis which have failed to provide an adequate return in the current business situation.

Pursuant to Article 272 of the Companies Act, the Management Board of Intereuropa d.d. sent the following documents to be examined and approved by the Supervisory Board members:

- Annual Report for 2011 with the Auditors' Report; and
- the proposal for covering the loss.

Pursuant to Article 282 of the Companies Act and Items 7.3 and 7.4 of the Articles of Association of Intereuropa d.d., the Supervisory Board examined the received documents and submits the report to the Annual General Meeting of Intereuropa d.d.

Work of the Supervisory Board in the financial year

The Supervisory Board consisted of the following members in 2011: shareholders' representatives: Bruno Korelič, Chair of the Supervisory Board, Tadej Tufek, Vinko Može and Maša Čertalič; employees' representatives: Maksimilijan Babič, Deputy Chair of the Supervisory Board, Nevija Pečar and Ljubo Kobale. The Supervisory Board held ten meetings in 2011 where management of the company and corporate governance of the Intereuropa Group were carefully monitored and supervised. The Supervisory Board quarterly discussed and approved interim reports on the company's and the group's current operations and monitored their compliance with the adopted business and development plans. Regular reports were requested on financial exposure of Intereuropa d.d. and its subsidiaries. An opinion of the Audit Committee was obtained before each interim report was discussed by the Supervisory Board. Special attention was given to financial exposure of the Intereuropa Group and to the provision of liquidity. Regular reports were requested on all major projects controlled by the Management Board in 2011.

Below are the most important contents and resolutions discussed by the Supervisory Board in addition to the regular supervision of operations.

At its first meeting, the Supervisory Board was informed on the report on risk management and given the information on operations of the subsidiary Intereuropa-East Ltd. in Moscow. The Supervisory Board approved insurance of liability for the Management Board and the Supervisory Board for another year and signed statements of independence of the Supervisory Board members.

The Annual Report of the Intereuropa Group for 2010 with the report by the external auditor was approved and findings of the audit acknowledged at the April meeting. The Management Board reported on the cash flow analysis and on return of assets used, by department of the parent company. A report was presented on the 2011 cash flow projections for Intereuropa d.d.

In May, the Management Board reported to the Supervisory Board on the business and financial restructuring of the company, and informed them on the sale of real estate and the subsidiary Intereuropa S.A.S. in France. The Supervisory Board adopted a resolution on the convocation of the 23rd Annual General Meeting of Intereuropa d.d. The sales plan and programme for 2011 were presented.

In August, the Supervisory Board adopted a resolution acknowledging the Report on progress of the restructuring programme and further measures for Intereuropa Transport, d.o.o., was informed on the Management Board's position on the situation in Intereuropa Transport, d.o.o., and approved the proposed activities. The semi-annual report on risk management in Intereuropa d.d. was discussed.

In November, the Supervisory Board paid special attention to the information on operations of the subsidiary Intereuropa-East Ltd. in Moscow. They were informed on the progress of negotiations with banks and the activities aimed at providing

for financial stability of the company as well as the set objectives of the Intereuropa Group for 2012. The Supervisory Board approved the liquidation of Intereuropa Transport, d.o.o., and was informed on introduction of the ISPRO IT system and on the legal action against the former members of the Management Board. The meeting schedule for 2012 was approved.

At its tenth meeting, the last in 2011, the Supervisory Board was informed on the planning documents of the Intereuropa Group for 2012, the cash flow analysis and the profitability of assets used and capital employed by subsidiary of the Intereuropa Group. Special attention was given to the information on the progress of negotiations with banks concerning the company's financial restructuring plan.

An assessment of operations and strategy implementation, and the method and scope of examining management of the company

The Supervisory Board was promptly informed on the company's current operations and its financial position. They monitored implementation of the strategic objectives set by the Strategic Business Plan of the Intereuropa Group 2010-2014. The Supervisory Board was informed on the Management Board's activities aimed at maintaining and strengthening the status of Intereuropa d.d. as a leading provider of comprehensive logistic services in Slovenia and countries of the former Yugoslavia. Despite the revenue loss from the disposal of the subsidiary in France and winding up the subsidiary in Germany, the group managed to increase its turnover. Growth was achieved in all three business segments and important achievements were made in winning key customers who were offered a comprehensive logistics solution in Southeastern Europe. The operations of Intereuropa-East Ltd. Moscow greatly improved although the company was still unable to bear the cost of financing and loan repayment. The streamlining of processes made a progress as evident from a significantly improved return on revenues. In accordance with its strategy, the group was reducing the share of transport with the in-house vehicle fleet; a decision was adopted at the end of 2011 to initiate voluntary liquidation of Intereuropa Transport, d.o.o., which had managed the in-house vehicle fleet and which had been making loss for a number of years. The Management Board was strongly engaged in the provision of liquidity and financial stability of the Group. An independent consultant assisted in defining the guidelines for the Group's financial restructuring concept, which includes regular discussions with bank creditors. Throughout the year, the Supervisory Board monitored and participated in negotiations concerning the group's financial stability between bank creditors and the company's Management Board, via its representatives and the Management Board's reports. The Supervisory Board inquired the major shareholders about their willingness to participate in the company's financial restructuring. They have yet to show much interest in the company's financial consolidation by a capital increase. The Supervisory Board considers swift financial restructuring of the company a prerequisite for its continued development. The negotiations with bank creditors should thus be brought to a conclusion as quickly as possible and the shareholders should make an appropriate contribution. The Supervisory Board is satisfied with the Management Board's work on strengthening the market position and the progress of the group's business restructuring. High debt of the company with regard to the business possibilities and profit warrants constant attention to provide for financial stability of the company.

The Supervisory Board monitored business performance and discussed quarterly business reports at its meetings. They promptly responded to the information on the group's operations and demanded immediate action from the Management Board. The Supervisory Board monitored sales by business segment and market, which were largely affected by price pressures, tough competition and poor liquidity.

They deemed the 11% growth in consolidated operating revenues to € 211.9 million as a very good result, in particular given the difficult market situation. Operating profit of € 6.8 million pointed to a significantly improved return on revenues, which has exceeded that of comparable companies.

The group's net loss was mostly due to interest on loans amounting to € 11.7 million. Therefore, the Supervisory Board highlights as the key task completing the group's financial restructuring, i.e. a capital increase, sale of the subsidiary Intereuropa-East Ltd. Moscow or its assets and reprogramming financial liabilities to a sustainable level.

The Audit Committee held six meetings. Minutes with the key findings, resolutions and proposals were prepared for each of them and submitted to the Supervisory Board for discussion. The Audit Committee was informed on financial reports and internal audit's reports and followed compulsory audits of annual and consolidated financial statements. Fruitful cooperation was forged with the Supervisory Board, the Management Board, and internal and external auditors.

An assessment of the work of members of the Supervisory Board and the Management Board, and an assessment of the work of the Audit Committee

The Supervisory Board of Intereuropa d.d. acted in line with the applicable legislation, the Articles of Association and company regulations of Intereuropa d.d., the Corporate Governance Policy of Intereuropa d.d. and the Corporate Governance Code for Joint Stock Companies. The Supervisory Board and the Management Board undertook to respect the independence of members of the Management Board and the Supervisory Board and to take the appropriate action in the case of any circumstances that would significantly affect the status of a member of the Management Board or the Supervisory Board

in relation to the company. Members of the Supervisory Board must observe in their activity and decision-making the company's objectives making them superior to any other personal interests or interests of third parties, the Management Board, shareholders, the public or the government. The Supervisory Board's composition is varied in terms of gender, age and education.

Members of the Supervisory Board checked compliance with the criteria of independence in accordance with the Corporate Governance Code for Joint Stock Companies in 2011. They found all members of the Supervisory Board meeting the criteria. They signed statements on meeting the criteria of independence and published them on the corporate website of Intereuropa.

The Supervisory Board aimed for the best possible organisation of its meetings resulting in all members of the Supervisory Board and the Management Board present at all meetings except one. Members of the Supervisory Board received the well-prepared material on time.

There was good cooperation between the Supervisory Board and the Management Board. The Chair of the Supervisory Board and the President of the Management Board maintained regular communications in the periods between the Supervisory Board meetings. Work of the Audit Committee, which carefully and diligently examined financial reports and reports of the internal audit, was of great help to the Supervisory Board in its work. Minutes and resolutions were prepared after each meeting of the Audit Committee and submitted to the Supervisory Board for discussion.

Opinion on the Auditors' Report

The Supervisory Board was presented with the Auditors' Report on the audit of financial statements of the Intereuropa Group and the parent company Intereuropa d.d. submitted by the auditors Ernst & Young Revizija, poslovno svetovanje d.o.o., Dunajska cesta 111, Ljubljana.

The Supervisory Board found that the certified auditors gave in their report an unqualified opinion to the financial statements of the Intereuropa Group and Intereuropa d.d. assuring that the financial statements truly and fairly presented the financial position as at 31 December 2011 as well as profit and cash flows in 2011 and were compiled in line with the International Financial Reporting Standards as adopted by the EU. Pursuant to the second paragraph of Article 282 of the Companies Act and the third paragraph of Item 7.4 of the Articles of Association of Intereuropa d.d., the Supervisory Board adopted the following position:

the Supervisory Board has no comments on the Auditors' Report prepared by the audit company Ernst & Young Revizija, poslovno svetovanje d.o.o., Ljubljana.

Approval of the Annual Report for 2011

Members of the Supervisory Board thoroughly examined the Annual Report, the Auditors' Report, the financial statements, the notes thereto as well as the other statements included in the Annual Report. The Supervisory Board found the Annual Report of the Management Board to be an authentic reflection of the situation and a comprehensive information on the company's operations in the financial year 2011.

Upon examining the audited Annual Report, the Supervisory Board found that the group ended the year 2011 with an operating profit of € 6.8 million. The improved operating profit compared to 2010 was mostly due to increased sales and lower depreciation and labour costs and costs of material.

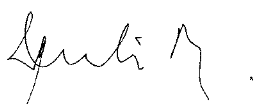
The Supervisory Board reviewed the company's operations in 2011, the business report for the financial year 2011 and the unqualified opinion in the Auditors' Report, and examined the loss of Intereuropa d.d. posted in 2011.

The Supervisory Board found that the net loss of Intereuropa d.d. for the financial year 2011 equalled € 3,711,962.42 which will be covered with retained earnings and legal reserve.

In accordance with Article 282 of the Companies Act and Items 7.4 and 7.5 of the Articles of Association of Intereuropa d.d., Global Logistics Service, Ltd. Co., the Supervisory Board approved and adopted the Annual Report of the Intereuropa Group for 2011.

The Supervisory Board adopted the report at its meeting held on 19 April 2012.

Bruno Korelič
Chair of the Supervisory Board



1.5 STATEMENT ON THE MANAGEMENT'S RESPONSIBILITIES

The Management Board of Intereuropa d.d. is responsible for compiling the Annual Report and financial statements of the Company and the Intereuropa Group. It is also responsible for their true and fair presentation to all interest groups.

The Management Board hereby declares that:
- the financial statements have been compiled under the assumption of going concern both for the parent company and its subsidiaries, and on the accrual basis of accounting;
- the selected accounting policies have been consistently applied and any changes thereto appropriately disclosed;
- the accounting estimates have been prepared with consideration, in line with the prudence and due diligence principles;
- the compiled financial statements comply with the applicable legislation and the IFRS as adopted by the European Union.

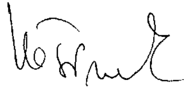
The Management Board is responsible for implementing measures ensuring preservation of the Company's and the Group's assets as well as for introducing measures preventing and enabling detection of fraud and other irregularities.

The competent tax authorities may, at any time within the following five years after the year in which the corporate income tax is to be assessed and paid, inspect the Company's operations and, if required, impose additional tax payment, default interest or penalty liability arising from corporate income tax or other taxes and duties. The Management Board is not aware of any facts or circumstances that might result in potential material liability arising therefrom.

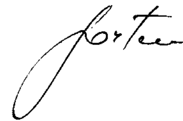
Koper, 19 April 2012

Management Board

Deputy President of the Management Board
Tatjana Vošinek Pucer



President of the Management Board
Ernest Gortan, Msc.



1.6 MAJOR EVENTS IN 2011

January-June

- The largest solar power plant in the Koroška region, placed on the roof of Intereuropa's facilities in Dravograd was opened in **February**. Bisol, a Slovene subcontractor for photovoltaic modules and a provider of solar power plants on turn-key basis, and the bank Volksbank cooperated with Intereuropa d.d. on the project.
- The Pension Fund Management (KAD), the Slovene Compensation Company (SOD), the Zavarovalnica Triglav insurance company, the NLB, Abanka Vipa and the Port of Koper published in **February** an invitation to bid for purchase of 50.98% of shares of Intereuropa d.d., which was unsuccessful.
- Intereuropa d.d. published on the website of the Ljubljana Stock Exchange in **March** a presentation of the group for all existing and prospective investors.
- A roundtable with Slovene and German logistics companies took place in **April** at the company's head office in Koper discussing setting up a new corridor linking Scandinavia, northern Germany and the northern Adriatic.
- The Management Board of Intereuropa d.d. signed the contract on sale of the entire stake in Intereuropa S.A.S., Saint Priest, in **June**.

July-December

- The 23rd Annual General Meeting of Shareholders of Intereuropa d.d. was held in **July**.
- In **September**, the Management Board of Intereuropa d.d. decided, in accordance with the strategic guideline on winding up the companies not meeting the strategic objectives, to initiate liquidation proceedings for the German subsidiary Intereuropa Transport & Spedition GmbH, Troisdorf.
- In **September**, representatives of Intereuropa d.d. attended a conference in Valencia within the European Motorways of the Sea (MoS) project aimed at improving the efficiency and safety of short sea shipping, in which the company participates.
- The group organised its annual conference in **October** where the Management Board of the parent company presented the current operations, and guidelines and plans for 2012 to the group's senior executives.
- The Supervisory Board of Intereuropa d.d. was informed on the planning document of the Intereuropa Group for 2012 in **December**.
- The Management Board of Intereuropa d.d. decided in **December** to initiate liquidation proceedings for the subsidiary Intereuropa Transport, d.o.o.

Events after the year-end

- Change of the name of Intereuropa Transport, d.o.o., and its legal representative was published in the Companies Register in January. The abbreviated name of the company is Intereuropa Transport, d.o.o., v likvidaciji (in liquidation). Ernest Gortan was appointed the company's receiver.
- In February, bank creditors granted to Intereuropa d.d. a grace period on repayment of the principal until 30 September 2012 and expressed their willingness in principle to convert a part of their receivables into equity. We expect support from shareholders to reduce the company's share capital by lowering the nominal value of a share to one euro and adopt a resolution on a capital increase by conversion. The banks would thus re-programme loans making financial liabilities of Intereuropa d.d. sustainable which would enable sale of the equity stake held by banks to strategic partners.

Any important information is promptly published on the website **www.intereuropa.si.**

Growing with Our Customers

By **15%**

The intercontinental transport segment exceeded the sales revenue target by 15% and won new customers.

Container transport within sea freight exceeded the planned volume by 47%.

Excellent dishes need selected ingredients.

Certain foods such as tropical fruit and coffee grow in tropical and subtropical areas but are enjoyed all over the world. They need extra care during transport to preserve the properties and taste for which they are appreciated.

2 Business Report

2.1 DEVELOPMENT STRATEGY OF THE INTEREUROPA GROUP 2010-2014

The Intereuropa Group achieved progress in meeting the set strategic objectives and acted in line with the guidelines applying until 2014. The focus was on strengthening the market position, continued streamlining of business processes and provision of long-term financial stability of the parent company and the group.

2.1.1 Vision, mission and values

The organisational structure and expertise enable utilisation of our competitive advantages:

- a network of subsidiaries;
- an established network of partners;
- a wide range of different products and an in-house infrastructure;
- expert staff.

2.1.2 Strategic objectives and guidelines

Planning of strategic objectives and guidelines for 2010-2014 was based on the situation in the internal and external business environment of the group and the scenarios of future market changes. The strategy's essential elements include provision of long-term financial stability of the group and liquidity, promptly adjusting operations to new situations and placing new foundations for the group's growth.

The strategic objectives for the four-year period include:
- consolidating and strengthening the position of a leading market provider of comprehensive logistic services in Slovenia and countries of the former Yugoslavia.
- Ongoing streamlining of processes in all business segments at the group level and within subsidiaries.
- Providing for financial stability through disinvestment, debt reduction, debt reprogramming and efficient management of working capital.
- Setting up strategic partnership in the company Intereuropa-East Ltd., Moscow.
- Finding a strategic partner for Intereuropa d.d. who would increase the company's capital thus contributing to the group's financial stability while assisting in the development of the core activity

The vision of becoming a top-notch provider of comprehensive logistic services will be realised by the group by:
- strengthening our position on those markets where a branch network has already been set up;
- developing and specialising logistic products;
- orientation to sales and closer cooperation with customers by entering into partnerships;
- an orientation into sale of comprehensive logistic services of the group;
- ongoing process streamlining and utilising synergy effects of coordinated activities of the group.

Our activities have been aimed at the five key strategic guidelines in order to meet the set strategic objectives.

Focus on the markets where we have the highest market shares (markets of the former Yugoslavia). Other markets will be subject to an assessment regarding the type of presence with regard to the possibilities for growth. Withdrawal by disinvesting companies is possible on those markets where the planned growth rates and the strategic objectives are not being met.

Retaining focus on the development of the three business segments (land transport, intercontinental transport and logistics solutions) with the pertaining products. Sale of land and intercontinental transport services will look for synergy solutions enabled by the logistic service of warehousing and distribution. Complementary services will enable growth and development for all products and more comprehensive customer management.

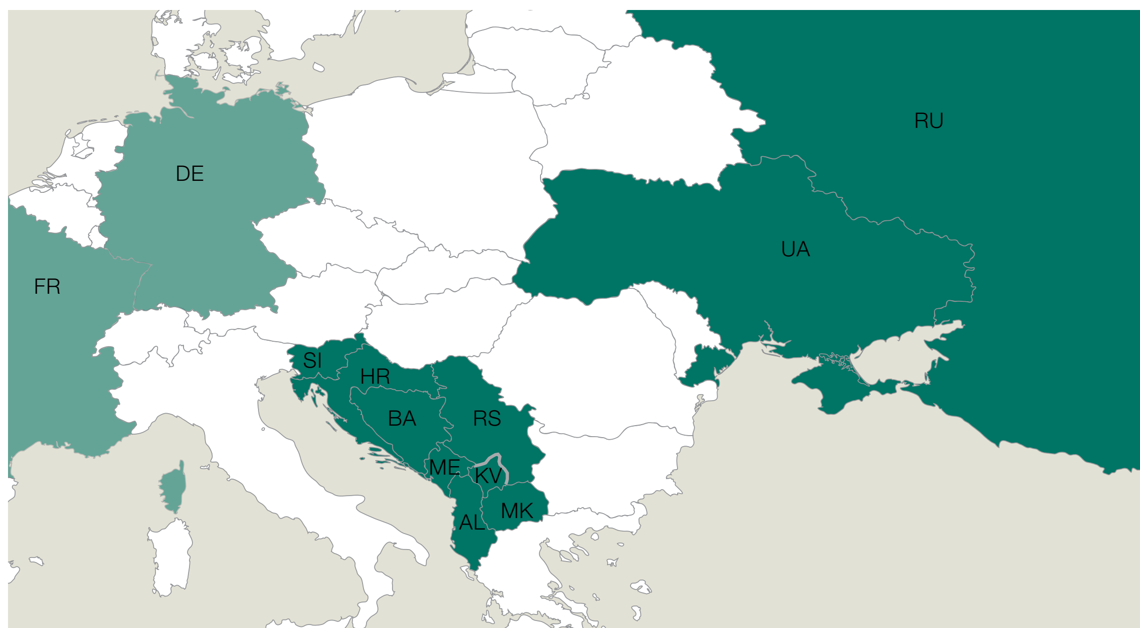
The branch network and in-house infrastructure will provide for a wide range of logistic services related to managing the flow of goods and organising supply chains. A systematic organisation will be set up, adapted to enhanced marketing and sales activities. In-house training will raise the reliability of services throughout the chain while timely and quality information will be provided with the new IT platform currently in implementation.

Marketing activities will be aimed primarily at establishing partnerships and long-term relations with customers focusing on their core activity and prepared to outsource logistics to specialised providers and doing business on similar markets as the Intereuropa Group. Small customers who are important in land transport in particular will not be neglected as they are needed to fill the available capacity.

Intereuropa d.d. will manage group members by aiming to become a multinational group, i.e. a group aiming at global efficiency while at the same time responding to the needs of local markets as much as possible. We will utilise the advantages and synergies arising from our subsidiary network and the network of partners.

Intereuropa Group's subsidiary network

Subsidiaries in countries:
Slovenia
Croatia
Bosnia and Herzegovina
Serbia
Montenegro
Kosovo
Macedonia
Albania
France
Germany
Ukraine
Russia



** Intereuropa Transport & Spedition, GmbH Troisdorf has been in liquidation proceedings since 1 September 2011.*
*** Intereuropa S.A.S., Saint Priest, France, was sold in the first half of 2011.*

2.1.3 Implementation of strategic development objectives and plans for 2011

Achieving strategic development objectives

In line with the group's strategic business plan, we have maintained focus on development in the three main sales segments: land transport, logistic services and intercontinental transport.

The group continued to focus on markets with the highest market shares, i.e. those of the former Yugoslavia. In line with the objective of disinvestment from the markets where the group has not achieved the planned growth rates and strategic objectives, Intereuropa d.d. sold the company in France and initiated liquidation of the company in Germany in the first half of 2011. Our presence on those markets will be maintained via the group's network of partners. Presence on other markets will be subject to an evaluation with regard to the possibilities for growth and development.

We have continued to restructure the existing offer of logistic services with the aim of developing a portfolio of logistic services, which can generate the highest value added. The essential measures included increasing the share of customers offered a comprehensive logistic service and developing logistic services tailored to customers. We have been solving logistical problems of our customers and focused on customers who are ready to outsource comprehensive logistic services to a specialised corporation such as the Intereuropa Group in the entire area of the group's presence.

We have begun to redefine the business model in land transport via centralisation of management and stepped-up outsourcing of transport, process streamlining and development of an integrated IT solution in the entire supply chain, a permanent task. Certain functions have been centralised leading to more efficient utilisation of synergies in the group overall.

Providing for financial stability of the parent company and the group has remained a foundation and at the same time an important risk in achieving the group's strategic objectives.

Implementation of the business plan for 2011

Based on the strategic development objectives, we have set the following major objectives and achieved them as specified below:

Objective 1: Adjust the structure of companies/group to the current business volume.
We have continued to reorganise processes or abolish branches in 2011 where appropriate results had not been achieved. The share of outsourced transport services has increased. The share of hauls with company-owned trucks was reduced in road and express transport in Slovenia, Croatia and Bosnia and Herzegovina. Processes have been simplified and abolished

in front and back office enabling staff reductions and increased productivity. Sales productivity improved by 18% from 2010. As logistics is to a large extent subject to fluctuations in demand, we have used more flexible forms of providing for labour, equipment and infrastructure.

Objective 2: Focus on markets with a high market share.
In accordance with the strategic objective, we ceased to provide services through subsidiaries in France and Germany. We are present through our partners on both markets.

Objective 3: Utilising synergies of the branch network.
The ability to offer to our customers a one-stop-shop for a comprehensive logistics solution for the entire region is our competitive edge. Therefore, special emphasis was given to integrated marketing with the focus on winning customers who are offered services by several group members. We have won several major contracts comprising services of two or more business segments. We have utilised synergies in transfer of know-how between group members by setting up harmonised business standards.

Objective 4: Restructuring the existing service range.
The activities to achieve the strategic objective in logistic services included increasing the share of customers who are offered a wider range of services with higher value added in addition to the core service of warehousing. The share or road transport with in-house fleet was reduced in land transport and the share of transport of heavier shipments increased in express transport.

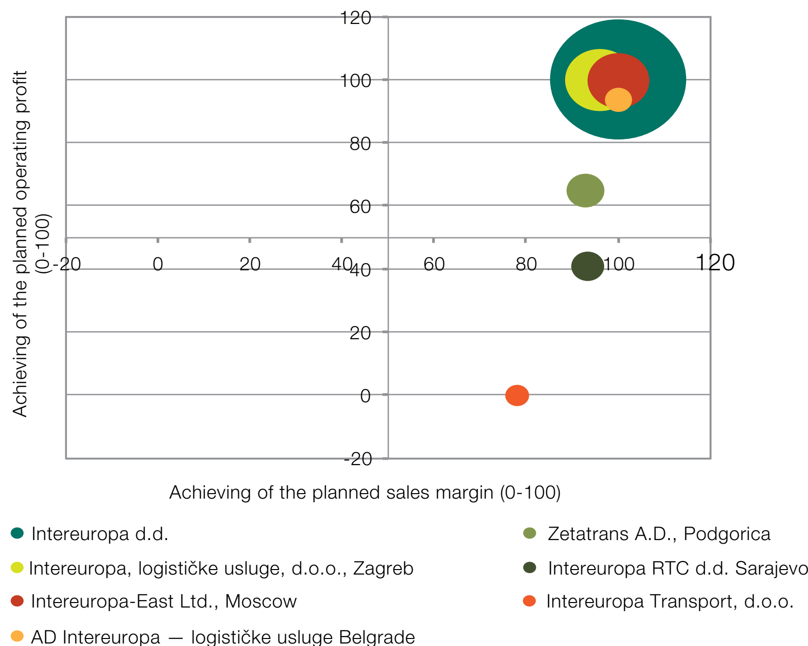
Objective 5: Providing for appropriate financial stability for unhindered operations of the group.
Liquidity and financial stability of the group in 2011 was kept at the level enabling normal operations. We have continued to sell redundant and financially underutilised assets to provide funds for repaying bank loans, in 2011 the sales were mostly in Croatia and Bosnia and Herzegovina. We were regularly negotiating with bank creditors reaching an agreement on a grace period on payment of the principal paving the way for a long-term arrangement on the structure of financing of the parent company and the group. All agreed obligations have been regularly settled.

Objective 6: Achieving the set financial objectives.

Indicator	Target value	Achieved value
Sales revenues (€ million)	191.5	211.9
EBITDA (€ million)	21.9	22.7
Operating profit (€ million)	6.2	6.8
Investments (€ million)	2.4	2.6
No. of employees at the year-end	2,236	2,114
Liabilities/equity	1.59	1.89

The success of individual group members in achieving the planned results varied. The chart presents success in achieving the sales margin and adjusted operating profit (excluding other operating revenues) targets.

Chart 4: Achieving financial business objectives by major company member in 2011



Note: The size of circles corresponds to the size of assets owned by respective companies.

2.1.4 Objectives and plans for 2012

Starting points of the business plan

Preparation of the business plan for 2012 took into account the starting position of the group at the end of 2011:

- Intereuropa d.d. significantly improved its operating profit resulting from company restructuring and enhanced efficiency.
- The group is not yet generating sufficient cash flow from operating activities to pay interest expenses and the principal.
- Intereuropa d.d. bears the bulk of expenses for debt servicing either directly or indirectly by liabilities unpaid by subsidiaries.
- A decision was adopted to initiate voluntary liquidation of the subsidiary Intereuropa Transport, d.o.o., Koper.
- The uncertainty regarding the operation of the Chekhov logistics terminal has continued.

The key remained maintaining sufficient cash flow enabling unhindered operations of the group and the parent company in particular.

The following socioeconomic factors important to the group have been particularly considered:

- low GDP growth forecasts for the majority of markets of the group;
- Croatia is getting ready to join the EU;
- the market continues to be marked by poor liquidity and downward price pressures.

Business and financial objectives

We will maintain a leading market position and continue to streamline business processes in 2012. Solutions will be sought for a more acceptable structure of financing of the company while providing for the group's financial stability.

The listed starting points were used as the basis for setting the following business and financial objectives of the Intereuropa Group for 2012:

- continued streamlining of business processes;
- continued focus on markets with a high market share;
- utilising synergies of the branch network;
- continued restructuring of the existing service range;
- increasing the share of customers using comprehensive logistic services;
- reaching an agreement with shareholders and bank creditors on a more acceptable structure of financing of the parent company with or without sale of the Chekhov logistics terminal;
- providing for appropriate liquidity for unhindered operations of the group;
- main financial objectives:
  - sales: € 191.8 million;
  - EBITDA: € 23.2 million;
  - operating profit: € 13.0 million;
  - investments: € 2.5 million;
  - no. of employees at the year-end: 1,894

2.2 THE ECONOMIC SITUATION AND ITS EFFECT ON LOGISTICS

Logistics by its very nature follows changes in the flow of goods and the needs of users of logistic services. Global trade has been increasingly concentrating on the Asian markets and their major trading partners, which has reflected in logistics as well. Those flows of goods represent roughly a half of global trade and are forecasted to grow rapidly in the future. Two important trends on the logistics market are the development of specialised logistics solutions for individual industries and an increasing significance of modern information technology and cost efficiency. The latter is reflected in business process streamlining which has become the key to successful performance of logistics providers and their customers, manufacturers, in a period of modest GDP growth.

The International Monetary Fund estimated the global GDP growth at 3.8% in 2011. The developed countries grew by an average of 1.6% whereas the estimate for emerging markets was higher, 6.2% on average.

The economic trends in Europe were favourable in the first half of 2011 despite the uncertainty. The European markets with the highest flows of goods grew faster in particular in the first quarter but the European economies cooled down in the second half of the year. Deepening of the crisis in the euro zone and fluid politics have contributed to the increased uncertainty.

The markets of SE Europe have yet to see the reversal of adverse trends and have continued to deal with the consequences of the economic crisis which has laid bare the weaknesses of the respective economies in the region.

Forecast: The International Monetary Fund forecasted cooling down of the global economy (3.3% growth) and a mild recession in the euro zone. The latter would result from upheavals on the government bond markets, the effects of restructuring of the banking industry on the economy and adverse effects of government austerity programmes, which would increase risks in both the developed and emerging economies. The European economies should resume growth in 2013.

Table 5: Economic trends on geographic markets of the group in 2011 (in %)

	GDP growth (est.)	Inflation	Growth in export of goods	Growth in import of goods
EU-27	1.6	3.0	13.3	11.6
CEE	5.1	5.5	9.0	10.1
Slovenia	-0.2	2.1	12.2	11.2
Croatia	0.3	3.6	2.4	-0.1
Bosnia and Herzegovina	1.9	4.0	1.8	0.7
Serbia	2.2	7.9	5.1	8.1
Kosovo	5.0	6.2	15.2	16.4
Montenegro	2.0	3.0	16.4	-0.3
Macedonia	3.0	3.7	11.4	10.6
Albania	2.5	3.5	9.7	0.0
Russia	4.0	7.5	3.4	16.9
Ukraine	4.7	10.7	8.3	11.8

Table 6: Forecasted GDP growth on geographic markets of the group

	GDP growth forecast	
	2012	2013
EU-27	-0.1%	1.2%
CEE	1.1%	2.4%
Slovenia	0.2%	2.0%
Croatia	0.0%	1.2%
Bosnia and Herzegovina	1.1%	2.5%
Serbia	2.0%	2.5%
Kosovo	4.0%	4.7%
Montenegro	3.5%	3.7%
Macedonia	2.6%	3.0%
Albania	3.5%	4.2%
Russia	3.5%	4.1%
Ukraine	4.8%	4.5%

Sources:
- *Institute of Macroeconomic Analysis and Development of the Republic of Slovenia, Winter Forecast of Economic Trends, January 2012*
- *International Monetary Fund, World Economic Outlook, "Slowing Growth, Rising Risks", September 2011*
- *International Monetary Fund, World Economic Outlook Update, "Global Recovery Stalls, Downside Risks Intensify", January 2012*
- *International Monetary Fund, Country Report No. 11/374, Republic of Kosovo: Staff Report for the First Assessment Under the Staff-Monitoring Program, December 2011*
- *Statistical Office of the Republic of Slovenia, www.stat.si*

2.3 MARKETING AND SALES

Sales revenues grew in all three core business segments and exceeded the plan. The biggest growth was in logistics solutions where sales grew by 20%. Intercontinental transport grew by 15% while land transport increased by 8% despite reduced transport with the in-house fleet.

Total sales of the group

Despite the reintroduced adverse market trends, disinvestment of companies in Germany and France and a reduction in hauls with the in-house fleet, the group managed to achieve 11% growth compared to 2010 and the annual plan.

Upward economic trends seen in the beginning of the year were discontinued in the second half of the year to the extent that the economies of the countries where the group is present had minimum growth or even none at all. Trade grew modestly and gradually and further slowed down in the second half of the year. Operational risks arising from the business environment loomed larger towards the end of the year.

The group's sales activities were marked by stiff competition and strong downward pressures on sale prices as well as by the activities to introduce a new IT system supporting the land transport product range. In such a situation, the Intereuropa Group generated € 211.9 million in sales revenues, an increase of 11% compared to 2010 and the plan.

Sales by business segment

Sales performance is monitored by business segment comprising land transport, intercontinental transport and logistics solutions. Revenues grew in all three business segments with the biggest growth recorded in logistics solutions where sales rose by 20%. Despite the contraction and streamlining of the road transport product range, the land transport business segment grew by 8% with a notable effect from winning new railway transport contracts in Ukraine. Intercontinental transport managed the biggest increase compared to the sales plan. The best results were recorded in car logistics with a 38% increase from 2010 and over 25% more than planned. Beside the car terminals in Slovenia, the car terminal in Russia played an important part handling more than 190,000 vehicles.

Table 7: Intereuropa Group's sales revenues by business segment (€ thousand)

	Business segment	Jan. - Dec. 2011	Share	Index 2011/plan	Index 2011/2010
1	Land transport	127,505	60.2%	111	108
2	Logistics solutions	29,985	14.1%	109	120
3	Intercontinental transport	49,364	23.3%	112	115
4	Other services	5,026	2.4%	100	98
	TOTAL	**211,880**	**100%**	**111**	**111**

The geographic structure of sales revenues by registered office of group members shows the bulk of revenues generated in Slovenia and Croatia (72% of the group's sales). The share of revenues made on the eastern markets (Ukraine and Russia) more than doubled in 2011 to 17% (see Table 8).

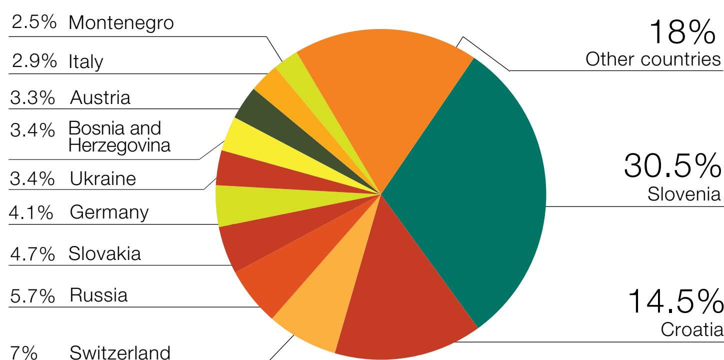
The largest share of services continues to be sold to companies incorporated in Slovenia (30%); a hefty increase of 145% was recorded in sales to customers in Russia and Ukraine (see Chart 5).

Table 8: Intereuropa Group's sales revenues by country (€ thousand)

		Jan. - Dec. 2011	Share	Index 2011/plan	Index 2011/2010
1	Slovenia	121,289	57%	108	105
2	Croatia	32,509	15%	96	97
3	Ukraine	23,983	11%	391	257
4	Russia	11,467	5%	99	225
5	Bosnia and Herzegovina	6,788	3%	100	105
6	Montenegro	5,608	3%	99	103
7	Serbia	3,460	2%	108	109
8	Germany	2,856	1%	40	38
9	Kosovo	1,652	1%	92	80
10	Macedonia	1,404	1%	96	96
11	Albania	518	0%	171	156
12	France	346	0%	29	32
	EU	124,491	59%	103	101
	Outside EU	87,389	41%	124	130
	Total	**211,880**	**100%**	**111**	**111**

Note: Sales revenues by country are presented by registered office of group members.

Chart 5: The structure of sales revenues by country in 2011 by registered office of customers



2.3.1 Land transport

Sales revenues in the land transport segment grew by 8% and 11% compared to 2010 and the plan, respectively.

Land transport has retained the biggest, 60.2%, share in the sales structure of the Intereuropa Group. Sales revenues grew by 8% in the segment compared to 2010. The biggest increase was recorded by TOV TEK ZTS Uzhgorod. The share of companies in Slovenia accounted for over a half of total sales revenues.

The share of land transport in total sales of the group slightly fell (from 62% to 60.2%) due to increased sales in the other two segments. Sales revenues exceeded the plan by 11% with the largest increases in TOV TEK ZTS, Uzhgorod, Intereuropa d.d., AD Intereuropa - logističke usluge Belgrade and Zetatrans A.D., Podgorica. The targets were also exceeded by the companies in Bosnia and Herzegovina, Macedonia and Albania, which, however, represent a minor share in total sales. Intereuropa Transport, d.o.o., and the company in Russia were those falling the most behind the plan.

In accordance with the group's strategic guidelines, we implemented activities aimed at streamlining operations with a key development being the introduction in Intereuropa d.d. of a new IT system supporting land transport services at the year-end. The new system increased automation of processes and raised productivity within the company while improving traceability of shipments for customers. We plan to introduce the IT solution eventually in other group members as well.

The year 2011 marked a turning point in road transport, which represents the biggest share in sales of the land transport segment. The company in Germany was wound up, the company in France sold and solutions were sought for restructuring the business of Intereuropa Transport, d.o.o., where the volume of operations has been gradually decreasing. The Management Board eventually decided to wind up the company. That has reflected in reduced sales revenues from road transport.

Consequently, we plan a 13% decrease in sales revenues in the land transport segment in 2012. The biggest decrease is planned for the road transport product range as a result of liquidation of Intereuropa Transport, d.o.o. We also plan a lower volume of railway transport in Ukraine. Since Croatia will begin to perform customs procedures in line with the Convention on a common transit procedure within the European Union (NCTS) on 1 July 2012, we expect lower revenues from customs services.

Land transport has retained the biggest, 60.2%, share in the sales structure of the Intereuropa Group.

Forecasts for 2012 point to a minimum GDP growth in the majority of countries in which the group is present. The GDP in Slovenia where the group generates the highest share of operating revenues is even forecasted to contract. Our business is also closely linked to the markets of Western Europe where GDP growth is forecasted to slow and therefore we will face a reduction in the flow of goods in land transport and the resulting stiffening of competition on the market.

Chart 6: The structure of sales revenues in the land transport segment by country

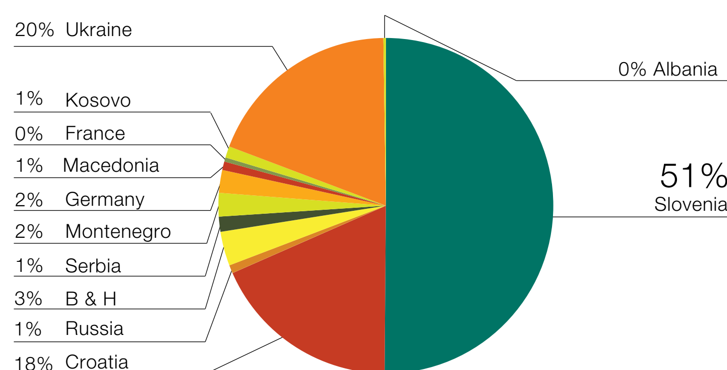
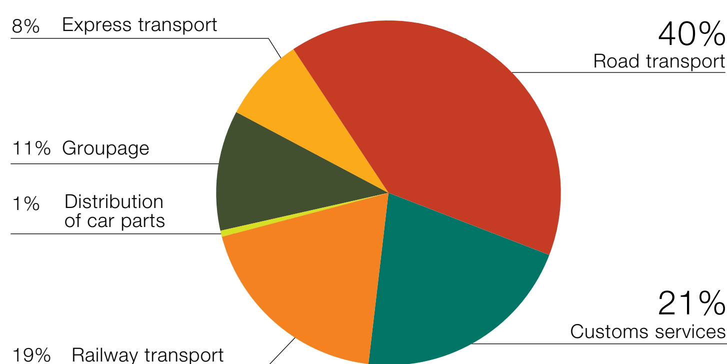


Chart 7: The structure of sales revenues by product



Road transport

The major positive growth trend in the land transport segment was in railway transport and customs services with growth recorded in groupage as well.

Road transport has the biggest share in sales revenues by product. The product included in the land transport segment generated 40% of revenues, a decrease of 8 percentage points from 2010. Road transport fell behind the plan and the performance from the previous year, which was mostly due to liquidation of the subsidiary in Germany, sale of the subsidiary in France and the gradual reduction of business in Intereuropa Transport, d.o.o. Rising fuel prices and tougher business conditions for carriers resulted in a reduction in the number of road carriers in Slovenia. That in turn raised the prices of transport services which can only partially be passed on to end customers. Margins are falling as a result.

Customs services

A half of sales revenues from the product, which is a very important support service we offer, was generated by the company in Croatia in 2011 as was the case in the previous period. Slovenia remained number two with roughly a third of revenues from customs services generated by the group. The Border Clearance Branch Office of Intereuropa d.d. performed very well mostly due to an increase in handled border transit procedures. Sales revenues exceeded the plan and the 2010 volume in Slovenia and Croatia and the targets were exceeded in Bosnia and Herzegovina and Serbia as well while other companies lagged behind the plan.

Implementation of a new IT system supporting land transport products in the parent company enables continued streamlining of operations.

Groupage

Sales revenues from groupage rose by 6% from 2010 as a result of the increased volume of shipped goods. Companies in Slovenia continued to generate the bulk of revenues from the product although their share slightly fell in 2011 (to 83% from 87% in 2010). Growth was recorded not only by companies in Slovenia but by those in Croatia, Serbia, Montenegro and Kosovo as well.

Express transport

Sales revenues in express transport fell by 15% from 2010 due to several factors. The drop was mostly due to lower sales revenues in Croatia (by nearly 30%) resulting from losing a major customer and a fall in market sales prices. Nevertheless, the company in Croatia retained the largest share of sales revenues (55%) followed by Slovenia (31%), Bosnia and Herzegovina (10%) and Serbia (4%).

The sales performance also reflected the changes related to streamlining of operations and strategic restructuring of sale segments with a focus on more competitive products. The above particularly applies to Slovenia while activities in Croatia and Bosnia and Herzegovina were aimed mostly at reducing transport with the in-house fleet and increasing outsourcing. A new IT solution was introduced in Slovenia towards the end of the year enabling customers to independently enter orders and trace shipments. The sales revenue targets were met by companies in Serbia and Montenegro while the company in Bosnia and Herzegovina failed to achieve the plan and a number of activities has been implemented to restructure the product there.

Railway transport

Railway transport achieved much better results than planned (by 1.6 times) and fared strongly compared to 2010 (by 1.8 times). TOV TEK ZTS, Uzhgorod, was the biggest contributor with a 2.3 times increase in sales revenues from winning new contracts for transporting petroleum products. The company in Ukraine made as much as 20% of total sales revenues in land transport.

Intereuropa-FLG, d.o.o., specialising in organising railway transport in which Intereuropa d.d. has a 50% stake (the remaining 50% is owned by the Austrian company Express-Interfracht Internationale Spedition GmbH) exceeded the target revenues by 3% but performed less well than in 2010. Sales targets were also not met in other companies engaged in railway transport services.

Plans for 2012

We expect the measures for streamlining operations to show their full effect in 2012. The key activities contributing to that aim in land transport are as follows:

- completing the liquidation procedure for the company specialising in international road transport, Intereuropa Transport, d.o.o., where a large share of activities will be aimed at integrating that company's business into Intereuropa d.d.;
- completing implementation of a new IT system supporting land transport products in Slovenia and initiating activities for transfer of the new solution to other group members;
- strengthening the role of the central purchasing department and centralised management of suppliers;
- integrating front office in international road transport in the Slovene part of the group;
- thoroughly preparing and adapting to the new business circumstances following the entry of Croatia in the NCTS and eventually in the European Union;
- developing and adapting distribution services in express transport in countries where Intereuropa d.d. has subsidiaries;
- utilising synergies in railway transport by both owners of Intereuropa-FLG, d.o.o., and using the geostrategic position at an intersection of the fifth and the tenth corridor.

Our aim is to maintain the role of a leading provider of comprehensive logistic services in Slovenia and countries of the former Yugoslavia and increase market shares in land transport. We will utilise all advantages and synergies from our branch network and implement state-of-the-art IT solutions with the aim of enhancing customer satisfaction.

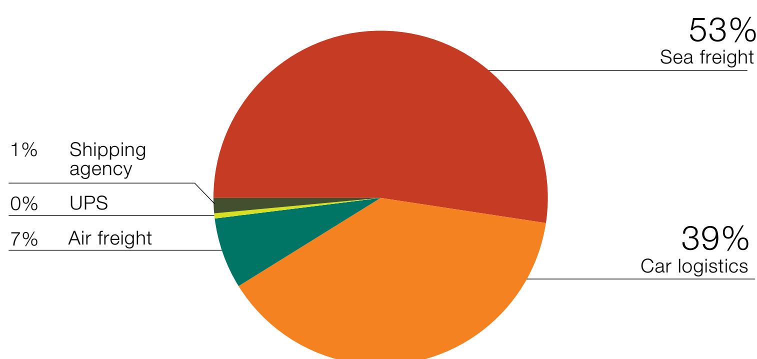
2.3.2 Intercontinental transport

The annual targets were met in intercontinental transport in 2011. Sales revenues totalled € 49.4 million. The targets and the performance from 2010 were exceeded by 12% and 15%, respectively. Important growth was achieved in car logistics where the revenue targets were exceeded by 26% and the 2010 performance by 38%.

The demand for intercontinental transport and warehousing services and transport of cars was rising in the first half of the year followed by falling orders in the second half, a result of cooling down of the global economy. The turnover fell in air freight and shipping agency services as well.

The biggest changes in the share of generated sales revenues compared to 2010 was recorded in car logistics. Car logistics grew rapidly in Russia with a 144% increase in sales revenues exceeding the target by 49%. In sea freight services, the 31% growth in container transport compared to 2010 is worth noting.

Chart 8: The structure of sales revenues in the intercontinental transport segment



Sea freight

The group exceeded the sales revenue targets in sea freight by 8%.

Sea freight services comprise products of conventional cargoes, full and groupage containers, RO-RO services and shipping agency services rendered in Slovenia by Interagent.

Sea freight generated 12% of total sales revenues of the group. Sales exceeded the target by 8% with 6% more than planned in Slovenia, our most important sea freight market. Container transport accounted for a half of total sales in sea freight with the sales volume exceeding the plan by as much as 47% (42% in Slovenia). Conventional sea freight and RO-RO transport were slightly below the plan with the latter having to deal the entire year with high operating prices of the shipping company operating at the route between Slovenia and Albania.

The companies in Montenegro, Albania, Serbia and Macedonia also exceeded sales targets in sea freight. We were actively present in ports of the eastern Adriatic and promoted synergies within our own network and within the network of agents and partners. We were thus able to offer our customers quality and comprehensive sea logistic services in Southeastern Europe.

Sales performance in shipping agency services was below the plan due to discontinuation of the service by our container line shipping company between ports in the Far East and Koper in the second half of the year. Their decision was directly reflected in a decrease in revenues, however, we managed to maintain the leading position by the number of represented ships at the Port of Koper in 2011. The key task for 2012 is to aim the activities at becoming an agent for a container shipping company transporting from the Far East.

Car logistics

Car logistics developed in accordance with the plan. Sales revenues grew by 38% from 2010.

Car logistics developed as planned and sales in the segment reached 9% of the group's total sales. Sales revenues grew by 38% from 2010. The most important markets are in Slovenia and Russia where we have several car terminals. Revenues grew by 144% in Russia, mostly resulting from renewal of a contract with a group and the increased volume of business with that customer in 2011.

Car logistics has remained important in Slovenia with more than 100,000 vehicles handled annually from the Port of Koper as exports and imports. The number of loaded and stored cars on our terminals rose as well. The first half of the year was particularly good while the number of vehicles slightly fell in the second half of the year.

The segment saw significant development in 2011 with enhanced marketing activities enabling continued development in 2012. We plan to expand business on the Chekhov car terminal by introducing railway transport of vehicles. The guideline in Slovenia remains expansion of the range of key customers.

Air freight

Air freight fell below the target in revenues by 4% while the total weight of shipments rose by 25%.

We fell below the target in the air freight segment by 4% resulting mostly from factors directly linked to a decrease in air freight fares and service fees. We try to counter the trend of falling prices of services by increasing the volume of transported shipments. The total weight of handled shipments rose by more than 25% with major growth in Serbia and Croatia. The enhanced activities in organising charter flights from Serbia should be noted with more than 40 charter flights organised from airports in Niš and Belgrade.

We are facing an increasingly stiff competition from international logistics companies in Slovenia, our most important market, resulting in additional dispersion of the already relatively closed circle of customers and the available cargo. The business was slightly better in the second half of the year when we won several major customers and large shipments. Although fares remain relatively low, the competition battle with increasingly competitive transport by groupage containers is continuing. Agency cooperation in freight transport in Southeastern Europe has remained important. The product's development directly depends on a more aggressive marketing approach which will be enhanced in all group members in 2012.

UPS

Express delivery of shipments was provided in Bosnia and Herzegovina where cooperation with the principal agent UPS was discontinued in 2011. They decided to cover better the southern Balkans by a smaller number of agents covering a wider geographic area with a single network. As a result, the annual revenue targets were not met. No revenue is planned in 2012 from agency cooperation in international express transport.

Plans for 2012

We will continue to implement the current plans in 2012 comprising the following key activities:

- further strengthening of sales activities for the entire intercontinental transport product range of the group and inclusion in organisation of a comprehensive logistics chain;
- enhanced development of the entire sea freight product range in group members focusing on transport of full and groupage containers on axes of the 5th and the 10th Pan-European Transport Corridor;
- seeking out new opportunities for rendering agency services to a container shipping company in Slovenia and other ports of the eastern Adriatic coast;
- enhancing the development of car logistics focusing on using our terminal capacity;
- enhancing freight agency services and cooperation with air carriers in Southeastern Europe;
- winning contracts for railway transport of cars inbound from Europe or Russia on the Chekhov terminal;
- developing and introducing IT support to intercontinental transport, first in Slovenia and later in foreign subsidiaries;
- strengthening the network of partners with the existing and new logistics companies in sea and air freight and comprehensive inclusion of group members in an integrated network of partners.

2.3.3 Logistics solutions

The logistics solutions segment recorded strong growth in sales revenues of 20% from 2010 as a result of strategic restructuring of customers and a focus on comprehensive logistics solutions. The target was exceeded by 9%. Logistics solutions accounted for 14.1% of the group's sales revenues.

Logistics solutions recorded the highest sales growth (14.1%) of the three business segments.

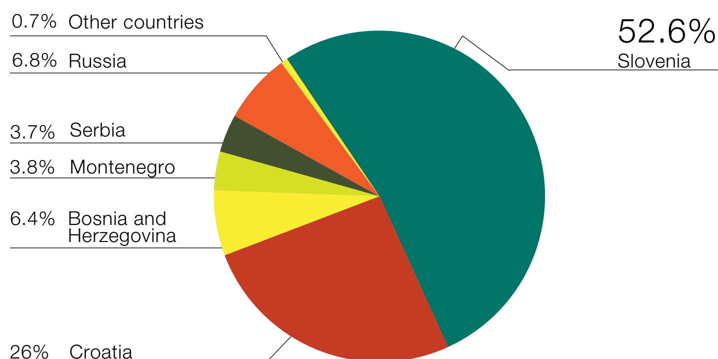
Much energy has been invested into activities of targeted sale of comprehensive logistics solutions, increased sales and setting up e-business with the existing customers in order to improve sales performance. The fastest growth in sales among the group's three core business segments was recorded in logistics solutions, arising primarily from increased sales by the parent company Intereuropa d.d. in Slovenia which rose by a hefty 29% from 2010. The share of the parent company in sale of logistics solutions rose by 4% to 52.6% of the group's sale of logistics solutions.

Sales revenues on the second biggest market of the business segment, Croatia, with 26% of sale of logistics solutions decreased and fell below the target by 4%. That was mostly due to the economic and financial crisis in the country and increased competition from foreign logistics companies.

A steep fall in demand for logistics solutions was still felt in other countries of SE Europe where the group has warehousing capacity. Virtually no inventory turnover exists due to the economic situation on those markets while the competition from foreign logistics providers is stiffening. Total sales revenues on markets of Bosnia and Herzegovina, Montenegro, Serbia, Macedonia and Kosovo, jointly representing 15% of sale of logistics solutions, fell by 1% from 2010. The biggest growth was achieved in Bosnia and Herzegovina, where sales performance improved by 16% from 2010 and exceeded the target by 11%. Sales also grew in Russia where warehousing capacity has been filled although the targets have yet to be met.

The logistics solutions segment comprises the warehousing and distribution products and the logistics projects product. The segment includes comprehensive services of purchasing and sales logistics for all product groups according to the customers' requirements. Ordinary storage of goods in the sense of occupying a space for an amount of time is increasingly giving way to offering complex logistical handling of goods from the manufacturer to the buyer. We are developing new services with technological and IT support as a result of the changed dynamics between suppliers and buyers on the logistics market.

Chart 9: The structure of sales revenues in the logistics solutions segment by country

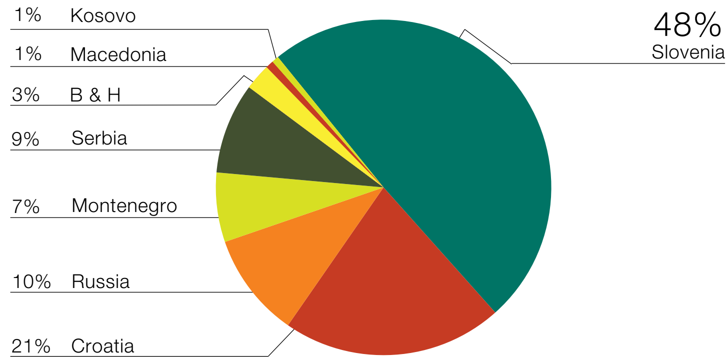


Warehousing and distribution

Warehousing and distribution services account for the bulk of revenue generated by the segment. Warehousing services are rendered on various locations of the group utilising the advantages of evenly distributed warehousing capacity concentrated in large logistics centres. Individual warehouses have permits and certificates to handle more demanding product groups such as hazardous substances, food products under the required temperature regimes and other product groups with the status of domestic, customs or excisable goods. That enables rendering specialised services. Beside warehousing, distribution includes transport and additional services concerning the goods upon a customer request.

The group had a total of 268,600 m^2 of warehousing capacity as at 31 December 2011 of which 261,400 m^2 and 6,200 m^2 were in-house and rented, respectively.

Chart 10: The share of the area of logistics terminals by country of the Intereuropa Group as at the end of 2011 (%)



Logistics projects

Comprehensive logistics solutions are tailored to the customers with inclusion of miscellaneous products of the group (warehousing, groupage, distribution, sea and air freight etc.). Such an offer is always approached through logistics projects which are highly complex and require a lot of expertise. A partnership is established with the customer and the project team usually consists of the customer's and the group's experts.

Plans for 2012

The main plans for warehousing and distribution are the following:

- developing partnerships and deepening cooperation with the existing customers;
- winning new logistics projects in areas where reduced business volume is expected due to adverse economic conditions;
- developing IT support to operational processes;
- further specialisation and streamlining of logistic processes by product group.

2.4 PERFORMANCE ANALYSIS

The majority of performance indicators confirm that the year 2011 was the best of the last four or even five years, in certain cases. That is particularly true for the parent company. Sales performance reflected the results of business process streamlining and sales productivity enhancement with the economic situation playing an important part as well.

2.4.1 The group's business performance

Sales exceeded the plan.

The economic growth trends on the markets of the Intereuropa Group had a major effect on sales performance in 2011. Despite the return of adverse economic conditions in the second half of the year and certain measures in land transport directly reducing sales revenues in the short term, the sales performance was good and exceeded the targets.

Major efforts were undertaken to adapt the structure of group members because the needs of the French and the German market will no longer be met through subsidiaries but through contractual partners instead. We have focused on the Slovene market and the markets of Southeastern Europe where our market shares are higher and where we have remained a leading provider of comprehensive logistic services. The customer restructuring has continued and as a result certain companies sacrificed a portion of sales revenues in return for more profit. Streamlining operations and enhancing sales productivity have been ongoing activities. The efforts put in restructuring the group's business in 2011 and the preceding years have borne fruit with operating profit posted for the first time since 2008.

Despite the difficult financial situation we regularly settled all liabilities.

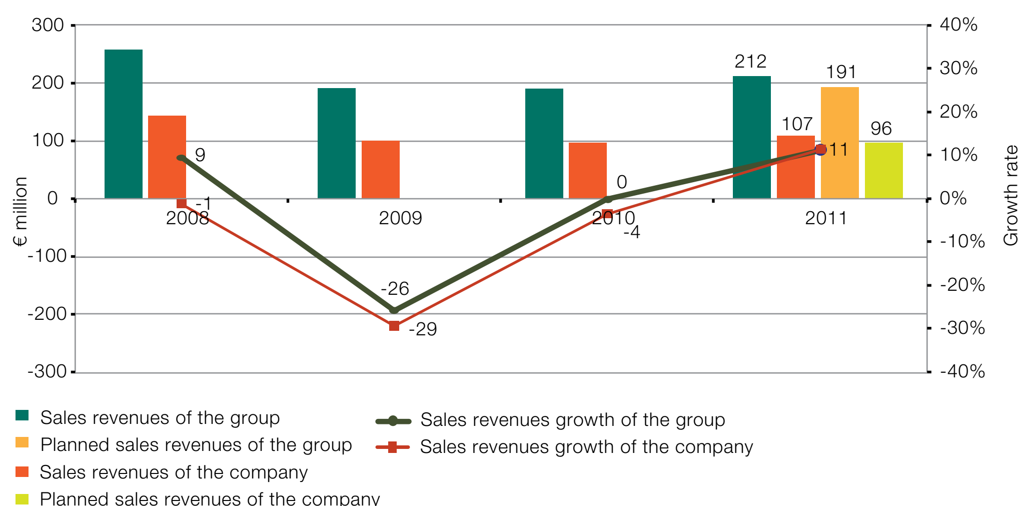
Sales revenues

Sales revenues grew strongly by 11%.

Sales revenues grew strongly in the group and the parent company. The biggest growth was achieved in logistics solutions, notably in the parent company and the subsidiary Intereuropa-East Ltd. in Moscow. The biggest growth in intercontinental transport was recorded in car logistics, namely in the parent company and the subsidiary Intereuropa-East Ltd. in Moscow. The structure of sales shifted significantly in the land transport segment. Sales in railway transport grew very rapidly whereas those in road and express transport fell. Lower sales in road transport were for the most part due to adjustments of the group's structure to the current market situation applying measures such as disinvestment of subsidiaries in France and Germany and cleaning up the customer portfolio in Intereuropa Transport, d.o.o., Koper.

See the Marketing and sales section herein for a more detailed report on sales performance by business segment, service group and market.

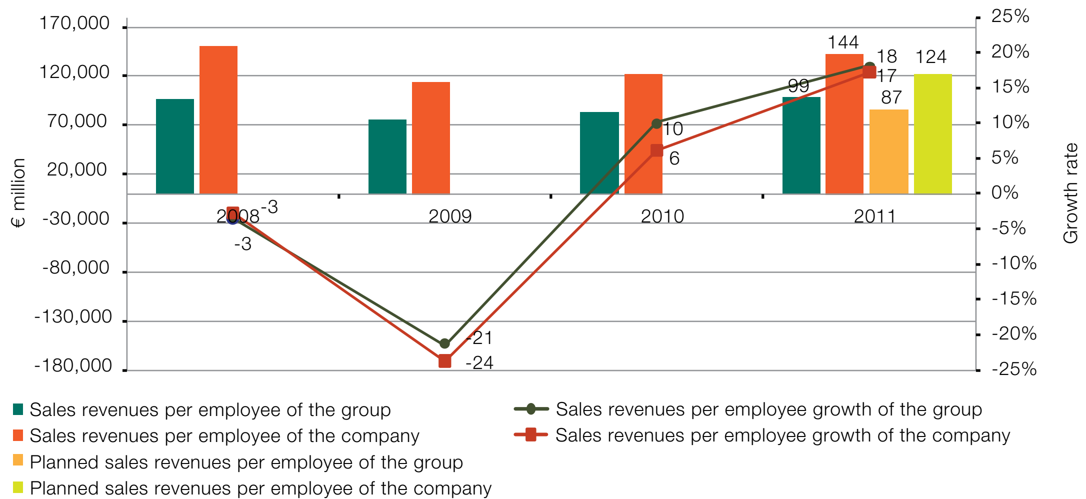
Chart 11: Sales revenues of the parent company and the group, 2008-2011



Sales productivity rose by 18% growing faster than sales revenues.

Sales productivity measured as sales revenues per employee rose even faster than sales revenues because layoffs continued in 2011.

Chart 12: Sales revenues per employee of the parent company and the group, 2008-2011

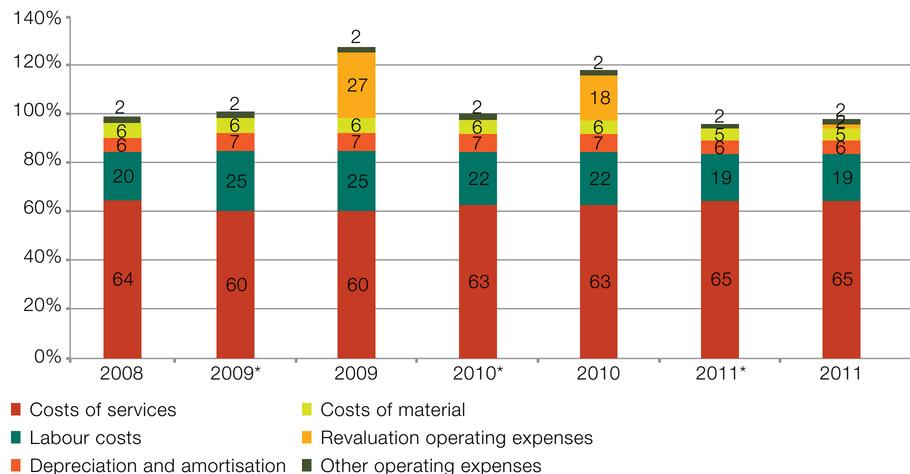


Operating expenses, EBITDA and operating profit

The structure of operating expenses was relatively stable in the discussed period with the biggest shares of costs of services and labour costs. That was expected since the bulk of the group's income comes from revenue from forwarding.

The most important item in the costs of services group was direct costs of services representing 85% of costs of services (82% in 2010).

Chart 13: The structure of operating expenses as a share of the group's sales revenues, 2008-2011



** Revaluation operating expenses excluded*

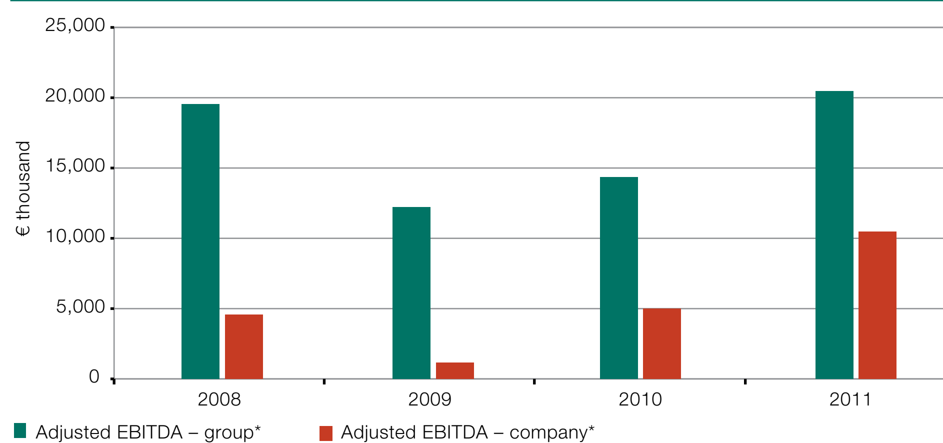
High amounts of revaluation expenses from impairment of fixed assets was posted in 2009 and 2010 due to disclosure of assets at fair value. To facilitate comparison with the previous years, Chart 13 presents years 2009, 2010 and 2011 without revaluation operating expenses as well.

The most notable changes from 2010 were a decrease in the share of labour costs and an increase in the share of costs of services. The increase in the share of costs of services on the one hand arose from the changed structure of sales which grew strongly in railway transport where margins are very low and on the other from market pressure to reduce margins for other products.

In absolute terms, costs of services grew by € 3.9 million less than the sales revenues. If the decrease in depreciation and amortisation of € 2.1 million and in labour costs of € 1.8 million were added, the bulk of the increase in the adjusted operating profit* of the group would be explained. The adjusted operating profit of the group and the parent company rose by € 8.4 million and € 5.3 million, respectively. EBITDA followed the trend of operating profit, albeit at a slightly lower growth rate.

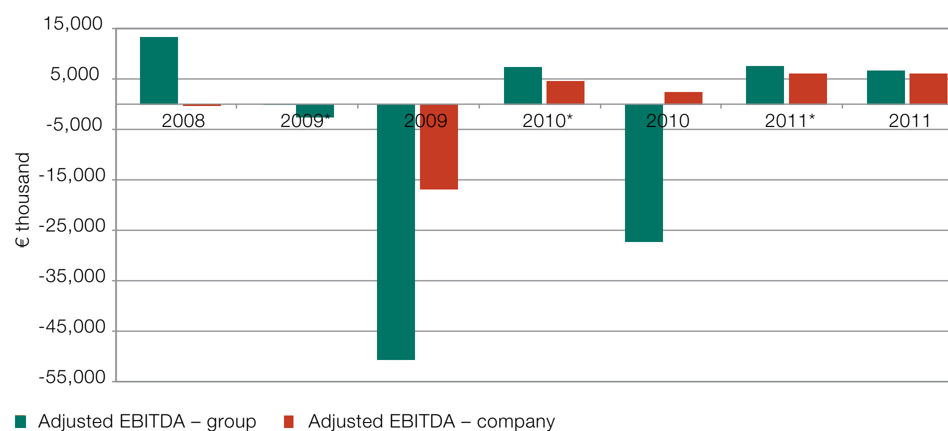
** Other operating revenues and revaluation operating expenses excluded*

Chart 14: Adjusted EBITDA of the parent company and the group, 2008-2011



** Other operating revenues excluded*

Chart 15: Operating profit or loss of the parent company and the group, 2008-2011



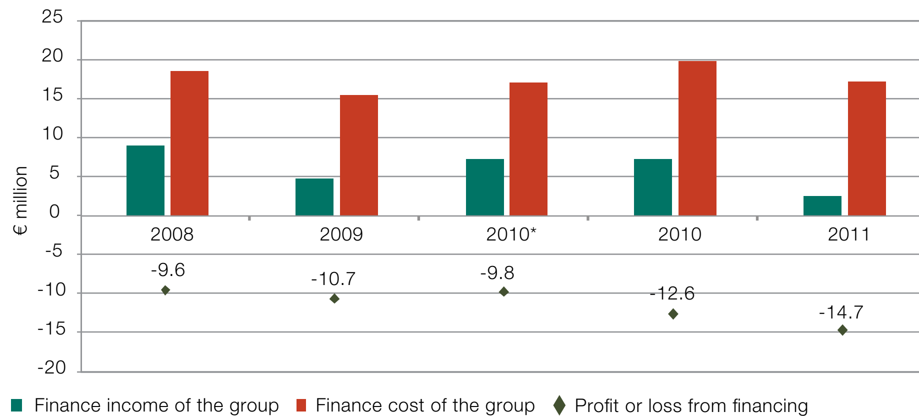
** Revaluation operating expenses excluded*

Finance income and costs

Financial management of the group is concentrated in the parent company as much as possible. A loss from financing of € 14.7 million was recorded in the entire observed period.

Poorer results of the group compared to 2010 stemmed almost entirely from exchange differences because they were positive in 2010 and negative in 2011. The effect of exchange differences on profit or loss from financing amounted to € 6.6 million. Higher interest expenses contributed a minor part.

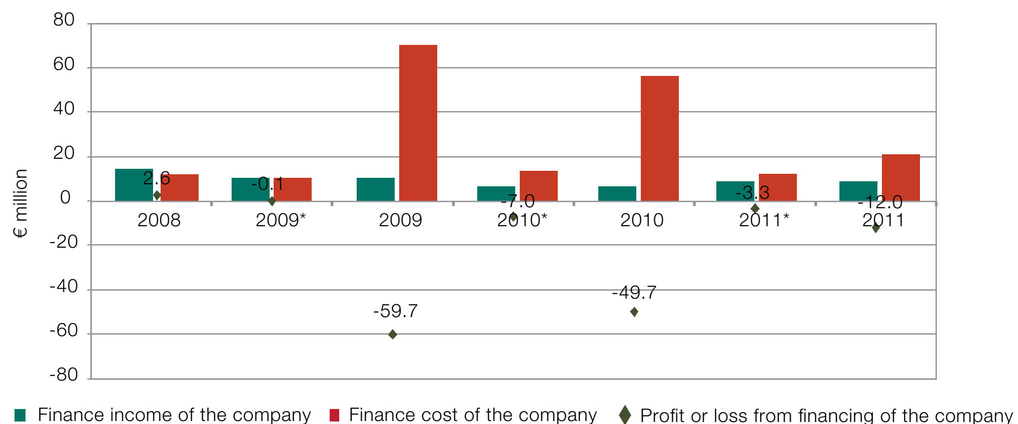
Chart 16: Profit or loss from financing of the group 2008-2007



** Revaluation expenses from impairment of investments in other companies in Croatia excluded*

Finance costs of the parent company were strongly influenced by impairment of investments in and receivables from subsidiaries. To facilitate comparison, profit or loss from financing is presented also with excluded expenses listed above.

Chart 17: Profit or loss from financing of the parent company 2008-2007



** Revaluation expenses from impairment of investments in and receivables from subsidiaries excluded*

Excluding revaluation expenses from impairment of investments in and receivables from subsidiaries would improve the parent company's profit or loss from financing by € 3.6 million compared to 2010. The reason lies primarily in lower expenses from a currency risk hedging instrument and increased income from stakes in group members. Interest expenses of the parent company and consequently the group remain too high and are unsustainable in the long term given the ability to generate cash flow from operations. Much effort is being made to ensure financing of the parent company becoming sustainable in the long term and an agreement has been reached in principle with bank creditors on conversion of a portion of their receivables into equity. We would like to implement the agreement this year and expect support from the parent company's shareholders in doing so.

The structure of the group's financial position statement

Total assets were visibly reduced in the last two years in the parent company as well as the group. The biggest reduction in assets was in property, plant and equipment through disposal of assets and low investments. Two major pieces of real estate were sold in 2011 in Croatia and Bosnia and Herzegovina. The group's accounts receivable were reduced by € 10.0 million compared to the end of 2010.

In terms of the group's equity and liabilities, the decrease in total assets was posted mostly as lower equity and short-term operating liabilities. A notable change in equity and liabilities was also a substantial decrease in non-current financial liabilities with an almost identical increase in current financial liabilities. The reason was reallocation of a large portion of non-current financial liabilities to current financial liabilities in the parent company. The bulk of reposting (€116.6 million) was made because we are not meeting financial covenants (financial indicators) and not because the loans would mature in less than one year. We have been regularly settling all due obligations to banks.

Table 9: The statement of financial position of the group, 2008-2011, in absolute terms (€ thousand)

	2008	2009	2010	2011
ASSETS	**451,678**	**489,270**	**425,428**	**407,207**
A. NON-CURRENT ASSETS, of which	**356,584**	**406,821**	**351,801**	**331,390**
Property, plant and equipment	330,861	377,910	322,865	300,849
Long-term investments	6,807	4,034	3,896	3,767
B. CURRENT ASSETS, of which	**95,094**	**82,449**	**73,627**	**75,817**
Short-term operating receivables	71,632	63,080	56,303	46,053
Cash	8,508	5,318	12,216	17,651
EQUITY AND LIABILITIES	**451,678**	**489,270**	**425,428**	**407,207**
A. EQUITY	**169,360**	**188,804**	**148,163**	**140,988**
B. NON-CURRENT LIABILITIES, of which	**95,647**	**132,141**	**196,507**	**51,033**
Non-current financial liabilities	91,112	109,215	175,765	30,122
C. CURRENT LIABILITIES, of which	**186,671**	**168,326**	**80,758**	**215,186**
Current financial liabilities	131,942	115,946	31,098	172,689
Short-term operating liabilities	54,729	52,380	49,660	42,498

Chart 18: The structure of the group's assets, 2008-2011

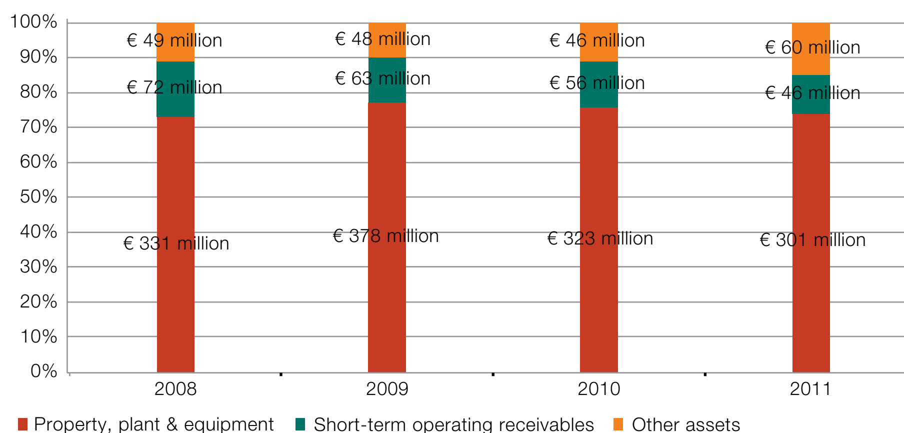
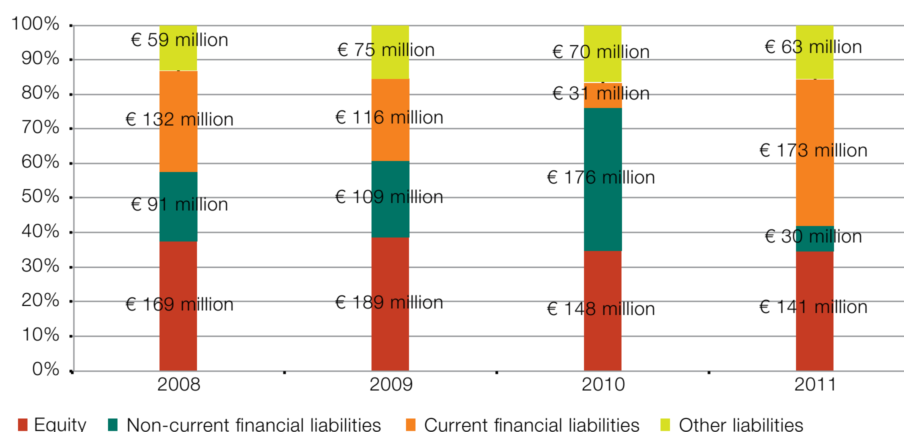


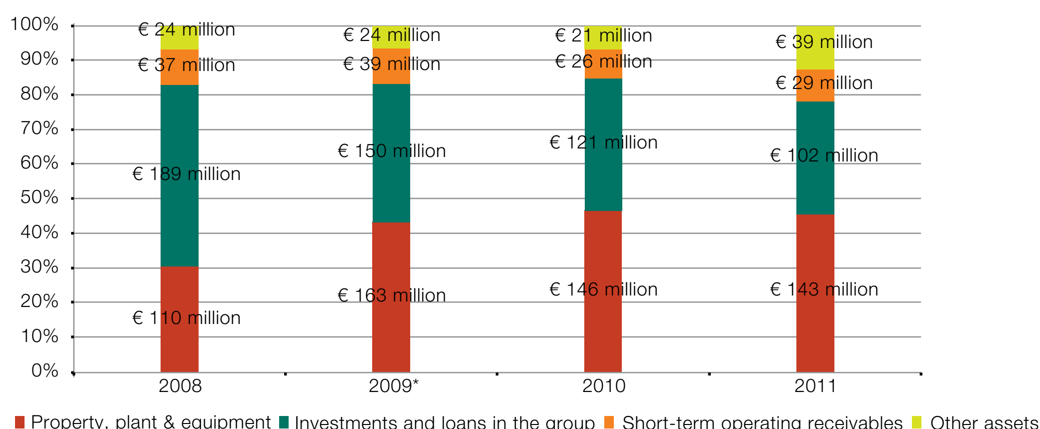
Chart 19: The structure of the group's equity and liabilities, 2008-2011



The structure of the parent company's financial position statement

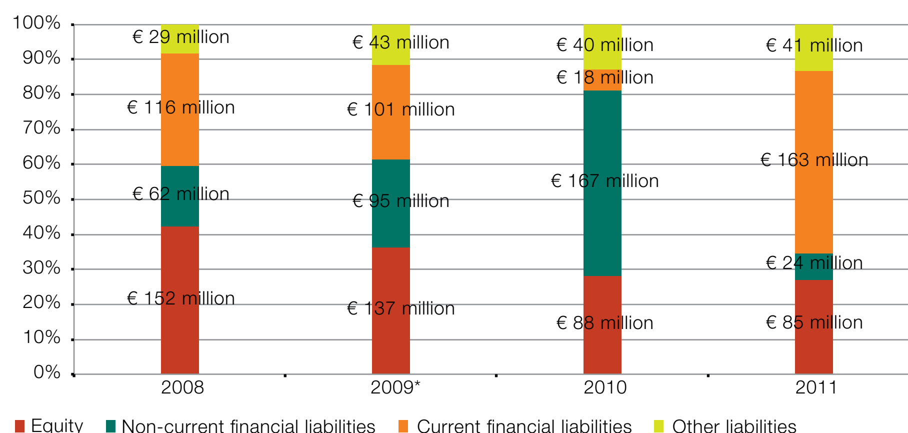
Total assets of the parent company also fell though not as much as in the group. A large decrease was posted in investments and loans in the group and an increase in cash and deposits. The most distinct change in equity and liabilities was in changed maturity of financial liabilities which has been already explained for the group's statement of financial position.

Chart 20: The structure of the parent company's assets, 2008-2011



** Investments in the group related to the increase in capital of the subsidiary Intereuropa-East Ltd., Moscow, of € 33.8 million excluded*

Chart 21: The structure of the parent company's equity and liabilities, 2008-2011



** Other liabilities related to the increase in capital of the subsidiary Intereuropa-East Ltd., Moscow, of € 33.8 million excluded.*

Table 10: The statement of financial position of the parent company, 2008-2011, in absolute terms (€ thousand)

	2008	2009	2010	2011
ASSETS	**359,850**	**410,132**	**313,950**	**312,409**
A. NON-CURRENT ASSETS, of which	**245,878**	**284,564**	**254,628**	**244,600**
Property, plant and equipment	109,650	162,893	146,353	142,629
Long-term investments, of which	124,400	106,623	90,934	83,293
Shares and stakes in group members	83,041	82,032	50,797	49,842
B. CURRENT ASSETS, of which	**113,971**	**125,568**	**59,321**	**67,809**
Short-term operating receivables	36,881	38,806	25,795	29,149
Short-term investments	71,575	82,332	33,337	29,250
EQUITY AND LIABILITIES	**359,850**	**410,132**	**313,950**	**312,409**
A. EQUITY	**152,311**	**136,675**	**88,398**	**84,645**
B. NON-CURRENT LIABILITIES, of which	**65,222**	**111,682**	**181,549**	**39,478**
Non-current financial liabilities	62,412	95,343	166,862	23,632
C. CURRENT LIABILITIES, of which	**142,316**	**161,776**	**44,003**	**188,286**
Current financial liabilities	115,768	101,237	18,460	163,053
Short-term operating liabilities	26,548	60,539	25,543	25,233

Highlights of operations, 2008-2011

Table 11: Performance data, 2008-2011 (€ thousand)

	Group				Parent company			
(€ thousand)	2008	2009	2010	2011	2008	2009	2010	2011
Sales revenues	257,697	191,117	190,624	211,880	141,551	99,986	96,428	107,406
EBITDA	27,864	15,136	21,554	22,653	4,443	1,828	9,961	11,119
Share in sales	10.8%	7.9%	11.3%	10.7%	3.1%	1.8%	10.3%	10.4%
EBIT	13,196	-50,638	-27,195	6,780	-292	-16,953	2,453	6,073
Share in sales	5.1%	-26.5%	-14.3%	3.2%	-0.2%	-17.0%	2.5%	5.7%
Adjusted EBIT*	5,273	-1,513	137	8,516	-707	-2,981	18	5,326
Share in sales	2.0%	-0.8%	0.1%	4.0%	-0.5%	-3.0%	0.0%	5.0%
Net profit or loss	3,688	-53,907	-39,193	-7,596	3,265	-71,352	-46,398	-5,898
Share in sales	1.4%	-28.2%	-20.6%	-3.6%	2.3%	-71.4%	-48.1%	-5.5%
Assets	451,678	489,270	425,428	407,207	359,850	410,132	313,950	312,409
ROA	0.9%	-11.5%	-8.6%	-1.3%	1.0%	-18.5%	-12.8%	-1.2%
Equity	169,360	188,804	148,163	140,988	152,311	136,675	88,398	84,645
ROE	2.1%	-26.2%	-20.8%	-5.1%	2.1%	-39.6%	-34.2%	-4.2%
Investments in fixed assets	60,494	25,301	2,008	2,648	8,155	860	549	659
No. of employees at the end of the year	2,793	2,496	2,232	2,114	954	829	773	768

**Other operating revenues and revaluation operating expenses excluded*

A favourable economic climate in the first half of the year and the activities aimed at restructuring the portfolio of companies and the business in individual group members had an important effect on performance.

Cash flow analysis

Table 12: Cash flow, 2008-2011

	Group				Parent company			
(€ thousand)	2008	2009	2010	2011	2008	2009	2010	2011
Cash flow from operating activities	13,641	17,770	26,950	23,425	1,418	5,741	5,959	6,846
Cash flow from investing activities	-50,257	-14,702	13,069	-3,059	-44,955	-18,124	18,434	10,107
Cash flow from financing activities	35,834	-9,537	-33,114	-14,925	42,863	10,068	-24,863	-7,737
Cash flow from discontinued operations	667	2,861	0	0	667	2,861	0	0
Exchange differences in cash assets	243	418	-7	-6	0	0	0	0
Cash flow in the period	128	-3,190	6,898	5,435	-7	546	-470	9,216

The group generated € 23.4 million of cash flow from operating activities which was 13% less than in 2010 but 32% more than in 2009. Cash flow from investing activities was negative in the amount of € 3.1 million mostly on account of increased short-term deposits given. After covering the negative cash flow from financing activities of € 14.9 million, the group members were still left with € 17.7 million in cash at the year-end or € 5.4 million more than at the end of 2010.

The parent company generated € 6.8 million of cash flow from operating activities, a 15% increase from 2010. The upward trend of cash flow from operating activities of the parent company has continued. Disinvestment continued to prevail in investing activities in 2011 with € 10.1 million of positive cash flow from investing activities generated. The positive cash flow from operating and investing activities was partly used to cover the negative cash flow from financing activities of € 7.7 million mostly arising from interest expenses for loans. The parent company had € 9.2 million more in cash at the end of 2011 than at the end of 2010.

2.4.2 Shares and ownership structure

Investors on the Slovene stockmarket mostly held back in 2011. The market liquidity was extremely low and market capitalisation was falling. Intereuropa's share fell steeply by 89% ending the year at the price of € 0.43.

Shares of Intereuropa d.d.

Share capital of Intereuropa d.d. remained at the same level and consisted of 7,902,413 no-par-value shares as at the year-end. The share of Intereuropa d.d. designated IEKG was included in blue chips in 2005 and has been traded on the Ljubljana Stock Exchange since 1998.

Table 13: Key details of the IEKG share

	2008	2009	2010	2011
Number of shares	7,902,413	7,902,413	7,902,413	7,902,413
Number of treasury shares	18,135	18,135	18,135	18,135
Data on trading				
Share book value in € (31 December)	19.32	17.34	11.21	10.74
Closing price in € (31 December)	8.73	5.65	3.90	0.43
Weighted average price	31.81	6.85	4.49	2.62
Highest price in €	40.00	10.45	5.96	3.99
Lowest price in €	7.89	5.20	3.35	0.40
Market capitalisation in € thousand	68,988	44,649	30,819	3,398
Turnover in € thousand	16,551	6,621	1,774	433
Indicators				
Earnings per share in €	0.39	-9.05	-5.88	-0.47
Cash flow per share in €	0.40	-8.48	-5.23	-0.17
Gross dividend per share in €	0.58	0.00	0.00	0.00
P/BV	0.45	0.33	0.35	0.04
P/CF	21.63	-0.67	-0.75	-2.56
P/E	22.37	-0.62	-0.66	-0.91
Capital gain	-77.0%	-35.3%	-31.0%	-89.0%
Dividend yield	1.5%	0.0%	0.0%	0.0%
Total return	-75.5%	-35.3%	-31.0%	-89.0%

Notes:

Book value = equity / (number of ordinary shares – number of treasury shares)

Market capitalisation = closing price as at the year-end x the number of listed shares

Earnings per share = net profit / (number of ordinary shares – number of treasury shares)

Cash flow per share = (net profit – dividends + depreciation and amortisation) / (number of ordinary shares – number of treasury shares)

P/BV = closing price as at the year-end / share book value

P/CF = closing price as at the year-end / cash flow per share

P/E = closing price as at the year-end / earnings per share

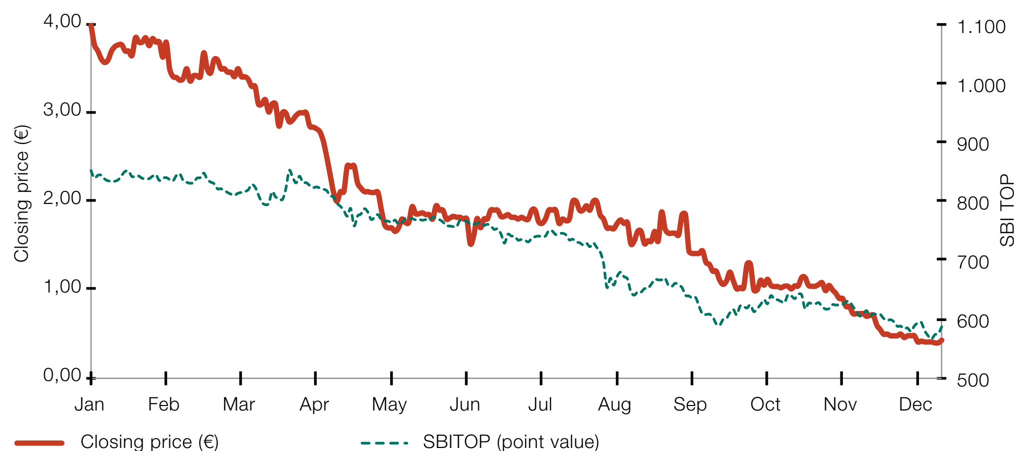
Capital gain = closing price increase over one year

Dividend yield = gross dividend / closing price as at the year-end

Trading in shares of Intereuropa d.d.

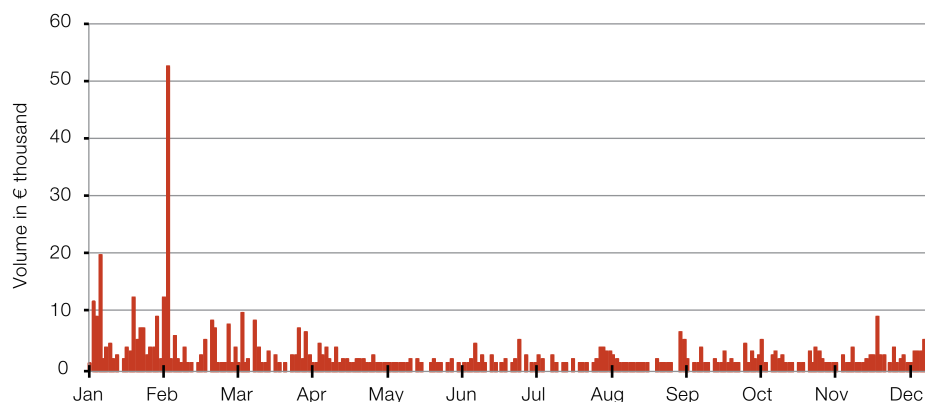
Trading in shares of Intereuropa d.d. was relatively modest during the year and the share's market price ranged between € 3.99 and € 0.40. The price on the last trading day was € 0.43, 25 times lower than the book value. The share lost 89.0% of its market value in one year. The Slovene blue chip index SBITOP fell by 30.7% in the period.

Chart 22: Average price of Intereuropa's share and the SBITOP index in 2011



The number of shares changing owners in 2011 was 261,852. The total turnover of trades with the shares was € 433 thousand and the average daily turnover € 1.7 thousand, equalling only 24% of the turnover in 2010.

Chart 23: Trades with Intereuropa's share in 2011



Shareholders

The ten biggest shareholders include the same companies as a year earlier. Abanka Vipa and Interfin naložbe made additional purchases and slightly increased their respective shares.

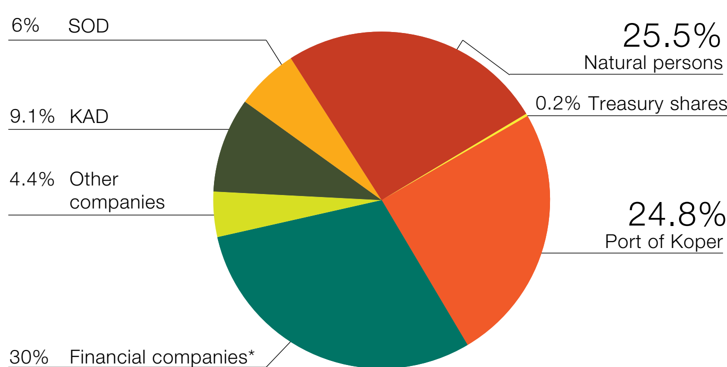
The ten largest shareholders of Intereuropa d.d. held 60.2% of shares as at the year-end or 0.2 percentage points more than a year before. Abanka Vipa increased its holding by purchasing 13,531 shares to become the sixth largest shareholder with 3.1% of shares. Interfin naložbe bought 2,354 IEKG shares and only minimally raised its holding to 1.6% as at the year-end.

The number of shareholders was reduced by 378 in 2011, mostly among natural persons whose number fell by 6%. The number of shareholders registered in the Shareholders' Register as at 31 December 2011 was 5,723, 6% less than a year before. The share of foreign shareholders remained unchanged at 2.3%.

Table 14: Ten biggest shareholders as at 31 December 2011

No.	Shareholder	No. of shares as at 31 December 2011	Share as at 31 December 2011
1.	Luka Koper d.d. (Port of Koper)	1,960,513	24.8%
2.	Kapitalska družba d.d. (Pension Fund Management)	719,797	9.1%
3.	Slovenska odškodninska družba d.d. (Slovene Compensation Company)	474,926	6.0%
4.	INFOND d.o.o. UVS Infond Global	313,391	4.0%
5.	NFD 1 Delniški investicijski sklad d.d. (Equity Investment Fund)	304,312	3.9%
6.	Abanka Vipa d.d.	244,473	3.1%
7.	NLB d.d.	240,000	3.0%
8.	Zavarovalnica Triglav d.d.	213,640	2.7%
9.	Delniški VS Triglav Steber I d.d.	152,482	1.9%
10.	Interfin naložbe d.d.	129,862	1.6%

Chart 24: Holdings of Intereuropa's ordinary shares as at 31 December 2011



**Includes funds PPSRS, KVPS and KSPPS of the Modra zavarovalnica d.d. insurance company which were managed by the Pension Fund Management until October 2011.*

Share ownership by the Management and Supervisory Board members

No changes occurred in holdings of IEKG shares by the members of the Management Board and the Supervisory Board. President of the Management Board, Ernest Gortan, and Deputy President of the Management Board, Tatjana Vošinek Pucer, held no shares of Intereuropa d.d. as at 31 December 2011.

Table 15: Number of IEKG shares held by Supervisory Board members as at 31 December 2011

	Number of shares	Share in %
Bruno Korelič	10	0.000
Maksimilijan Babič	100	0.001
Nevija Pečar	4,185	0.053
Maša Čertalič	99	0.001

Authorised capital

In accordance with the Articles of Association of Intereuropa d.d., the Management Board has the authority to increase share capital by issuing new shares in exchange for payment of up to a half of share capital registered as at the date of entry of the resolution on amendments to the Articles of Association adopted at the 22nd Annual General Meeting representing a nominal amount of € 16,488,092.56 (authorised capital) within five years after entry of the amendments to the Articles of Association in the Companies Register with no resolution of the Annual General Meeting required, however, subject to an approval of the Supervisory Board. Intereuropa d.d. had € 16,488,092.56 of unused authorised capital as at 31 December 2011.

Dividend policy

The main focus in the last three years was on maintaining the company's financial stability. The company paid no dividend in 2011 as was the case in the two preceding years due to the adverse economic situation and the increased exposure to liquidity risk.

The Management Board will reassess the dividend policy based on implementation of strategic objectives set until 2014 and after the performance will have improved.

Communication with financial audiences

The principles of communication with financial audiences are specified in the Corporate Governance Policy of Intereuropa d.d. available on **www.intereuropa.si**. The aim is to achieve regular, honest and accurate communication with the existing shareholders of Intereuropa d.d., which we deem fundamental for building a successful business. The emphasis is also on appropriate communication with analysts and prospective investors and correct and prompt informing of bank creditors.

Individual meetings with investors, analysts and bankers have continued with the aim of strengthening relations with investors. The disclosure rules of the Ljubljana Stock Exchange have been strictly complied with and all efforts were undertaken to further improve corporate communications. The following communication tools and activities were used for the purpose:

- Annual General Meeting of Shareholders;
- presentation of the company at investor conferences in financial centres;
- regular publication of business results and other price-sensitive information;
- regular communications via the SEOnet system;
- regular communications with the media;
- prompt publication of information on operations on the corporate website;
- preparing and distributing e-newsletters.

Shareholders can send their suggestions or comments directly to our e-mail address **info@intereuropa.si**.

Financial calendar of publications for 2012

Date	Publication or event
27. 2. 2012 Monday	Publication of the unaudited business report of Intereuropa d.d. and the Intereuropa Group for 2011
19. 4. 2012 Thursday	Publication of the audited Annual Report for 2011
16. 5. 2012 Wednesday	Publication of the unaudited business report of Intereuropa d.d. and the Intereuropa Group for the first quarter of 2012 Convocation of the 24th Annual General Meeting
22. 6. 2012 Friday	Publication of resolutions of the 24th Annual General Meeting
30. 8. 2012 Thursday	Publication of the unaudited business report of Intereuropa d.d. and the Intereuropa Group for the first half of 2012
15. 11. 2012 Thursday	Publication of the unaudited business report of Intereuropa d.d. and the Intereuropa Group for the first three quarters of 2012
14. 12. 2012 Friday	Presentation of plans of Intereuropa d.d. and the Intereuropa Group for 2013

The scheduled dates of publications and events are listed. Any date changes will be published on the website www.intereuropa.si.

The scheduled periodic publications and other controlled information will be published on the website of the Ljubljana Stock Exchange, via the SEOnet system (seonet.ljse.si) and on the website www.intereuropa.si. The Annual Report for 2011 is also published on the same website and available for viewing at the registered office of Intereuropa d.d., Vojkovo nabrežje 32, 6000 Koper, Slovenia.

Contact persons for financial public relations

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2.5 CORPORATE GOVERNANCE STATEMENT

The main corporate governance guidelines of Intereuropa d.d. and the Intereuropa Group are transparent operations, a clear division of responsibilities and tasks among corporate bodies, ongoing care for independence and loyalty of members of the management and supervisory bodies and constantly monitoring and introducing improvements to enhance the efficiency of corporate governance. Corporate governance is based on the Corporate Governance Policy of Intereuropa d.d. and the Corporate Governance Code for Joint Stock Companies.

The tasks and powers of individual corporate governance bodies of Intereuropa d.d. are specified in the Articles of Association and their respective rules of procedure which are available along with the Corporate Governance Policy on the corporate website in sections Corporate Governance and Management Board. The parent company is managed by a two-tier system comprising the Management Board and the Supervisory Board.

2.5.1 Annual General Meeting of Shareholders

Annual General Meeting 2011

Shareholders of Intereuropa d.d. met at the 22nd Annual General Meeting on 8 July 2011 at which shareholders holding 61.22% of voting shares were present.

The AGM adopted the following important resolutions:
- ⟶ acknowledging the Annual Report of the Intereuropa Group for 2010, the Auditors' Opinion and the written report of the Supervisory Board on examining the consolidated Annual Report for 2010 and on the manner and scope of verification of the company's management in 2010 submitted by the Supervisory Board;
- ⟶ receiving information on income of members of the Management Board and the Supervisory Board in 2010;
- ⟶ issuing discharge to the Supervisory Board and the Management Board of Intereuropa d.d. for the work performed in the financial year 2010;
- ⟶ adopting amendments to the Articles of Association enabling payment for membership in the Supervisory Board and a resolution determining the amount of payment for the membership and resetting the session fee amount;
- ⟶ deciding that Intereuropa d.d. shall compile the consolidated annual report and the financial statements in accordance with International Financial Reporting Standards;
- ⟶ appointing the audit company Ernst & Young, Revizija, poslovno svetovanje d.o.o., Ljubljana as the auditor for 2011.

The Annual General Meeting also adopted amendments to its Rules of Procedure to harmonise them with the Articles of Association and the Companies Act, and adopted the consolidated text of the Rules of Procedure of the AGM.

Resolutions of the Annual General Meeting are available in full text on the corporate website www.intereuropa.si, page For Investors, section General Meeting.

Grounds for work and the method of convening

Shareholders use the Annual General Meeting to exercise their rights in company affairs. The Annual General Meeting is the supreme decision-making body of the company. Its work is based on the Companies Act, the company's Articles of Association and the AGM's Rules of Procedure.

The Annual General Meeting of Shareholders is ordinarily convened once a year. It is convened by the Management Board at its own initiative, upon a request from the Supervisory Board or upon a request from the shareholders. The convocation is published in daily newspapers, on the corporate website of Intereuropa, the intranet and via the SEOnet system.

The material for the Annual General Meeting with proposed resolutions for all items on the agenda is available to shareholders for viewing from the convocation date to the AGM date at the company's head office in Koper, the SEOnet system of the Ljubljana Stock Exchange and on the website www.intereuropa.si in section For Investors.

Intereuropa d.d. encourages all major shareholders to inform the public of their governance policy. For that purpose, the convocation of the Annual General Meeting included a call to major shareholders to disclose to the public at least their voting policy, the type and frequency of governance activities and the mode of communication with the company's management and supervisory bodies.

Conditions for participation and communication with the shareholders

The right to participate at the Annual General Meeting of Shareholders and exercise the voting rights is held by the shareholders registered in the Shareholders' Register of the company, kept with the Central Register of the KDD - Centralno klirinško depotna družba d.d. Ljubljana (Central Securities Clearing Corporation), and their proxies or authorised persons. Each share gives a shareholder one vote. Participation must be registered in writing within the legally set deadline. A shareholder's proxy must enclose the proxy to the registration.

Registration and proxy templates are included in the material published upon convocation of the Annual General Meeting. Intereuropa d.d. thus also encourages active participation at the Annual General Meeting of as many minor shareholders as possible. On the page For Investors on the website www.intereuropa.si, minor shareholders and other investors can find in addition to the information on the Annual General Meeting also prompt information on the company's governance and annual and interim reports.

Immediately after the Annual General Meeting closes, the shareholders and the public will be informed on its resolutions via the corporate website, the intranet, SEOnet of the Ljubljana Stock Exchange and press releases.

Communications with shareholders and other financial audiences are also reported in sections Shares and ownership structure and Communications with key audiences, and in the Sustainability Report.

2.5.2 Supervisory Board

Composition of the Supervisory Board

The Supervisory Board of Intereuropa d.d. consists of seven supervisors, four shareholders' representatives and three employees' representatives. The term of office of the Supervisory Board is four years with the possibility of reappointment. Members of the Supervisory Board representing interests of the shareholders are elected by the Annual General Meeting. The employees' representatives are elected by the Workers' Council and the Annual General Meeting is only informed on their election.

Members of the Supervisory Board of Intereuropa d.d. in 2011

No.	Name and surname	Year of birth	Office in the Supervisory Board	Education	Employment	Other important offices held	Term of office	
1.	**Bruno Korelič**	1944	Chair of the Supervisory Board – shareholders' representative	Bachelor of Economics	Pensioner	Member of the supervisory board of Petrol, d.d., Ljubljana	11 April 2009	10 April 2013
2.	**Tadej Tufek**	1975	Member of the Supervisory Board – shareholders' representative	Master of science in economics and business sciences		Member of the supervisory board of Banka Celje d.d.*	10 September 2009	10 September 2013
3.	**Vinko Može**	1948	Member of the Supervisory Board – shareholders' representative	Bachelor of Civil Engineering	Pensioner	Chair of the council of the Public Agency for Traffic Safety Chair of the supervisory board of Adria Airways d.d., Ljubljana**	30 July 2009	30 July 2013
4.	**Maša Čertalič**	1976	Member of the Supervisory Board – shareholders' representative	Master of science in transport & logistics management	Luka Koper d.d. (Port of Koper)		10 September 2009	10 September 2013
5.	**Nevija Pečar**	1957	Member of the Supervisory Board – employees' representative	Secondary school of economics	Intereuropa d.d. – Koper Branch Office	President of the ŠAK – KS 90 trade union	19 November 2009	19 November 2013
6.	**Maksimilijan Babič**	1950	Deputy Chair of the Supervisory Board – employees' representative	Grammar school graduate	Intereuropa d.d. – Border Clearance Branch Office	Chair of the Workers' Council of Intereuropa d.d.	19 November 2009	19 November 2013
7.	**Ljubo Kobale**	1962	Member of the Supervisory Board – employees' representative	Sales officer	Intereuropa d.d. – Celje Branch Office, Maribor Business Unit		19 November 2009	19 November 2013

** Member of the supervisory board of Banka Celje until expiry of his term of office on 24 May 2011.*
*** A member of the supervisory board of Adria Airways until 27 March 2012.*

Activities in 2011

The Supervisory Board received information on the Company's business and financial restructuring throughout the year.

The Supervisory Board's composition was the same in the entire year. The Supervisory Board held six regular meetings, three extraordinary meetings and one correspondence meeting. In accordance with its core tasks of supervising the company's management and the group's corporate governance, the Supervisory Board regularly supervised and monitored the company's operations and received reports from the Audit Committee. The Supervisory Board discussed the Annual Report and the quarterly reports of the Management Board on the company's and the group's operations and monitored their compliance with the adopted strategic and development plans.

They were informed throughout the year on the progress of the company's business and financial restructuring and on the progress of negotiations with banks for the provision of financial stability of the company. The Supervisory Board discussed reports on major projects controlled by the Management Board. Special attention was given to the introduction of a new IT system in the parent company. The Supervisory Board monitored implementation of the restructuring programme in Intereuropa Transport, d.o.o., and approved its liquidation.

The work of the Supervisory Board is presented in detail in the Report of the Supervisory Board.

Audit Committee

The Audit Committee held six meetings discussing primarily issues related to financial operations and reporting of the company. The Audit Committee regularly reported to the Supervisory Board and offered their expert assistance in the most complex decisions concerning supervising the management and implementing the vision, mission and strategic objectives of the company.

The Audit Committee's composition remained unchanged, as follows:
Tadej Tufek, Chair
Nevija Pečar
Bruno Korelič
Alfio Kocjančič, outside expert

The Audit Committee acted in line with its powers and as stipulated by the Companies Act, the Corporate Governance Policy of Intereuropa d.d., and its Charter and Rules of Procedure. The work of the Audit Committee is also presented in the Report of the Supervisory Board.

Powers, work method and remuneration

The Supervisory Board acts within its powers and in accordance with the Companies Act, the company's Articles of Association and its Rules of Procedure. The corporate governance undertakings of the Supervisory Board are specified in the Corporate Governance Policy of Intereuropa d.d. and include setting up a system for determining conflict of interest and providing for independence of its members. All members of the Supervisory Board signed a statement in February 2011 stating their position on the independence criteria under Item C.3 of Annex C to the Corporate Governance Code for Joint Stock Companies, and s statement on qualifications for the Supervisory Board membership. The statement is published on www.intereuropa.si, page About Us, section Management Board.

The Supervisory Board must hold a regular meeting at least quarterly. An annual action plan is prepared containing the envisaged contents and dates of meetings. The shareholders receive a report on its work at the Annual General Meeting.

At the Annual General Meeting held on 8 July 2011, the shareholders adopted amendments to the Articles of Association concerning income of the Supervisory Board members and a resolution stipulating, in addition to the gross session fee of € 275 per meeting, a base payment for holding the office in the following amounts:

- Chair of the Supervisory Board – € 840, gross per month;
- Chair of a Supervisory Board committee – € 770.00, gross per month;
- Member of the Supervisory Board – € 700.00, gross per month.

The data on remuneration of the Supervisory Board in 2011 are published in the Financial Report of the parent company Intereuropa d.d., Note 26. The Supervisory Board members do not participate in the company's profit, in accordance with the Articles of Association.

Ernest Gortan, MSc, President of the Management Board of Intereuropa d.d.

Tatjana Vošinek Pucer, Deputy President of the Management Board of Intereuropa d.d.

2.5.3 Management Board

Management Board of the parent company Intereuropa d.d.

The Management Board focused its efforts on strengthening the market position, streamlining business processes and providing for financial stability of the parent company and the Intereuropa Group.

The company is managed by a two-member Management Board consisting of the President, Ernest Gortan, and Deputy President, Tatjana Vošinek Pucer. The Management Board's term of office is five years.

⟶ **Ernest Gortan**, President of the Management Board
- born in 1968
- Bachelor of Electrical Engineering and Master of Science in Management (Bled School of Management)
- Executive and senior manager in marketing and logistics in the Port of Koper and Secom; President of the Management Board of BTC Terminal Sežana
- Term of office from 10 June 2009 to 10 June 2014
- Responsible for business segments of forwarding and logistics in the parent company and the subsidiaries, quality, legal affairs, human and general resources, internal audit and public relations

⟶ **Tatjana Vošinek Pucer**, Deputy President of the Management Board
- born in 1964
- Bachelor of Economics (Ljubljana Faculty of Economics)
- Executive and senior manager in sales and investments in Iplas, R & P Express and Vipta, and crisis manager in Preskrba Sežana and Emona Obala Koper
- Term of office from 24 May 2010 to 24 May 2014
- Responsible for business segments of finance, investments and real estate, and IT

Activities of the Management Board in 2011

In managing Intereuropa d.d. and the Intereuropa Group, the Management Board acted in line with the set strategic objectives and guidelines. Members of the Management Board focused their efforts on strengthening the market position, streamlining business processes and providing for financial stability of companies.

The Management Board performed its tasks and exercised its powers in accordance with the corporate governance principles specified in the Corporate Governance Policy of Intereuropa d.d. and in compliance with the recommendations from the Corporate Governance Code for Joint Stock Companies.

The grounds for activities of the Management Board and remuneration

Intereuropa d.d. promoted responsiveness and tailoring to local conditions in its subsidiaries with the aim of streamlining rendering of services to local customers and gradually offering them services of the entire business network of the Group.

The tasks and areas of responsibility of the Management Board are set in the Corporate Governance Policy, and the method of operation is specified in detail in the Rules of Procedure of the Management Board and the Articles of Association of the company. In accordance therewith, the Management Board has up to four members; the number of the Management Board members is set by the Supervisory Board in accordance with the principles of efficiency and economy. The Supervisory Board set the number of the Management Board members at two. The Management Board manages the company independently and on its own responsibility.

The income of the Management Board members comprise of the fixed and the variable part and corresponds to their tasks and the company's financial position. The variable part depends on the company's performance determined as meeting or exceeding the targets set in the annual business plan. The Management Board is entitled to profit participation at the discretion of the Supervisory Board. Data on the income of the Management Board are presented in the Financial Report of Intereuropa d.d.

2.5.4 Corporate governance of the group

The parent company Intereuropa d.d. and its subsidiaries comprise the group centrally managed by the Management Board of Intereuropa d.d.. The policy concerning relations between the parent company and its subsidiaries is set in the Corporate Governance Policy of Intereuropa d.d. An efficient corporate governance system for associated companies is an important factor for successfully meeting business objectives and achieving business transparency of group members.

Corporate governance principles for subsidiaries

The parent company governs group members as a multinational group aiming to achieve global efficiency while responding to the needs of local markets. Management of subsidiaries is focused on cooperation between them and transfer of know-how and good practice among them.

The Management Board of Intereuropa d.d. actively guides management of subsidiaries to provide for harmonisation in the following areas of governance:

- formulation of the corporate vision, mission and development strategies;
- internal organisation of operational business segments;
- coordinated action on the sales and purchasing markets;
- business planning, investments and financing;
- harmonised accounting policies;
- supervision of operations (controlling and auditing) and quality;
- staff and wage policies, and knowledge development and transfer;
- strategic marketing and public communications;
- harmonised development of IT;
- other areas of management, laid down in development programmes of the group.

Operations of members of the Intereuropa Group comply with the local legislation, resolutions of management bodies of the parent company and subsidiaries, agreements on business cooperation made between the parent company and individual subsidiaries and the applicable internal rules of procedure and other rules as adopted by the Management Board of the parent company.

Proactive monitoring and supervision of operations

Participation of members of the Management Board and executives of Intereuropa d.d. in supervisory boards, boards of directors and management boards of subsidiaries provides for a better coordination in implementation of strategic decisions, a more comprehensive control over operations of subsidiaries and an improved flow of information.

Actively guided management of subsidiaries provides for coordination of development and marketing and provision of products in a way enabling achieving efficiency of the group as a whole.

Regular monitoring of operations and of meeting the planned objectives of subsidiaries is made through monthly reporting and quarterly business projections enabling faster responding to any fluctuations in demand with proactive measures. The Management Board of the parent company and directors of subsidiaries were in constant contact either by electronic means or in person. The executives and senior managers of all group members met in the autumn at the regular annual conference where they reviewed the current operations of the group and the starting points for planning for 2012.

2.5.5 Audit of operations

External audit

The Annual General Meeting appointed Ernst & Young d.o.o., Ljubljana the auditor of financial statements of Intereuropa d.d. and the Intereuropa Group for the financial year 2011.

The business of Intereuropa d.d. and its subsidiaries with audit companies is presented in the company's financial report in notes to its and the group's financial statements.

Internal audit

The core task of the Internal Audit Department is to check operations of the internal control system from the aspect of managing all types of risks to which the Intereuropa Group is exposed. The internal audit's objective is to assist the group's management in improving asset management, and economy and efficiency of operations within the scope of the adopted strategic business plan and the relevant business and financial plans.

In their work, the internal auditors comply with the International Standards for the Professional Practice of Internal Auditing, the Professional Code of Ethics of Internal Auditors, the Code of Internal Auditing Principles, the laws and regulations and the Rules of Procedure of the Internal Audit Department.

The Management Board of Intereuropa d.d. adopted at the end of 2010 in line with its powers the action plan of the Internal Audit Department for 2011 and the Audit Committee of the Supervisory Board was informed on its contents. The Management Board and the Audit Committee of the Supervisory Board discussed the periodical reports on the work of the Internal Audit Department in 2011.

Activities in 2011

The 2011 action plan envisaged fifteen internal audit tasks. Ten regular internal audits and two extraordinary internal audits of operations of Intereuropa d.d. were carried out. Internal audits were carried out in five subsidiaries, four business units of the parent company and three back office departments with one audit scheduled for completion in 2012. The reports specified assurances on operation and efficiency of the set internal controls and recommendations for their improvement. We also monitored implementation of the recommendations given where we found 72% completion of the issued recommendations as at the end of 2011. We have continued in 2012 to monitor implementation of recommendations made in internal audits.

Consulting and work on individual projects of the company were carried out beside auditing. Expertise was upgraded through training and the internal audit methods were being improved in line with the international standards.

2.5.6 Description of the main features of internal controls and risk management in the company in relation to financial reporting

The financial statements of Intereuropa d.d. and the Intereuropa Group are compiled in accordance with the International Financial Reporting Standards setting out the requirements concerning recognition, valuation, presentation and disclosure of business events in financial statements.

Internal controls reduce risks and contribute to appropriateness and reliability of financial information and compliance with the laws and regulations.

Accounting controls are used to manage risks related to:

- **authenticity of financial statements** – bookkeeping documents are particularly important as evidence of existence of business events which clearly present contents of the data;
- **completeness of financial data** – provided by detailed posting procedures set in corporate regulations of the Intereuropa Group, and by control of their application;
- **accuracy of financial data** – provided by comparison of data in the IT system with data in bookkeeping documents;
- **separation of responsibilities in business processes and authorisations for work in the IT system** – exactly and strictly determined assignments and responsibilities in relation to a business event are very important;
- **professional work** – providing for regular professional training of staff, who contribute correct, timely and quality financial information in their work and affect the quality and speed of the reporting process.

As regards the use of modern technology, an important part in providing for quality financial information is played by the SAP central IT system which daily gathers data from Intereuropa's logistics IT subsystems, the e-document system for collection of input invoices and the subsystems for recording hours worked.

The embedded controls prevent entries and posting of incorrect business events from IT subsystems. SAP rejects incorrect data with a comment on the error forwarding a notice thereof to the subsystem so that the error may be corrected. The authorisation system ensures that the users perform only those business processes for which they are authorised. The embedded control system enables analysing activities in the system at any time.

2.5.7 A note on holdings of securities with regard to achieving a qualifying holding, special control rights and restricted voting rights

Major direct and indirect holdings of securities of the company with regard to achieving a qualifying holding

The major holdings of securities with regard to achieving a qualifying holding have not changed from 2010. All securities were held directly. In accordance with the Takeovers Act, the data on achieving a qualifying holding are promptly published in the SEOnet system and forwarded to the Securities Market Agency.

The following shareholders held a qualifying holding in Intereuropa d.d. as at 31 December 2011:

- Luka Koper, d.d., Koper 24.8% (1,960,513 shares)
- Kapitalska družba, d.d., Ljubljana 9.1% (719,797 shares)
- Slovenska odškodninska družba, d.d., Ljubljana 6.0% (474,926 shares)

Note on each holder of securities giving specific control rights

The shares of Intereuropa d.d. give shareholders neither special control rights nor restrict the voting rights in any way. The company is unaware of any agreement between shareholders limiting transfer of securities or voting rights.

Note on all voting rights restrictions and treasury shares

In accordance with Article 249 of the Companies Act, the company can exercise no voting rights based on treasury shares. Intereuropa d.d. held 18,135 IEKG treasury shares as at 31 December 2011 with the value of € 180,000 representing 0.2295% of all shares. The total number of shares with voting rights was 7,884,278 or 99.7705% of the total. Intereuropa d.d. neither bought nor sold any treasury shares in 2011. Shareholders of Intereuropa d.d. can freely exercise their voting rights.

2.5.8 Statement on compliance with the Corporate Governance Code for Joint Stock Companies

The Management Board and the Supervisory Board of Intereuropa, Globalni logistični servis, delniška družba, Koper (Intereuropa, Global Logistics Service, Ltd. Co.) hereby state that the company complies in its operations with the recommendations of the Corporate Governance Code for Joint Stock Companies with some deviations disclosed and explained below.

Section: Supervisory Board

Recommendation 8.4:

The company is currently not using special IT equipment to send material to the Supervisory Board members and convene meetings. The material and convocations are sent to the Supervisory Board members in paper form.

Recommendation 13.1:

The Supervisory Board established a four-member Audit Committee comprising three members of the Supervisory Board and one external member. No appointment and staff committees have been established.

Section: Transparency of operations

Recommendation 20.3:

The company finds no need to adopt a company regulation additionally restricting trade in company shares and shares of its associates. The company believes that the provisions of the Financial Instruments Market Act are sufficiently detailed and binding making any duplication of the same provisions unnecessary.

Some recommendations made in the Corporate Governance Code for Joint Stock Companies are irrelevant for the company and therefore not specifically mentioned. Recommendations put forward for specific cases will be complied with by the company or its bodies should such a case arise.

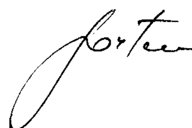
The statement applies to the period from publishing of the preceding statement, i.e. 20 April 2011, to the date of publication hereof.

On 8 December 2009, the Ljubljana Stock Exchange, the Slovenian Directors' Association and the Managers' Association adopted the revised Corporate Governance Code for Joint Stock Companies applying as of 1 January 2010 and available in Slovene and English on the website of the Ljubljana Stock Exchange (www.ljse.si).

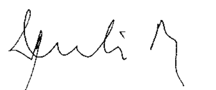
The statement of compliance of corporate governance with the Corporate Governance Code for Joint Stock Companies is a part of the Annual Report for 2011 and published on the corporate website www.intereuropa.si.

Intereuropa d.d., Koper

President of the Management Board
Ernest Gortan



Chair of the Supervisory Board
Bruno Korelič



2.6 RISK MANAGEMENT

2.6.1 Risk management system

The main objective of risk management is to apply an efficient and state-of-the-art approach to improve business performance and maintain the company's competitive edge. We twice examined and reassessed the overall exposure to individual risk types and regularly monitored implementation of the measures aimed at reducing the exposure in 2011. The key identified risks were liquidity risk, risks related to staff and IT, and a portion of strategic risks.

All key risks were successfully managed in 2011. The largest exposure was to liquidity risk, sales risk and certain types of strategic risks.

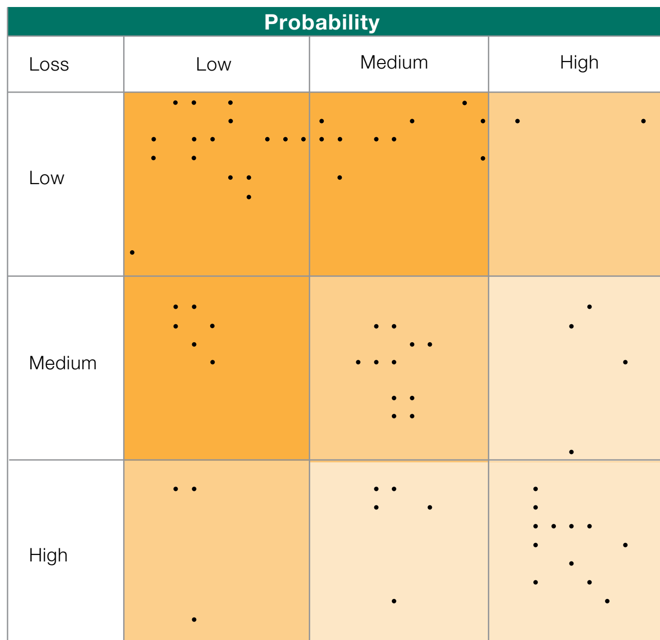
Intereuropa d.d. defined risk as uncertainty concerning the expected future business events which can cause any type of loss or reduce the probability of achieving the set objectives thus having a negative impact on operations. The Risk Management Committee is responsible for performing and coordinating tasks related to risk management. The committee regularly performs and coordinates activities for identifying, measuring and assessing risks, adopting measures for their management and for monitoring the measures' efficiency, in accordance with the methodology and procedures laid down in the Risk Management Rules. The Management Board receives regular reports on the Committee's findings.

The parent company and the group are mostly exposed to risks from the following three groups:

- financial risks;
- operational risks; and
- inherent risks.

Intereuropa d.d. identified 68 different risk types in 2011 and assessed their effect on the company's operations. The number of key risks with potential annual loss exceeding € 250,000 individually was 20. Measures were set to reduce exposure to all types of risks, in particular to key risks, and their implementation and success was regularly measured.

Figure 1: Risk distribution according to potential loss and probability



The number of different risks identified in the risk management process in the parent company was 68, hedging measures have been taken and the method of monitoring their success adopted.

Several new key risks were identified compared to 2010 while several other types of risks were assessed as less probable to materialise. Two risk segments have been increasing in the risk mapping, the segment "Control" (Low/Low) and the segment "Simultaneous Control and Action" (High/High).

The management of key risks was very effective in 2011 with no major adverse impact recorded and the planned performance indicators achieved.

Key risks in 2011

The following key risks were identified:
- liquidity risk;
- sales risk;
- personnel risk;
- ICT risk; and
- strategic risks.

Liquidity risk: The main reasons for the high exposure to liquidity risk were high debt of the company, the overall financial and economic situation and poor financial discipline. Although the loans have a relatively favourable maturity structure, liquidity risk was found to be a key risk because any default on the financial covenants might result in a recall of long-term loans.

In 2012, we expect continued exposure to liquidity risk, sales risk and the risk of providing for financial stability.

Sales risk has remained a key risk. It is managed by enhanced flexibility and individual relations with our customers. Prices and other conditions on the logistics market have remained highly fluid, which is why we are focusing on continued adaptation to the new circumstances while providing a high level of service. Due to great dispersion of our customers, sales risk was assessed as medium and the probability high.

Personnel risk was identified as a key risk because of the extreme importance of people in logistics. The exposure is reduced by measures in the management and the communication system, the system of personal career development and the system of motivation and bonuses depending on performance. The risk was assessed as high and the probability medium.

ICT risk was identified as a key risk due to the competitive edge arising from this segment and because a new IT solution supporting the company's logistic processes is being introduced. The risk was assessed as high and the probability medium.

Strategic risks: The key strategic risks include providing for financial stability of Intereuropa d.d. The risk has been reduced to an acceptable level by reprogramming a portion of loans and selling a part of the real estate to reduce debt. The risk is still assessed as high and the probability medium.

Expected risks and future operations

All types of risks to which the parent company and most of group members are exposed will be re-identified and reassessed twice in 2012.

The process will be carried out in some other group members as well which will establish the risk management system at a lower tier. Hedging measures will continue to be applied with the aim of reducing individual risks to an acceptable level. The focus will be on managing the key risks. We expect continued exposure to liquidity risk, sales risk and the risk of providing for financial stability of Intereuropa d.d.

Risk map

Tveganja	Probability of the risk materialising			Impact on business		
	Low probability	Medium probability	High probability	Small	Medium	High
1. Financial risks						
Credit risk			●	●		
Currency risk		●			●	
Interest rate risk			●		●	
Liquidity risk		●				●
2. Operational risks						
2.1. In continental transport						
Sales risks			●		●	
Change in the network of partners		●			●	
Changed fuel prices			●		●	
2.2. In intercontinental transport						
Sales risks		●			●	
Operations with suppliers and the network of partners and agents		●			●	
Competition risk on the logistics market		●			●	
2.3. In logistics solutions						
Sales risks		●				●
Risk of availability of warehousing capacity	●				●	
Risk of providing for requirements of product groups	●			●		
3. Inherent risks						
Strategic risk		●				●
ICT risk		●				●
Personnel risks		●				●

2.6.2 Financial risks

Active management of financial risks provided for financial stability of companies and their respective cash flows.

We have continued to actively manage financial risks in 2011 thus maintaining the company's financial stability and cash flows. The aim was to maximally reduce exposure to individual types of financial risks with a number of activities carried out in the financial segment for that purpose.

The key financial risks have continued to be the following:
- credit risk, as the counterparty default risk;
- currency risk;
- interest rate risk; and
- liquidity risk.

See the financial report for more details on financial risks.

Credit risk

Active management of credit risk and a large degree of dispersion of our receivables provide for a low impact of the risk on operations despite a high probability of its materialising.

Credit risk involves mostly the risk of default on payment for rendered services and its management is a part of our daily activities. The probability of the risk materialising increases even further at a time of tough economic conditions and therefore even greater attention is paid to it. The following measures are taken to manage credit risk: regularly analysing credit rating information on our customers, setting appropriate credit limits, securing risky receivables and constantly actively monitoring outstanding receivables.

Credit exposure of the Intereuropa Group to individual customers remains low due to implementation of the measures and a large degree of dispersion of receivables among a number of customers from different industries and regions. Despite having a high probability of materialising, credit risk has a small impact on operations.

Currency risk

Currency risk is low in the Slovene part of the Group doing business in the euro zone because virtually the entire cash flow is in euros. Due to different degrees of currency risk in group members doing business in and outside the euro zone, currency risk of the group as a whole is deemed to have a medium probability of materialising with a medium impact on operations.

Our companies doing business outside the euro zone are more exposed to currency risk. It involves the risk of changes in exchange rates of the Russian rouble, Serbian dinar, Croatian kuna and Ukrainian hryvnia. The cash flow of those companies is being relatively successfully protected by natural hedging, i.e. by alignment of receipts and disbursements in individual currencies in terms of time and amounts. Foreign-exchange positions in balance sheets of companies which have raised loans in euros remain outstanding and therefore a major change in the exchange rate of the national currency would have a substantial impact on their operations.

Currency exposure is also reported in the financial report.

Interest rate risk

The Intereuropa Group is exposed to the risk of increased finance cost due to an interest rate increase. Equity and liabilities of the group still contain a lot of financial liabilities with the finance cost linked to the variable interest rate EURIBOR and no hedge has been taken to mitigate a change thereof. Accounting for changes in EURIBOR, which rose in the first half of 2011 and then fell again, we deem exposure to interest rate risk high with a medium impact on operations.

The effect of changes in the EURIBOR variable interest rate on the income statement is presented in the financial report.

Liquidity risk

Liquidity risk represents the danger that group members would fail to provide for sufficient liquidity funds to settle all their liabilities.

The risk is managed by active cash management with the most demanding task being providing for a sufficient cash flow to repay debts.

Despite high debt and default on financial covenants, which could result in early recall of long-term loans, we estimate that the risk is being successfully managed by active negotiations with all stakeholders in our financing. The probability of liquidity problems was assessed as medium with a high potential impact on operations.

2.6.3 Operational risks

The most important risks in our three business segments, land transport, intercontinental transport and logistics solutions, are related to the increasingly unpredictable national and international economic developments.

The effects of falling international trade in goods are reflected in land transport particularly in strong downward price pressures and increasing transport costs, and in intercontinental transport in providing for appropriate supply conditions. We have been successfully adapting to the market dynamics in both segments by strengthening sales activities. The effects in logistics solutions are reflected in downward price pressures due to excess warehousing capacity which has been successfully managed by additional services of a comprehensive logistics offer and full utilisation of capacity.

Land transport

The highest risk in land transport is related to the effects of the economic recession and the unpredictable market situation.

Risks arising from the economic recession

The risks are related to the global market where we operate as a logistics company but, as the bulk of revenue in land transport is generated in Slovenia, the reduction of the risks largely depends on improvements in the economic situation there.

A mismatch between demand and supply of transport services on the market was still present, which has driven transport prices up. The resulting risk arises from the inability to pass higher input prices on customers.

The key measures for managing the risk include process streamlining and seeking synergies between group members. We are constantly monitoring the situation on the markets in countries of the group's presence and their major trading partners, and follow the development of our customers. The risk is monitored at the product and the organisational unit level. It is a high-degree risk which may have a decisive impact on meeting of the set targets.

The risk of rising fuel prices

The analysts forecast further oil price increases. Rising fuel prices pose a high operational risk because the fuel price represents roughly a third of transport costs. We have no influence over changes in market energy prices and thus the risk is unavoidable although mitigated by cost-related measures (selecting the lowest bidder) and sales activities (changing sale prices). The risk control is performed by the management of the division in cooperation with heads of individual organisational units.

Risk related to unforeseen changes in the network of partners

Globalisation and the tough economic conditions have resulted in acquisitions of logistics companies. Medium-sized family companies are forging alliances to combat the big corporations. Intereuropa d.d. cannot join one of them because of its ownership structure. As such companies form a part of our network of partners, a possibility exists that such a combination might result in conflict of interest with the new owner, who has either subsidiaries or strong partnerships in countries in which Intereuropa is present. Any change in the shareholder structure of Intereuropa d.d. may bring the same risks as well.

The impacts of this relatively high risk depend on the country or countries in which a change of the partner takes place. The risk of unforeseen changes in the network of partners is managed by linking with several partners in a territory and by constantly and actively monitoring the segment. Risk management is within the powers of the management of the division.

Intercontinental transport

Major risks in the intercontinental transport segment will continue to relate to operations of suppliers and key customers.

The most important and at the same the most probable risks have continued to be directly linked to the situation on the global market and the continuing consequences of the economic crisis, which affect operations of suppliers and supply conditions as well as the business and solvency of customers. The probability of operational risks in intercontinental transport is deemed medium.

Risk in operations with suppliers and the network of partners and agents

The risk is deemed moderate. Shipping companies and air carriers have trouble containing costs in provision of services and are therefore discontinuing some of them but create links to maintain appropriate connections in the Balkans. The changes have a medium impact on operations because alternative solutions are in most cases acceptable to our customers. More important are changes in prices of services of shipping companies, air carriers, ports and land carriers which may have an effect on potential loss of customers as a result of higher tariffs. We assess the risk related to higher tariffs to be moderate as well. It is monitored at the product level with the risks managed by product managers for the entire group and heads of organisational units at the national level. Action is taken and reporting made monthly at regular meetings of the company's Management Board.

Risks related to business with the customers

If the crisis aggravated further in 2012, that would result in even poorer financial discipline and a greater need for delayed payments. Because of the market uncertainty, the customers are expecting greater flexibility of service, regular tracing of goods and prompt informing so that they may do business with less inventories and financial burdens. The risk of doing business with the customers therefore represents a key operational risk because it includes our responding to customers while at the same time monitoring their financial position.

The risk is deemed moderate and the impact on operations medium. It is managed by heads of organisational units and the sales department. The situation regarding customers and receivables is overviewed and reported monthly at meetings of unit managers.

Competition risk on the logistics market
The increasing competition in the segment of sea freight and car logistics is reflected in substantial changes of market shares among logistics companies. Customers change logistics providers more often. We believe that the trend will be even more pronounced in 2012. Consequently, we foresee difficulties in increasing revenues and the physical volume of business.

The risk's impact on operations of the segment is deemed medium. The development and operations of competitors are being regularly monitored to reduce the risk. Activities are performed by heads of organisational units and the product manager, who inform the company's Management Board at regular monthly meetings.

Logistics solutions

Sales risks
The risks are on the one hand related to the expectations and satisfaction of customers with our services and on the other with our professional efficiency and competitiveness. When rendering services, we respond to the expectations of customers who are increasingly demanding complex, integrated and IT-supported logistics solutions. Warehousing locations are often linked with the local economy which increases dependency on individual companies.

The risk of losing customers is reduced through mechanisms for constant internal monitoring of service quality and checking customer satisfaction. The risks are controlled by the business segment and organisational unit which adopt appropriate measures. The effectiveness of measures for reducing sales risks is monitored by following sales and financial results, customer satisfaction and complaints at the level of the business segment and organisational units.

Sales risks are deemed to have a high impact on operations and are probable.

As a result of the economic recession, the focus in logistics solutions was on measures to reduce sales risks and risks of available warehousing capacity, which are the most strategically important for the business segment.

Risks related to the economic crisis
The risks are related to a possible decrease in the volume of business due to the negative effects of the economic crisis. At the same time, customers may exert pressure to reduce prices of services because of the excess warehousing capacity on the market. The risks related to the economic crisis are managed by measures related to synergies and a search for internal reserves. The market situation is being followed and measures to enhance sales promptly prepared at regular monthly coordination meetings. The risks related to the economic crisis may have a high impact on operations and are highly probable.

Risk of availability of warehousing capacity
The risk is related to the possibility that new or existing customers will ask for using the already occupied warehousing capacity. The risk is managed by agreements with customers, internally directing demand to appropriate locations and by cost management of other products. The customers thus feel no cost impact of warehousing in different locations.

The risk is controlled by the business segment which monitors the customers' needs on the market in cooperation with company directors, branch office managers and heads of organisational units. The risks of availability of warehousing capacity have a medium impact on operations and a low probability.

Risks of providing for additional requirements related to product groups (hazardous substances, food and animal feed)
Specialisation for handling individual product groups brings additional risks from providing for technical requirements of facilities and means of transport and the requirements in the technology of work.

The risk is managed by compliance with the legally prescribed technical requirements for facilities, set up management systems (e.g. HACCP for food and animal feed) and constant monitoring of processes of acceptance, storage and additional work at the warehouse and the release of goods. The risks are managed by the business segment and the relevant organisational unit.

The effectiveness of the risk-reduction measures is measured by the prescribed annual internal controls by the persons responsible for internal controls, audits of systems and by periodical external controls by the competent inspection authorities.

The risks of providing for additional requirements related to product groups have a low impact on operations and a low probability.

2.6.4 Inherent risks

Inherent risks relate to the design, implementation and control of business processes and activities. They are managed via internal controls, maintenance, insurance, organisation and processes. The key inherent risks include:

- risks related to implementation of the strategic business plan;
- ICT risks;
- risks related to personnel management.

Strategic risk

Strategic risks were managed by providing for the group's financial stability through loan restructuring, ongoing negotiations with banks and disinvestment.

The most important risks in implementation of the strategic business plan are those related to the group's financial stability. The factors affecting financial stability include:

- success in agreements with the banks on loan restructuring;
- extension of short-term loans for financing working capital;
- successful implementation of the planned disinvestment; and
- providing for a sufficient cash flow from operating activities to repay all financial liabilities.

Despite the difficult market situation in 2011, we managed to renew all short-term loans for financing working capital, carry out the planned disinvestment and prepare and present to the major stakeholders a programme of financial and business restructuring of the company. Activities related to the provision of financial stability have remained a priority task of the Management Board in 2012.

ICT risk

ICT risks were regularly monitored by administrators and action was taken with regard to the risk assessment.

ICT risk has been identified and managed in the parent company in line with the comprehensive risk management. The risk arises primarily from the following:

- unauthorised use of IT solutions and ICT infrastructure results in the risk of data abuse and integrity violations;
- delays in IT projects, interrupted system operation, outdated equipment, insufficient knowledge on IT solutions and exposure to viruses result in the risk of unavailability of IT solutions supporting operations.

Each of the risks is being managed, mostly in the IT Department. Establishing the post of an IT auditor is planned. Risk managers update their risk assessments twice a year and take appropriate action to avoid the risk or mitigate its consequences.

Risks related to personnel management

The risks are related to hiring appropriate personnel, staff development, remuneration and motivation. Special attention is paid to efficient development, building a culture of success and employee training because expertly trained and motivated staff are a key element of the group's development.

Personnel management is carried out via the set up systems which include the system of planning for personnel needs, the system of education and training at all levels, the system of remunerating and assessing performance, the system of identifying and managing key and perspective staff, the system of internal communications and the system of workers' co-management. Staff turnover, in particular for key and perspective staff, is being regularly monitored and its optimal level provided for.

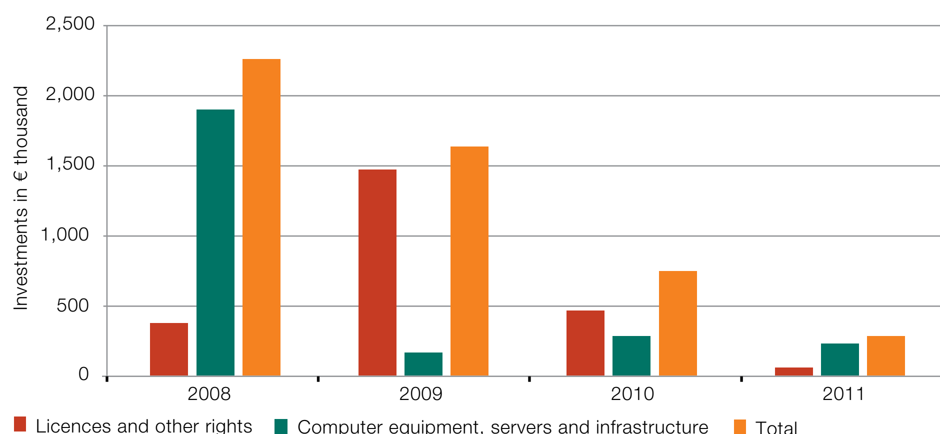
2.7 DEVELOPMENT AND INVESTMENTS

The activities in IT included further expansion of e-business and the development of computerisation of operations, which provides for preserving and strengthening our competitiveness in the long term. The introduction of new IT solutions has contributed to improvement of processes with the aim of implementing the strategic objective of their streamlining in all business segments.

2.7.1 IT development

The group invested € 282 thousand in IT of which € 170 thousand in Slovenia, equalling 60% of the total IT investments in the Group. IT investments of other group members amounted to € 112 thousand. IT investments in 2011 were minimal because the necessary software for the key IT projects was purchased in the preceding two years. Therefore, the overall IT investments were much lower although investments in the infrastructure remained virtually the same.

Chart 25: IT investments of the group



IT activities in the Slovene part of the group

The new IT solutions made a significant contribution to process streamlining.

Activities in 2011 were the following:

- **Computerisation of operations** introducing the updated transport management system (TMS) for land transport as well. Central acquisition of data on all operations has improved work efficiency and enabled the customers a better quality of handling orders and tracing shipments.
- **Computerisation of purchasing** with successfully completed first stage of introducing a system of electronic documents by digitalising input documents and computerising the work flow of control and signing off with automatic transfer to the finance & accounting system. The solution enhances efficiency of employees, contributes to meeting of environmental goals and provides for state-of-the-art customer management.
- **Developing e-business B2B, B2C, B2G and D2D** with continued inclusion of new customers via the standard interfaces in land transport and logistics solutions. It is enabled by the group-wide e-business platform and provides for rendering services to the customers efficiently with no paper documents.

New solutions have upgraded our services in a way adding value for our customers. The major activities included:

- Continued development of the transport management system (TMS) for sea freight.
- Streamlining the warehouse management system (WMS).
- Expanding the system of electronic documents to output documents and a link with operating systems and computerisation of the work flow of invoicing.
- Continued introduction of IT solutions for increased automation of the logistic supply chain with motorways of the sea and airways. The new solutions will shorten transport routes, increase work efficiency and improve transparency in transport of goods.
- The development of solutions for the content management system will improve business efficiency, enhance the quality of decisions and speed up processes.

- Continued computerisation of the segment of finance, accounting and controlling to provide for a better quality of data in business management.
- The development and introduction of solutions providing for a better quality of data for proactive decision-making within strategic management of the company. It entails setting up a business decision-making system based on a data warehouse.

IT in other group members

The main IT projects of the major foreign subsidiaries of Intereuropa d.d. were the following:

- Intereuropa, logističke usluge, d.o.o., Zagreb:
  - The EU-NCTS system was introduced on 1 August 2011 for use within the country in the first stage, in agreement with the Croatian customs administration, with the second stage for international tracing of customs goods scheduled for 2012. We were among the first logistics companies in Croatia to introduce the NCTS system and the first to introduce digital certificates speeding up operational work. That has enabled us to maintain our market share after Croatia eventually joins the EU. The conditions for introducing a centralised program supporting customs operations on all border crossings have been met.
  - Introduction of an updated personnel management system in accordance with the legal requirements concerning working hours of employees and computerisation of work flows of processes related to absence from work aimed at improving staff efficiency.
  - Preparations for a capacity-enhancing technological upgrade of the network infrastructure and reducing ICT costs by switching the provider.
  - The development of B2B, B2C and G2B operations by inclusion of new customers via standard interfaces providing for more efficient services with no paper documents.
  - IT support to the introduction of the HACCP/ISO 22000 certificate in the company raising its attractiveness for new customers.

- Intereuropa RTC d.d. Sarajevo:
  - Introduction of the GPS system for monitoring vehicles with the aim of cost control, optimising transport routes and providing for tracing of goods and enhanced customer satisfaction.
  - Introduction of the system for taxability of the financial system in line with the legal requirements and a link to the tax authority as well as an appropriate adjustment of the ERP system.

- Intereuropa Skopje DOO, Skopje:
  - Preparations for the project of developing an integrated IT solution for operational support to business and for finance and sales.

- TOV TEK ZTS, Uzhgorod:
  - Setting up a B2G link in computerisation of railway and land operations enabling operators to electronically send documents for railway transport.
  - Equipping vehicles with GPS devices and introducing the GPS system for monitoring vehicles with the aim of optimising transport routes, providing for monitoring of goods, enhancing customer satisfaction and improving the efficiency of land transport by lowering operating costs.

The following projects are planned for 2012:

- Intereuropa, logističke usluge, d.o.o., Zagreb:
  - A comprehensive introduction of the EU-NCTS system for international tracing as well and preparations for the new market conditions after the Croatia's accession to the EU.
  - Continued computerisation of personnel processes and the wage accounting process with the aim of faster implementation and improved quality of personnel planning.
  - Upgrading the network infrastructure by switching the telecommunications provider with the aim of increased capacity, faster links and reduced cost.
  - Preparations for the introduction of the standardised transport management system of Intereuropa in land transport with the aim of improving efficiency from harmonised processes and IT support in the group and lowering overall IT costs.

- Intereuropa RTC d.d. Sarajevo:
  - Introducing a new system for support to warehousing operations for customs and non-customs goods.
  - Providing for high availability of the critical part of the IT system and business continuity by installing power generators.

- Intereuropa Skopje DOO, Skopje:
  - Introducing an integrated IT solution for operational support to business and for finance and sales.

- AD Intereuropa – logističke usluge, Belgrade:
  - Preparations for upgrading the IT solution supporting customs operations in accordance with the requirements of the Serbian customs authority.
  - Upgrading the network infrastructure.

2.7.2 Investments in fixed assets

Intereuropa Group

The Intereuropa Group will continue to make only the most urgent investments.

Investments in fixed assets comprised mostly completion of the initiated investment projects and performing the most urgent work and purchases. Limited investment activity was a reflection of the market situation and the group's financial position. The parent company Intereuropa d.d. carried out only investments providing for maintaining minimum conditions for operations and bringing immediate benefits.

The Intereuropa Group invested € 2,648 thousand in fixed assets, of which € 1,854 thousand and € 794 thousand were invested in real estate and equipment, respectively. The annual investment plan has been implemented 57.2%.

Table 16: Overview of the investment plan implementation in 2011* (€ thousand)

	Real estate		Equipment		Investments total		
	Plan	Implementation	Plan	Implementation	Plan	Implementation	Implementation in %
Intereuropa d.d.	593	340	1,257	318	1,850	658	35.6
Subsidiaries	1,700	1,514	1,083	476	2,783	1,990	71.5
Group total	**2,293**	**1,854**	**2,340**	**794**	**4,633**	**2,648**	**57.2**

**Divided into property, plant and equipment and intangible assets:*
Of the total investments of € 2,648 thousand in the group, € 2,570 thousand and € 78 thousand were invested in property, plant and equipment and intangible assets, respectively.

Investments in the parent company Intereuropa d.d.

Major investments in the parent company Intereuropa d.d. were the following:
- ⟶ reconstruction of the roof of the facility B (partial) and facility C1 in Celje;
- ⟶ upgrade of the server equipment (the ISPRO project etc.) and internet router for the IT Department;
- ⟶ hail protection – a net for cars on the parking lot of the Logatec Logistics Centre;
- ⟶ licences and software;
- ⟶ loading platforms in Ljubljana.

Some office equipment was acquired from funds of the bonuses received from the Fund of the Republic of Slovenia for Promoting the Employment of the Disabled and reimbursement of contributions from employing disabled persons above the prescribed quota.

Long-term deferred development costs under the intangible assets item include the cost of managing the ISPRO project equalling € 142 thousand.

Investments in subsidiaries

The following major investments were made in Intereuropa's subsidiaries:
- ⟶ the Chekhov Logistics Centre: hooking up to the second power line with the technical documentation, finishing work and various reconstructions on facilities (power cable to the filling station for forklifts, changing the petrol station to a warehouse and technical control of cables to acquire a permit for hook up to a permanent power supply);
- ⟶ development tax for facilities D-E and F in Podgorica;
- ⟶ taking over an apartment for repayment of receivables in Podgorica;
- ⟶ construction of cold storage in the warehouse in Split;
- ⟶ construction of the sanitary and hydrant aboveground network in Zagreb;
- ⟶ reconstruction of premises for the warehouse staff in Podgorica;
- ⟶ purchase of vehicles (company cars, semi-trailers, snow cleaning machinery, loading machinery and a commercial vehicle);
- ⟶ reconstruction of engines and other major maintenance of freight vehicles;
- ⟶ IT equipment (barcode readers, PCs and printers);
- ⟶ IT licences;
- ⟶ warehousing equipment (lifting table, manual forklifts, warehouse stacks, rolling door and mobile container); and
- ⟶ office and other equipment (fire alarm system, air conditioning and furniture).

Plans for 2012

The group plans to invest € 2,511 thousand. The bulk will be invested in IT (licences and software) and warehousing equipment (forklifts and warehouse stacks). The parent company plans to invest up to € 1,604 thousand.

An additional explanation with a cost-benefit analysis will be prepared for each major investment in 2012 as was the case before.

Continued

streamlining of business processes. Several business functions have been centralised, activities with too low value added downscaled and sales productivity enhanced.

Business needs good organisation.

Deliveries play a crucial part in planning of a new production process. Selecting the logistics partner is a matter of the price but also a guarantee for compliance with the business arrangements.

3 Sustainability report

The Intereuropa Group demonstrates corporate responsibility in all aspects of its operations. Employee care and responsibility to the social and natural environment are our ongoing commitments. The company's dedication to sustainable development is a symbol of our competitiveness.

Our guidelines on the path to maintaining and strengthening good relations with the immediate and wider environment are:
- ethical behaviour regarding our employees, the natural environment, the local community and society at large;
- care and attention to the needs of the environment;
- strict compliance with the law; and
- meeting consumer demand for better quality services and complying with social and environmental standards.

3.1 EMPLOYEE CARE

Amidst complex operating conditions, the company has managed to achieve its business and strategic goals through consistent planning and application of its personnel employment policy. When implementing its personnel policy, the company continued to rely on its internal human resources, its reduced labour costs, optimised work processes and measures to improve its employees' work motivation.

These measures contributed to strengthening the company's intellectual and social capital as important factors in the Group's long-term development. They primarily include the professional experience and qualifications of its staff, the capacity of teams of specialised individuals with strong sales know-how, and the provision of a complete range of logistics services.

Market conditions call for the continuous optimisation of work processes and labour costs.

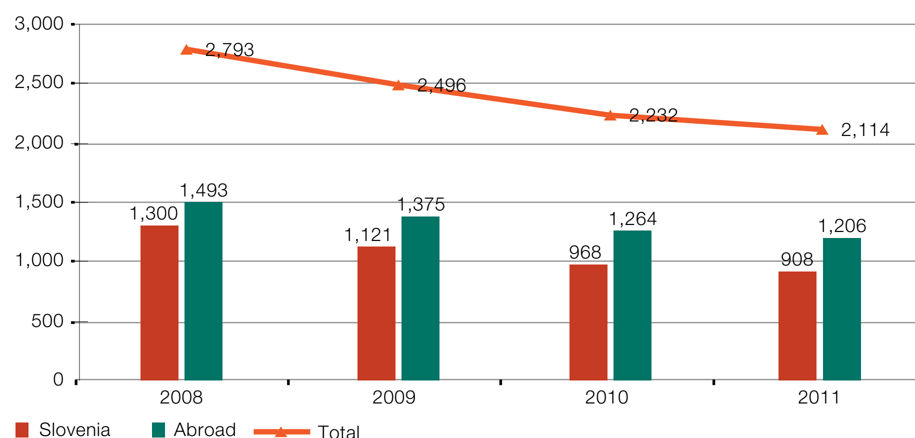
Market conditions call for the continuous optimisation of work processes and labour costs and the Group has therefore continued reducing its staff numbers. More flexible employment forms are being introduced to efficiently counter fluctuations in operations.

3.1.1 Changes in employee numbers

As at 31 December 2011, the Group had 2,114 employees, of whom 43 percent were in Slovenia and 57 percent in subsidiaries abroad. Compared with the end of 2010, employee numbers were reduced by 118, or 5 percent.

In 2011, 354 employees left the Group. Two hundred and thirty-six new employees were hired, most of them (132) in the subsidiary in Russia where workforce fluctuation is always very high. The taking on of new personnel was chiefly carried out to fill vacancies and, to some degree, due to the acquisition of new business. An optimal employee structure was ensured with staff relocations, with at least 116 employees changing their workplace or work area in the Group's operations in Slovenia. The fluctuation rate in larger companies totalled 12 percent, down 2 percent on the previous year.

Chart 26: Changes in employee numbers in the 2008–2011 period



As at 31 December 2011, the Group had 1,975 employees on permanent contracts (93 percent) and 139 (7 percent) on fixed-term contracts.

In order to cover occasional personnel needs and the performance of warehousing activities, the Group used more flexible forms of employment and hired employees through employment agencies and student employment brokerage services. Eight percent of employees were recruited in this way.

The utilisation of working time in the parent company was 80.6 percent, slightly more than in 2010 (80.3 percent).

Table 17: Number of employees in the Intereuropa Group by company in 2011 and 2010

	31/12/2010	Incoming	Outgoing	31/12/2011	Difference 11-10	Ind 11/10
Intereuropa d.d., Koper	773	26	31	**768**	-5	99
Intereuropa Transport, d.o.o., Koper	171	0	54	**117**	-54	68
Interagent, d.o.o., Koper	20	1	2	**19**	-1	95
Interzav, d.o.o., Koper	4	0	0	**4**	0	100
Slovenia	**968**	**27**	**87**	**908**	**-60**	**94**
Intereuropa, logističke usluge, d.o.o., Zagreb	566	31	99	**498**	-68	88
Intereuropa Sajam, d.o.o., Zagreb	16	2	2	**16**	0	100
Intereuropa RTC d.d. Sarajevo	160	11	26	**145**	-15	91
AD Intereuropa – logističke usluge Beograd	114	4	10	**108**	-6	95
Intereuropa Kosova L.C.C., Priština	24	2	1	**25**	1	104
Zetatrans A.D. Podgorica	167	6	11	**162**	-5	97
Intereuropa Skopje, DOO Skopje	31	9	7	**33**	2	106
Intereuropa-East Ltd., Moscow	122	132	86	**168**	46	138
TOV TEK ZTS, Uzhgorod	44	12	7	**49**	5	111
Intereuropa Transport & Spedition GmbH, Troisdorf *	14	0	14	**0**	-14	0
Intereuropa S.A.S., Saint Priest **	4	0	4	**0**	-4	0
Intereuropa Global Logistics Service Albania shpk, Durres	2	0	0	**2**	0	100
Other countries	**1264**	**209**	**267**	**1206**	**-58**	**95**
TOTAL	**2232**	**236**	**354**	**2114**	**-118**	**95**

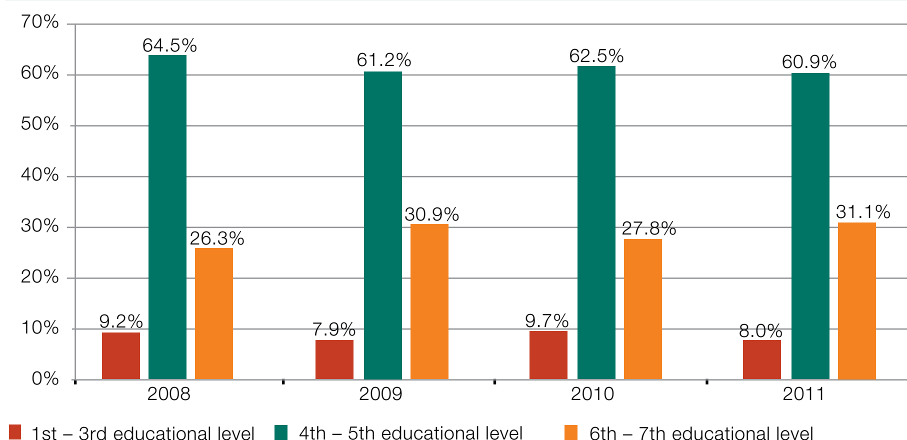
** Intereuropa Transport & Spedition GmbH, Troisdorf from Germany has been in liquidation since 1 September 2011*
*** Intereuropa S.A.S., Saint Priest from France was sold off in the first half of 2011*

3.1.2 Employment structure

Qualification structure of employees

Compared with the previous year, the qualification structure of the employees remained roughly the same. Operational staff with the 4th and 5th qualification levels (vocational secondary education and high school and secondary vocational technical education) predominate in the Group at a level that for years now has been steady at around 60 percent. The share of employees with a high and higher education is gradually rising, while the share of those with a low level of education is decreasing. For the time being, the Group has entered into education contracts with 18 employees. Intereuropa Group's strategy in the field of education and training is oriented to promoting the acquisition of functional skills, with the acquisition of higher education levels being left up to the discretion of individuals and not usually involving any company funding.

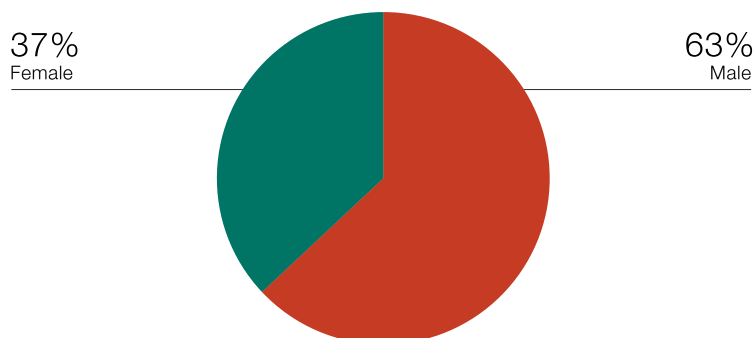
Chart 27: Qualification structure in the Intereuropa Group in the 2008–2011 period



Management structure (service contract) by gender

Compared with the previous year, the number of employees under a service contract dropped from 80 to 70 and was, inter alia, the result of mergers and the closure of some subsidiaries. Consequently, the percentage of female employees also fell by 1 percentage point.

Chart 28: Management structure by gender



3.1.3 Training and development of employees

Training in health and safety at work is becoming more important each year.

In 2011, the Group optimised its internal sources of knowledge and skills, with internal providers providing a significant part of the training. The share of internal training reached 74.2 percent or 20,029 hours of training. In this way, the training content and courses were completely adapted to the work process. The main forms of training included the fields of safety and health at work and software support to logistics processes (ISPRO) in the parent company.

In line with the company's cost-savings measures, the hiring of external providers for training purposes was limited to the acquisition of essential, i.e. legally required, knowledge and skills. Therefore, only one-third of the envisaged financial assets was used for training and development.

The main forms of training by field included:
- ⟶ health and safety at work;
- ⟶ logistics;
- ⟶ foreign languages; and
- ⟶ other professional fields (finance, auditing, accounting, law etc.).

Ever more attention is paid each year to education and training in the field of health and safety at work. The company's aim is to increase the employees' professional qualifications and concern for a safe and healthy workplace through directed and continuous training. This has a positive impact on productivity and reduces the risk of injuries at work or employees' impaired health in the Group. The employees acquired knowledge and skills in the fields of health and safety at work, fire protection, transport of dangerous goods, first-aid, fire fighting and evacuation, and safe work in the railway transport area. These training courses are carried out in relation to prescribed time-limits and may be at the forefront during specific periods.

In the course of acquiring knowledge in the field of logistics, up to 8,563 hours (1,190 participants) were earmarked for the introduction of new software support to logistics processes (ISPRO), while the other courses included customs clearance and HACCP training. Among foreign languages, courses in the German language and English language in the subsidiary of Montenegro prevailed.

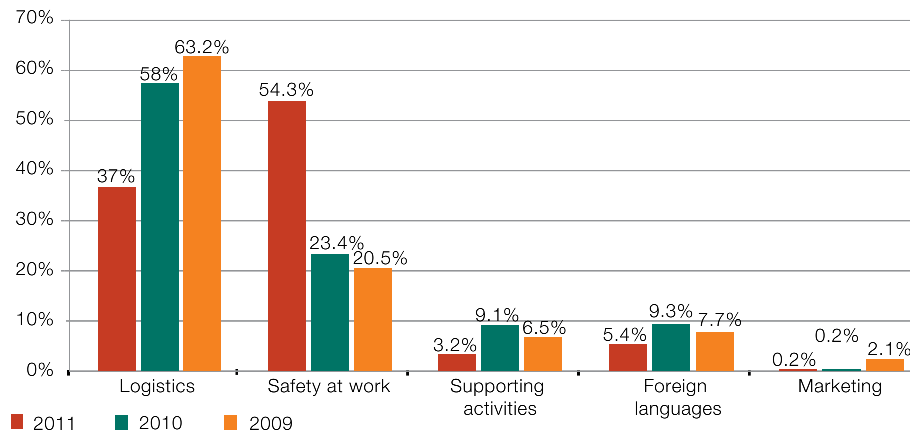
The training included outworkers, students and those employed through employment agencies. There was a total of 218 participants in the fields of safety and health at work and software support to logistics processes (ISPRO).

Table 18: Education and training of Intereuropa Group staff in the 2008–2010 period

	2008	2009	2010	2011
Hours of training (functional training and part-time study)	37,696	54,072	45,000	38,517
Hours of the internal transfer of knowledge	6,803	28,568	12,813	20,029
Number of hours of training per employee	13	22	20	18
Number of participants	2,425	3,346	1,602	2,604
*Total expenditure on training (in euros)	345,702	193,831	89,812	62,248
*Total expenditure on training per employee (in euros)	124	78	40	30

** This amount only includes tuition and participant fees*

Chart 29: Total number of hours dedicated to educating and training Intereuropa Group staff by field



Future objectives:
- ⟶ to include every employee at the parent company and subsidiary level in at least 20 hours of training annually, which involves a system of employee rotation and professional initiation, work on new large projects, coaching activities, in-service training at other organisational units/companies; and
- ⟶ to emphasise training in the areas of customs clearance, logistics, legally required support functions, safety and health at work, and in particular foreign languages, marketing, negotiations in the market of logistics services and IT (ISPRO etc.).

Care for employees and the broader social environment

Employee care also continues outside the work environment. This is carried out in the following ways:

- Organisation of different social events to enhance good mutual relations. These include regular pre-New Year's parties in individual units as well as group gatherings with presentation of employee loyalty awards.
- The Group carries on the tradition of presenting symbolic New Year's gifts to employees' children. In the Group's operations in Slovenia, 206 children were presented with a EUR 30 gift card for a children's department store.
- Employees and retirees are given the opportunity to rent company holiday facilities at favourable prices. In 2011, a 34 percent occupancy rate was recorded, down 15 percent on the previous year.
- Intereuropa's employees have the opportunity to participate in organised recreational activities in the afternoon.
- The Group gave financial aid totalling EUR 54,314 to 81 of its employees for reasons of financial and health problems, death in the family or similar.
- An average of EUR 40.4 per employee per month was paid by the Group's Slovenian operations (Intereuropa d.d. and Interagent d.o.o.) for 688 employees (76 percent) under the voluntary pension insurance scheme.
- Flexible working hours aimed at facilitating work and family obligations were taken advantage of by 16 employees within the Group's Slovenian operations.
- Co-operation between the Intereuropa Group and a variety of educational institutions in the local and broader environments was promoted by: arranging for compulsory industrial placement for high school and university students (unpaid work, except when funding was obtained through public tenders) and, by agreement, assistance in writing term papers and theses.

Our objectives include measures to improve the level of employee commitment through: open communication, strengthening proactive thinking and dialogue at all levels, abandoning hierarchical levels, employee development via mentorships (setting of objectives and motivation at annual discussions), promoting self-learning, organising team-building programmes (including informal ones) at the level of individual units, caring for the psychological and physical health of employees, managing employee sick leave and other activities.

'Golden Thread' measurement of the organisational climate in 2011/2012

The results of the organisational climate survey conducted in 2011 were encouraging as the scores were slightly higher than in the previous survey in the majority of the categories.

The results of measuring the organisational climate in 2011 were encouraging as the ratings were slightly higher than in the 2011/2010 period (rising from 2.70 to 2.82 percentage points). This mainly applies to the fields of personal growth and development, mutual relations, relations between the company and the employees, the individual's role and appraisal in the company.

Compared to the previous measurement, employees rated the following statements (from 0.2 to 0.3 percentage points) higher: my employment in the company offers me more than just a salary; I'm proud to be part of the company; the actions of management set a good example; communication between the management and employees is open; the management shows respect for the employees, the company shows an understanding of my private life; I plan my work independently.

The measurement showed a slightly lower perception of safety and quality of the working environment in terms of increased demands on employees, which was not surprising given the global economic crisis.

3.1.4 Health and safety at work

Employee health and safety at work

The provision of a healthy and safe working environment is a precondition for competitiveness and economically sound operations. Business success is connected with social responsibility, which includes the preservation of health and working abilities and employees' satisfaction at work.

Safety and health at work ensure employees' optimal productivity, motivation and commitment to work. Concern for employees' health is the task and responsibility of every organisational unit manager and external specialists in the field of work health and safety and fire protection in each individual business unit. Such preventive measures in the field of work health and safety need to be carried out on a daily basis, and protection against fire and accidents involving dangerous substances must be ensured.

In 2011, three inspections were carried out in the parent company: in the Vrtojba branch – Inspectorate of the Republic of Slovenia for Protection Against Natural and Other Disasters; in company sectors – Inspectorate of the Republic of Slovenia for Protection Against Natural and Other Disasters, and in Intereuropa Transport, d.o.o. – Labour Inspectorate of the Republic of Slovenia. The inspections brought to light certain deficiencies that are now being rectified.

Work safety training

This kind of education and training was carried out internally and in co-operation with external specialists. As many as 374 employees, including students and workers hired on a temporary basis at the parent company and subsidiary levels in Slovenia, were trained in the fields of work health and safety, fire protection and first aid. The situation in this area is similar to that in the previous year when 373 workers participated in such training.

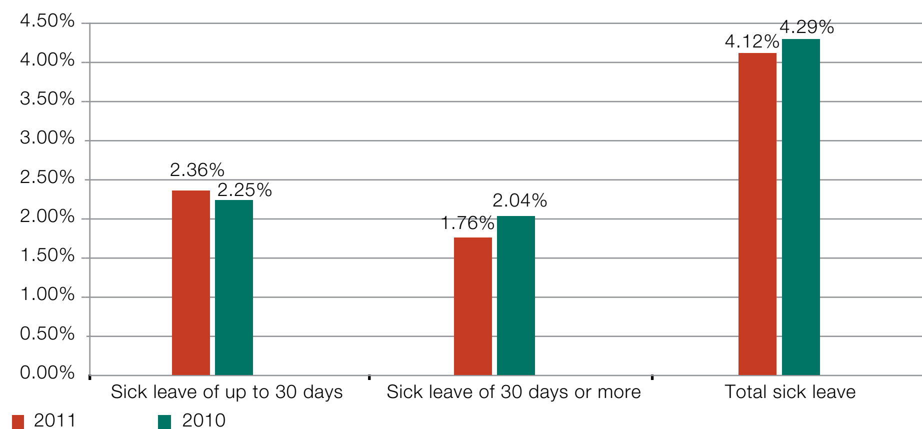
Employee healthcare

Preliminary, periodical directed or extraordinary medical examinations in co-operation with approved medical practitioners and occupational health services were organised for 227 employees, which is 27 percent less than in 2010. This year's reduced number of employees who underwent preliminary medical examinations results from the fact that all employees who work in administration and did not undergo a medical examination had already been referred to these checkups last year, along with the decrease in the number of medical examinations for Intereuropa Transport, d.o.o., drivers.

In the Group's Slovenian operations, 107 employees were included in organised influenza vaccinations, namely 33 fewer than in 2010.

The above-mentioned precautionary measures were instrumental in managing sickness absenteeism. Compared to 2010, the share of sick leave of up to 30 days rose slightly, while the share of sick leave of 30 days or more decreased.

Chart 30: Shares of sickness absenteeism in Intereuropa d.d. in 2011 and 2010



Injuries at work

On the Group level, 41 employees were injured at work, with one suffering serious injuries. In the Group's operations in Slovenia, 25 employees suffered work injuries compared to 29 employees in 2010. Of the 25 injured employees, 5 had been hired through an employment agency. There were no accidents with serious injuries. The majority of injuries included dislocations, sprains, cuts and grazes, concussions, hand, finger and elbow injuries, knee injuries, blows to the face or chest, while 10 injuries were the consequence of slipping.

An analysis of the sources and causes of injuries and their agents showed that most injuries occurred as a result of human factors (incautiousness, mishandling of goods, incorrect approach to work).

Work equipment examination and testing

Certain health risks and risks of injury are always involved in the use and operation of work equipment (e.g. forklifts, hoists, gas and electrical installations, lightning conductors and other installations). For this reason, 145 types of work equipment were examined and tested in individual organisational units.

Fire protection

Employees underwent fire protection training and special attention was paid to controlling the risk of fire. Regular examinations of the facilities and both active and passive fire protection equipment (fire extinguishers, hydrants, fire detectors, domes for smoke and heat extraction, automatic fire-screen doors etc.) were carried out.

In the Group's operations in Slovenia, 72 employees were trained in fire fighting and evacuation. An evacuation drill was carried out at the end of October in the company departments and in the Dravograd branch.

Objectives for 2012

2012 brings some new approaches in the field of health and safety protection, particularly in the fields of:

- psychosocial health at the workplace (mobbing, sexual and other forms of harassment etc.);
- workplace health promotion programme;
- prevention of alcohol and drug abuse among employees;
- amendment of the previous safety statement with a risk assessment; and
- harmonisation of the company's internal rules with the new Act on Safety and Health at Work.

3.2 RESPONSIBILITY TO THE NATURAL ENVIRONMENT

In order to reduce hazardous emissions into the environment, restrict energy losses and separate and recycle waste, the company strictly complies with the national requirements and adapts to EU and global guidelines set out in environmental directives.

We put our efforts to include a responsible attitude towards the environment in all of our business processes and decisions, in particular:

- energy efficiency;
- waste management;
- handling waste computer equipment;
- handling procedures for hazardous cargo; and
- light pollution.

Energy efficiency and separate collection of waste

Energy efficiency continued to be ensured by regular and systematic measures, such as:

- regular cleaning and servicing of furnaces, chimneys and air conditioning equipment;
- regulation of heating installations and additional regulation of heating on non-work days;
- analyses of wastewater and flue gases; and
- reconstruction of parking lots by fitting them with pollutant traps.

Intereuropa continues to promote activities that contribute to the recycling of waste, energy efficiency and the generation of alternative sources of energy.

In 2011, 11,484 m^2 of rooftop areas were repaired in order to improve energy utilisation and reduce energy consumption for heating warehouses.

Greater consideration was paid to the separate collection of waste, where long-term objectives were set for waste reduction and the anticipated effects. Press containers are used to separate non-hazardous waste (cardboard, paper, wood, metal, glass, tyres and plastic film). Dangerous chemicals and waste oils are collected in appropriate storage facilities, while organic waste of animal origin is handed over to certified contractors.

Computer monitors, cartridges, batteries and other IT equipment are collected separately. Worn out computer equipment is handed over for disposal at least once a year under an agreement with a certified waste collector and in accordance with the law.

In 2011, the rooftops of Intereuropa buildings in Logatec, Celje and Jesenice were rented out for the installation of photovoltaic arrays. In Logatec 2,025 modules with a power of 486 kWp were installed, in Celje 9,075 modules with a power of 1,770 kWp were installed and in Jesenice 3,270 modules with a power of 800 kWp were installed. According to initial estimates, the energy so produced should meet the electricity requirements of 840 households and permit an annual reduction of 2,020 tonnes of CO2 emissions. By doing so, Intereuropa indirectly joined the cofinancing programme for renewable energy sources.

Reducing adverse impacts on the environment in transport and business processes

Intereuropa is aware that transport is one of the major sources of pollution. Various activities are used to reduce adverse impacts on the environment in this area, particularly through the gradual elimination of vehicles with EURO 5 engines from the fleet, and the separate disposal of waste materials such as tyres and oils.

Intereuropa also contributes to environmentally-friendly conduct in other processes by replacing paper administration with electronic administration and by saving energy in offices and warehouses.

Care for the environment is presented to employees through the company's internal communication tools. The use of technology and a range of services that include and support the principles of environmental protection actively contribute to raising awareness of environmental principles among other business partners.

Objectives for 2012

In 2012, the company will continue to apply measures in the field of energy efficiency.

The existing Municipal Waste Management Plan for the treatment of municipal waste in Intereuropa will be upgraded in order to ensure a single agreement for all of the Group's operations in Slovenia with one of the country's waste recycling companies.

The company will continue to implement energy efficiency and cost-effectiveness measures with regard to the consumption of energy and other materials and prepare a plan for the substitution of lighting equipment in offices and warehouses.

3.3 RESPONSIBILITY TO THE SOCIAL ENVIRONMENT

The Intereuropa Group is distinctly in favour of participating in humanitarian campaigns.

The Group's interaction with its social environment helps to improve the quality of life of the employees and of society at large. The Group's responsible attitude contributes positively to the environment in which it operates. This applies both to the parent company and its foreign subsidiaries which are also actively involved in their local and broader social environments. Funds are granted with due care and Intereuropa's primary objective is to focus on opportunities that contribute to Intereuropa's recognition and reputation in Europe and beyond.

The structure of donations and sponsorships by area has changed over time but has always promoted variety and the equal treatment of all areas of society. Certain long-term forms of sponsorship partnerships and projects have been developed and consolidated in time.

The economic crisis and market conditions hindered the Group's operations in 2011 and consequently took its toll on the funds originally earmarked by the Group for sponsorships and donations. Nevertheless, the Group managed to support quite a number of socially useful projects, particularly humanitarian campaigns.

The Intereuropa Group has been distinctly in favour of participating in humanitarian campaigns. The company donated funds and supported the 'Slovenian Philanthropy' Association for the promotion of volunteering by organising the free transport of humanitarian cargo.

Intereuropa d.d. has supported the PanSlovenian Shareholders' Association and its Investo.si programme in order to continue to present the Group on the Association's website.

The Intereuropa Group also provides for the Group's recognition in other countries of South-east Europe. The Embassy of Montenegro was thus granted funds to organise and carry out an event marking the anniversary of Montenegro's Statehood Day.

3.4 QUALITY MANAGEMENT SYSTEM

Implementation of the quality management strategy

In the field of providing service quality, Intereuropa d.d. continued implementing activities connected with system maintenance. External evaluations were successfully completed in all five certified Group companies, with a separate certification of Intereuropa, logističke usluge, d.o.o., Zagreb. Seventy-three percent of all Group employees are currently employed in companies certified for quality systems management with the ISO 9001:2008 standard.

A major change in the quality management system involved the transition to new software in the area of land transport which facilitates the ordering of services and traceability of consignments.

Quality indicators

In the area of forwarding and logistics, quality indicators are linked to the promptness of the services rendered, the safety of customers' goods and low costs. The number of complaints in the parent company in 2011 was down 20 percent, although there was a rise in claims costs. The company is insured against operational risk with its subsidiary Interzav d.o.o. In Intereuropa d.d. the speed of delivery of goods in international and national transport remained on the previous year's level.

Internal verification of service quality

Internal evaluations were carried out in all certified companies throughout 2011. Internal evaluation results show that business operations complied with the standard in the majority of processes. Corrective measures have been initiated with regard to those activities in which discrepancies occurred.

Internal verification of the food safety management system – HACCP

The controlling company established the food safety management system in its warehouses in Maribor, Dravograd, Celje, Ljubljana and Zagreb. In November and December, the HACCP system verification, i.e. verification of compliance with good practices with regard to food safety, was carried out in four warehouses. Discrepancies were identified in seven cases and five recommendations for improvement were made.

External verification of service quality

The year was marked by successful external evaluations in all Group members with a certificate.

Table 19: External verification of service quality

Company	Standard	Certification body	Month of external evaluation	Discrepancies	Recommendations	Measurement of customer satisfaction
Intereuropa d.d.	ISO 9001:2008	SIQ	March	0	18	
Intereuropa Transport, d.o.o.	ISO 9001:2008	SIQ	March	0	4	
Intereuropa, logističke usluge, d.o.o., Zagreb	ISO 9001:2008	SIQ	August	NP	NP	
Interagent d.o.o., Koper	ISO 9001:2008	BV	June	0	4	√
Intereuropa RTC d.d. Sarajevo	ISO 9001:2008	SIQ	December	0	17	√

As the table shows, external verifiers did not identify any discrepancies but they issued several recommendations for improvement. Certifications of quality management systems were suspended in companies in liquidation (Intereuropa Transport, d.o.o., and Intereuropa Transport & Spedition GmbH, Troisdorf).

In addition to verifications of the quality management system, an inspection was carried out by the Customs Administration with respect to the use of customs authorisations and compliance with the requirements of the authorised economic operator. The Administration issued a positive opinion since only a small number of discrepancies were identified given the number of transactions.

External verification of the system of organic product storage of imports from third countries

The five certified Group companies employ 73 percent of all employees in the Group.

For the fifth consecutive year, the Koper Branch successfully passed the assessment of the conformity of the storage of organic products imported from third countries as laid down in Council Regulations (EC), Nos. 834/2007 and 889/2008. Only one recommendation for the completion of the record of imported organic products was made.

Plans for 2012

With the introduction of state-of-the-art software as well as standardised and automated work processes, an increase is expected in the level of service quality, particularly in the area of land transport.

3.5 RESPONSIBILITY TO SUPPLIERS

The system of integrated supplier relationship management is defined in the Rules of Procedure for Quality Management, organisational rules, work guidelines and Group rules. In order to ensure a smooth work process, Intereuropa d.d. strives to maintain a professional, solid, reciprocal and fair relationship with key and other suppliers of important resources.

Suppliers are categorised according to their importance and capability as:
- partner suppliers (suppliers with whom Intereuropa d.d. has a long-term co-operation agreement);
- authorised suppliers (suppliers considered as capable and reliable); and
- non-authorised suppliers (suppliers not meeting the selection criteria).

Other suppliers include one-off and minor suppliers.

Suppliers are assessed annually in major business areas and included in appropriate lists (authorised/non-authorised) on the basis of a uniform methodology and the prescribed criteria (price, quality, delivery times and other area-specific criteria). Suppliers are notified about the results they achieve. Intereuropa d.d. is open to any comments, suggestions and wishes with a view to improving its relationship with its suppliers.

To ensure the equal footing of suppliers and optimum solutions, a selection is carried out among three suppliers in conformity with the regulations and the list of suppliers. The selection is made by a selection committee or another responsible person in co-operation with experts from appropriate areas. The adequacy and quality of the services or materials supplied are monitored regularly, and timely measures are taken with a view to ensuring end-user satisfaction.

Objectives for 2012

The principal task of procurement remains the supply of services and materials at the best possible prices and the provision of appropriate quality work processes while maintaining good business relations with our suppliers.

3.6 COMMUNICATION WITH KEY PUBLICS

The Intereuropa Group continued to strengthen its proactive communication with all stakeholders.

The focus of communication was on the Group's major achievements and new developments in operations. The Group also responded to the current situation and market demands.

Internal and external communication of the Intereuropa Group is the responsibility of its public relations department, which provides for harmonised and consistent communication with the media, employees, customers and investors, and defines the flow and internal control of price-sensitive information.

The communication objectives are closely associated with the company's business objectives and corporate business policies. Realisation of the communication strategy is based on the Group's development strategy, while key public communication guidelines are defined in the management policy. These form the bases of Intereuropa's communication activities.

Communication with the financial public

Special attention was paid to communications with the customers, financial institutions and employees.

Intereuropa Group's efforts are aimed at providing regular, open and accurate communication with investors. Particular attention is devoted to consistent and open communications with shareholders which have a decisive influence on strategic decisions and business policies in the parent company and Group. The company also provides for the correct and timely communication of information to its creditor banks. In this respect, the Group consistently followed the rules on information disclosure to which we are bound as a public limited company listed on the Ljubljana Stock Exchange.

In 2011, the Group continued to meet with investors, analysts and bankers on a separate basis. By employing various communication tools and activities, the Group strengthened its reputation and visibility in the public.

For additional information on communication with the financial public, please refer to the chapters Shares and share ownership structure and Statement on corporate governance.

Communication with the media

The Group ensured comprehensive and quality media communication which contributed to consistent informing of the general public as well as the visibility and reputation of the Intereuropa Group by using a proactive approach. In addition to regular press releases, the Group also responded to all journalists' questions and provided exhaustive media information.

Communication with the employees

Proactive and consistent communication with our employees is an important element of our activities. Such communication is carried out in person and by way of the monthly electronic newsletter (InterInformator). The Group organises occasional management visits to its business units and works council meetings in order to disseminate up-to-date information. The works council regularly invites the company's management to its meetings and provides for information and dialogue on pressing issues in the company.

Communication with customers

The Group advocates the importance of communicating and maintaining close relations with customers through regular and efficient co-operation. Such relations are fostered and strengthened through regular contacts and visits. These ties are a confirmation of customer confidence and pave the way for stronger co-operation that will also lead to growth in business. In addition to regular contacts, 2011 was marked by the regular participation in and occasional organisation of expert meetings and events.

By **9%**

Car logistics accounted for 9% of sales.

We are logistically handling major car brands on different markets.

Each element is a part of the perfect whole.

Specialised car parts manufacturers become involved already at the stage of vehicle development. In a modern vehicle comprising more than a thousand parts, each element fits perfectly.

%

FINANCIAL REPORT

OF THE INTEREUROPA GROUP AND OF THE PARENT COMPANY INTEREUROPA D.D. FOR THE FINANCIAL YEAR 2011

Introductory notes to compilation of the financial statements

The Intereuropa Group consists of the parent company Intereuropa d.d., its subsidiaries and a joint venture consolidated under the equity method. Intereuropa d.d., a large company in accordance with the Companies Act, with securities traded on a stock exchange is subject to audit requirements. As the parent company, it must prepare consolidated financial statements. The address of its registered office is Vojkovo nabrežje 32, 6000 Koper, Slovenia.

The financial part of the annual report includes financial statements with notes thereto for the parent company and financial statements with notes thereto for the Intereuropa Group. All financial statements were compiled in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The audit company Ernst & Young, revizija, poslovno svetovanje, d.o.o., audited each part of the annual report separately and delivered two separate auditor's reports.

Financial report of the Intereuropa group for the 2011 financial year

Financial statements of the Intereuropa Group with notes

The financial statements include the consolidated financial statements of the Intereuropa Group (hereinafter: the Group) for the period ending on 31 December 2011. Pursuant to Article 54 of the Companies Act, the Group must compile and publish the Annual Report and the consolidated annual financial statements in accordance with the International Financial Reporting Standards as adopted by the EU (hereinafter: the IFRS) because shares of the parent company are listed on the Ljubljana Stock Exchange.

The consolidated financial statements as at 31 December 2011 comprised the parent company Intereuropa d.d. and the following companies:

Table 1: Subsidiaries and the joint venture as at 31 December 2011

€ thousand	Country of registered office	stake in % as at 31 Dec. 2011	Total equity of the company	Pertaining net profit or loss for 1 Jan.-31 Dec. 2011
Direct subsidiaries of the parent company Intereuropa				
Intereuropa Transport, d.o.o., Koper	Slovenia	100.00	802	-2,953
Interagent, d.o.o., Koper	Slovenia	100.00	890	40
Interzav, d.o.o., Koper	Slovenia	71.28	84	37
Intereuropa, logističke usluge, d.o.o., Zagreb	Croatia	99.96	52,644	-572
Intereuropa Sajam, d.o.o., Zagreb	Croatia	51.00	944	35
Intereuropa Skopje, DOO Skopje	Macedonia	99.56	1,610	47
Intereuropa RTC d.d. Sarajevo	Bosnia and Herzegovina	95.77	14,576	325
Intereuropa-East Ltd., Moscow	Russia	100.00	-16,036	-5,016
AD Intereuropa - logističke usluge, Belgrade	Serbia	73.62	7,086	131
TOV TEK ZTS, Uzhgorod	Ukraine	89.93	-68	142
Intereuropa Transport & Spedition GmbH, Troisdorf *	Germany	90.48	29	-69
Intereuropa Kosova L.L.C., Prishtina	Kosovo	90.00	334	30
Zetatrans A.D. Podgorica	Montenegro	69.27	21,675	455
TOV Intereuropa - Ukraina, Kiev	Ukraine	100.00	1,782	-286
Intereuropa Global Logistics Service Albania, shpk, Durrës	Albania	100.00	52	7

**Intereuropa Transport & Spedition, GmbH Troisdorf has been in liquidation proceedings since 1 September 2011.*

Subsidiaries sold in 2011:

Intereuropa S.A.S., Saint Priest was sold on 15 June 2011. The pertaining net profit for 2011 (until disposal) amounted to € -4 thousand.

Joint venture included by the equity method:

Joint venture				
Intereuropa-FLG, d.o.o., Ljubljana	Slovenia	50.00	235	24

Certain status changes were made within the Group in the relevant period. Intereuropa IT d.o.o., Koper was merged with the parent company Intereuropa d.d. and TOV DDT Onokivci in Ukraine was merged with TOV TEK ZTS, Uzhgorod.

Table 2: Consolidated income statement of the Intereuropa Group for 2011

€ thousand	Notes	2011	2010
Sales revenues	**1**	**211,880**	**190,624**
Other operating revenues	2	2,190	7,351
Costs of services	3	-136,677	-119,369
Labour costs	4	-40,087	-41,464
Depreciation and amortisation	5	-11,946	-14,065
Other operating expenses	6	-18,580	-50,273
Operating profit		**6,780**	**-27,196**
Finance income		2,515	7,282
Finance costs		-17,214	-19,913
Profit from financing activities	**7**	**-14,699**	**-12,631**
Profit or loss from investments recognised by the equity method	8	24	34
Profit from continuing operations		**-7,895**	**-39,793**
Corporate income tax (including deferred taxes)	9	2,485	600
Net loss for the period		**-5,410**	**-39,193**
Net profit - non-controlling interest		324	759
Net loss - controlling interest		-5,734	-39,952
Basic and diluted earnings per share (€)	**20**	**-0.73**	**-5.07**

Notes to the financial statements are a constituent part thereof and must be read in conjunction therewith.

Table 3: Consolidated statement of comprehensive income of the Intereuropa Group for 2011

€ thousand	Notes	2011	2010
Net profit for the period		**-5,410**	**-39,193**
Other comprehensive income		**-866**	**-777**
Change in fair value of land	10	0	-1,884
Transfer of surplus from revaluation of land to retained earnings (in sale of land)		-4,239	-4,971
Deferred tax in surplus from revaluation of land	24	819	1,398
Change in fair value of available-for-sale financial assets	16	-65	-18
Deferred tax in revaluation surplus related to available-for-sale financial assets	24	9	6
Other changes in revaluation surplus of financial assets		0	12
Transfer of revaluation surplus related to available-for-sale financial assets to revenues		-20	0
Retained earnings from revaluation of land (in sale of land)		4,239	4,971
Deferred tax from retained earnings		-4	-935
Assessed tax from retained earnings		-815	-3
Other changes in retained earnings		-116	9
Conversion exchange differences		-674	637
Total comprehensive income		**-6,276**	**-39,970**
Total comprehensive income - non-controlling interest		349	368
Total comprehensive income - controlling interest		-6,625	-40,338

Notes to the financial statements are a constituent part thereof and must be read in conjunction therewith.

Table 4: Consolidated statement of financial position of the Intereuropa Group as at 31 December 2011

€ thousand	Notes	31. 12. 2011	31. 12. 2010
ASSETS			
Property, plant and equipment	10	300,849	322,865
Investment properties	11	6,375	6,789
Intangible assets	12	8,170	8,851
Other non-current assets	13	474	643
Deferred tax assets	24	11,755	8,756
Loans and deposits given	14	75	84
Investment in a joint venture	15	136	135
Other financial assets	16	3,556	3,678
TOTAL NON-CURRENT ASSETS		**331,390**	**351,801**
Assets held for sale	17	3,310	3,424
Inventories		241	269
Loans and deposits given	14	8,518	1,347
Short-term trade receivables	18	46,053	56,303
Current income tax assets		44	68
Cash	19	17,651	12,216
TOTAL CURRENT ASSETS		**75,817**	**73,627**
TOTAL ASSETS		**407,207**	**425,428**
EQUITY			
Equity - controlling interest		**131,296**	**137,921**
Share capital		32,976	32,976
Treasury shares		-180	-180
Reserve		59,143	66,989
Retained earnings		39,357	38,136
Equity - non-controlling interest		**9,692**	**10,242**
TOTAL EQUITY	**20**	**140,988**	**148,163**
LIABILITIES			
Provisions	21	2,726	3,084
Long-term loans and financial leases	22	27,401	171,893
Other non-current financial liabilities	23	2,721	3,872
Long-term operating liabilities		1,203	136
Deferred tax liabilities	24	16,982	17,521
TOTAL NON-CURRENT LIABILITIES		**51,033**	**196,506**
Short-term loans and financial leases	22	170,749	28,952
Other current financial liabilities	23	1,940	2,146
Short-term operating liabilities	25	41,988	49,298
Current corporate income tax payable		509	363
TOTAL CURRENT LIABILITIES		**215,186**	**80,759**
TOTAL LIABILITIES		**266,219**	**277,265**
TOTAL EQUITY AND LIABILITIES		**407,207**	**425,428**

Notes to the financial statements are a constituent part thereof and must be read in conjunction therewith.

Table 5: Consolidated statement of cash flows of the Intereuropa Group for 2011

€ thousand	Note	2011	2010
Cash flows from operating activities			
Net profit for the period		**-5,410**	**-39,193**
Adjustments for:			
- depreciation		11,946	14,065
- impairment and write off of property, plant and equipment		755	34,519
- gain on disposal of property, plant and equipment and investment properties		-1,212	-5,220
- derecognition of negative goodwill		0	0
- loss in disposal of property, plant and equipment		3,171	165
- non-cash expenses		1,655	461
- non-cash revenues		-394	-224
- finance income		-2,515	-7,281
- recovered impaired receivables		1,361	1,516
- profit or loss from the joint venture recognised by the equity method		-24	-34
- finance costs		17,214	19,913
- corporate income tax		-2,485	-600
Operating profit before working capital changes and tax		**24,062**	**18,087**
Changes in working capital and provisions			
Change in receivables		7,201	3,735
Change in inventories		28	-66
Change in operating liabilities		-6,414	6,165
Change in provisions		-297	-958
Corporate income tax paid		-1,155	-13
Net cash flows from operating activities		**23,425**	**26,950**
Cash flows used in investing activities			
Sale of a subsidiary net of cash acquired		-86	0
Interest received		1,247	987
Dividends and other profit participations received		4	58
Proceeds from sale of property, plant and equipment and investment properties		8,142	20,539
Proceeds from disposal of intangible assets		0	480
Proceeds from granted long-term loans		60	0
Proceeds from a decrease in short-term loans and deposits		0	1,460
Proceeds from sale of other financial assets		0	273
Expenditures for acquisition of property, plant and equipment and investment properties		-2,704	-9,776
Expenditures for acquisition of intangible assets		-519	-928
Expenditures for granted long-term loans and deposits		-8	-24
Expenditures from an increase in short-term loans and deposits		-7,245	0
Expenditures from settlement of derivatives		-1,950	0
Net cash flows used in investing activities		**-3,059**	**13,069**
Cash flows from/(used in) financing activities			
Proceeds from received long-term loans		3,661	1,201
Proceeds from an increase in short-term loans		2,509	0
Interest paid		-11,284	-10,533
Expenditures for repayment of long-term loans		-8,944	-18,475
Expenditures for a decrease in short-term loans		0	-4,301
Expenditures for settlement of derivatives		0	-447
Dividend paid		-867	-559
Net cash flows from financing activities		**-14,925**	**-33,114**
Opening balance of cash and cash equivalents		**12,216**	**5,318**
Exchange difference in cash		-6	-7
Net cash flow from continuing operations		**5,435**	**6,898**
Closing balance of cash and cash equivalents	**19**	**17,651**	**12,216**

Notes to the financial statements are a constituent part thereof and must be read in conjunction therewith.

Table 6: Consolidated statement of changes in equity of the Intereuropa Group for 2011

€ thousand	Notes	Share capital	Treasury shares	Reserves			Retained earnings	Equity - controlling interest	Equity - non-controlling interest	Total equity
				Revenue reserves	Translation reserve	Fair value reserve				
Opening balance as at 1 Jan. 2011		**32,976**	**-180**	**6,247**	**-10,636**	**71,378**	**38,136**	**137,921**	**10,242**	**148,163**
Total comprehensive income		**0**	**0**	**0**	**-710**	**-3,474**	**-2,441**	**-6,625**	**349**	**-6,276**
Net profit or loss for the year		0	0	0	0	0	-5,734	-5,734	324	-5,410
Other comprehensive income		0	0	0	-710	-3,474	3,293	-891	25	-866
Transactions with shareholders										
Payment of dividends and profit participation		0	0	0	0	0	0	0	-884	-884
Sale of subsidiaries		0	0	0	0	0	0	0	-15	-15
Transfer of retained earnings to reserves		0	0	36	0	0	-36	0	0	0
Settlement of the net loss for the year		0	0	-3,698	0	0	3,698	0	0	0
Closing balance as at 31 Dec. 2011	20	**32,976**	**-180**	**2,585**	**-11,346**	**67,905**	**39,357**	**131,296**	**9,692**	**140,988**

Notes to the financial statements are a constituent part thereof and must be read in conjunction therewith.

Table 7: Consolidated statement of changes in equity of the Intereuropa Group for 2010

€ thousand	Notes	Share capital	Treasury shares	Reserves				Retained earnings	Equity - controlling interest	Equity - non-controlling interest	Total equity
				Equity reserves	Revenue reserves	Translation reserve	Fair value reserve				
Opening balance as at 1 Jan. 2010		**32,976**	**-180**	**36,040**	**12,687**	**-11,680**	**76,853**	**32,009**	**178,705**	**10,098**	**188,803**
Total comprehensive income		**0**	**0**	**0**	**0**	**1,044**	**-5,475**	**-35,907**	**-40,338**	**368**	**-39,970**
Net profit or loss for the year		0	0	0	0	0	0	-39,952	-39,952	759	-39,193
Other comprehensive income		0	0	0	0	1,044	-5,475	4,045	-386	-391	-777
Transactions with shareholders											
Paid dividends and profit participations		0	0	0	0	0	0	0	0	-606	-606
Changes in the non-controlling interest upon merger of a subsidiary		0	0	0	0	0	0	-446	-446	382	-64
Transfer of retained earnings to reserves		0	0	0	83	0	0	-83	0		0
Settlement of the net loss for the year		0	0	-36,040	-6,523	0	0	42,563	0	0	0
Closing balance as at 31 Dec. 2010	20	**32,976**	**-180**	**0**	**6,247**	**-10,636**	**71,378**	**38,136**	**137,921**	**10,242**	**148,163**

Notes to the financial statements are a constituent part thereof and must be read in conjunction therewith.

Notes to the consolidated financial statements

The company Intereuropa d.d. (hereinafter: the Company) is an enterprise registered in Slovenia. Its registered office is at Vojkovo nabrežje 32, 6000 Koper. The consolidated financial statements of the Group for the year ended on 31 December 2011 include the Company, its subsidiaries (hereinafter jointly referred to as: the Group) and the holding in a joint venture. The Intereuropa Group offers integrated logistics solutions in land transport, sea and air freight and renders all terminal, customs clearance and other logistic services needed for unhindered flow of goods from the producer to the buyer.

I. BASIS FOR COMPILATION

Declaration of conformity

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and its interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC).

As shares of the parent company are listed in blue chips on the Ljubljana Stock Exchange, the Group must compile consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU (Regulation (EC) no. 1606/2002).

Accounting for the approval process of standards in the EU, there were no differences in accounting policies of the Intereuropa Group applying the International Financial Reporting Standards (IFRS) and the International Financial Reporting Standards as adopted by the EU, as at the statement of financial position date.

The Management Board of the Company approved the financial statements on 17 February 2012.

Basis for measuring

The consolidated financial statements have been compiled by applying historical cost except in cases specified below where fair value was applied:

- financial instruments at fair value through profit or loss (derivatives);
- available-for-sale financial assets;
- land.

The measurement methods used are described in Item IV.

The financial statements of the Intereuropa Group have been compiled based on the assumption of going concern.

The Intereuropa Group made a loss of € 5,410 thousand in the year ending on 31 December 2011 mostly resulting from restructuring of companies' operations, closing unprofitable companies, asset impairments and high finance costs. The Intereuropa Group was in default regarding financial covenants from loan agreements as at 31 December 2011 and therefore transferred in the consolidated financial statements non-current financial liabilities to current financial liabilities in the amount of € 116 million.

Intereuropa d.d. entered the restructuring process in 2011. Accordingly, liquidation proceedings have been initiated for unprofitable companies which will have a positive impact on operations in 2012. Additionally, the company entered negotiations with banks regarding restructuring its financial obligations and concluded a non-binding agreement with the banks on 15 February 2012. The agreement contains the following:

- an agreement on granting a grace period on payment of the principal until 30 September 2012;
- initiating sale of the company in Russia;
- the banks expressed interest for conversion of their loans into share capital of the Company of up to € 22 million;
- the banks have agreed to continue negotiations on restructuring of financial liabilities of Intereuropa d.d. during the grace period with the aim of achieving an agreement on restructuring of financial liabilities by 30 September 2012 which would enable the Company to regularly service its financial obligations in the future.

Given the above, the Management Board believes it was correct to apply the going concern assumption when compiling the consolidated financial statements as at 31 December 2011 despite an important degree of uncertainty pointing to a significant doubt in the Company remaining a going concern.

Functional and presentation currency

The consolidated financial statements have been compiled in euros, the Group's presentation currency. All financial data presented in euros are rounded to a thousand units. Therefore, the tables for disclosure may contain deviations of +1 or -1.

Use of estimates and assessments

The preparation of financial statements requires the management to make certain estimates, assessments and assumptions affecting the application of accounting policies and the posted amounts of assets and liabilities, and revenues and expenses. The actual outcome may deviate from these estimations and assumptions.

The data on significant estimates of uncertainty and critical assessments which the management has prepared in the process of implementation of accounting policies and which had the strongest effect on the amounts posted in the financial statements are the following:

- the amount of bad debt;
- the recoverable amount which serves as comparison with the carrying amount in test of asset impairment;
- the useful lives of depreciable assets;
- the residual value of property, plant and equipment;
- valuation of financial instruments at fair value;
- posting deferred tax assets and liabilities;
- establishing provisions;
- appraising value of land posted at fair value (the Group recognised impairments where the value fell).

II. CHANGES IN ACCOUNTING ESTIMATES

In 2011, the Group changed the depreciation rate for IT equipment as a part of property, plant and equipment from 33.3% to 25%. The reason for the change is prolonged useful life of IT equipment resulting from better quality of elements.

The effect from the changed depreciation rate in 2011 was € 142 thousand added to profit or loss.

III. IMPORTANT ACCOUNTING POLICIES

The Group consistently applies the same accounting policies from period to period, as presented in the enclosed consolidated financial statements. Any changes thereto are disclosed. There were no changes to accounting policies in 2011 compared to 2010.

a) Basis for consolidation

Subsidiaries

Subsidiaries are enterprises controlled by the parent company. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Assessment of the impact takes into account the existence and effect of potential voting rights which can be enforced or replaced at a time. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date it ceases.

Business combinations under joint management

Business combinations under joint management (i.e. business combinations where all companies combined are governed by one party or parties before and after the business combination where such management is not transitory) are recognised according to the pooling method.

The transferred assets and liabilities are recognised at carrying amount which was previously posted in the consolidated financial statements of the controlling company.

Joint venture

A joint venture is an enterprise with economic activities jointly controlled by the Group. The economic activities are based on a contractual arrangement requiring unanimous financial and business decisions. It is posted by the equity method. The consolidated financial statements include the Group's share in profit or loss of the joint venture calculated by using the equity method, after alignment of accounting policies, as of the date the significant influence commences until the date it ceases.

Transactions excluded from consolidation

Compiling of the consolidated financial statements excludes balances and unrealised profit or loss stemming from intragroup transactions. Unrealised loss is excluded in the same way as profit subject to the condition that no proof of impairment exists.

(b) Foreign currency

Foreign-currency transactions

Foreign-currency transactions are converted to the appropriate functional currency of Group members at the exchange rate applying as at the transaction date. Cash assets and liabilities denominated in foreign currencies as at the end of the reporting period are converted into the functional currency at the exchange rate applicable as at that date. Non-cash assets and liabilities denominated in foreign currencies that are stated at fair value are converted into the functional currency by using the exchange rate applicable as at the date the fair value was determined. The ECB reference exchange rate was applied.

Exchange differences appearing in settlement of cash items or in conversion of cash items by using exchange rates other than those used for initial recognition in the period or presentation in the preceding financial statements, are recognised in profit or loss (as revenues or expenses) for the period in which they appeared.

Financial statements of foreign operations

In conversion of financial statements of foreign subsidiaries with the functional currency other than the reporting currency (euro), for the purpose of inclusion in the consolidated financial statements, assets and liabilities and items disclosed in other comprehensive income are converted to the reporting currency of the consolidated financial statements at the exchange rate applying as at the reporting date, while revenues and expenses posted in the income statement at the average exchange rate for the relevant period. Any resulting exchange differences are recognised in other comprehensive income (translation reserve) until disposal of a subsidiary when exchange differences are transferred to the income statement.

Table 8: Exchange rates applied

		2011		2010	
Country	Functional currency	Closing exchange rate in €*	Average exchange rate in €*	Closing exchange rate in €*	Average exchange rate in €*
Austria, France, Germany, Montenegro, Kosovo	€	-	-	-	-
Russia	RUB	41.765	41.039	40.820	40.222
Croatia	HRK	7.537	7.439	7.383	7.289
Macedonia	MKD	62.060	61.772	60.977	61.453
Bosnia and Herzegovina	BAM	1.956	1.956	1.956	1.956
Serbia	RSD	103.630	101.910	107.470	102.762
Ukraine	UAH	10.755	11.211	10.361	10.565
Albania	ALL	140.840	140.733	138.790	137.981

** - ECB reference exchange rates applied*

c) Financial instruments

They comprise investments in equity and debt securities, operating and other receivables, cash and cash equivalents, received and granted loans, and operating and other liabilities.

Non-derivative financial assets

They are initially carried at fair value. The ordinary sales and purchases of financial assets are recognised as at the trading date, i.e. the date on which the Company undertakes to sell or purchase the asset. Any profit or loss resulting from disposal of financial assets is also recognised as at the same day. Measuring after the initial recognition is described below.

Posting of finance income and costs is described in the item Finance income and costs.

Cash and cash equivalents

Cash and cash equivalents comprise balances held with banks and other financial institutions, cash in hand and immediately redeemable securities.

Available-for-sale financial assets

After initial recognition, they are carried at fair value (including costs directly attributable to the purchase). Changes in fair value are recognised in other comprehensive income (equity). When an investment is derecognised, the accumulated profit or loss disposed in other comprehensive income for the period will be transferred to profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans are investments in debt of other enterprises, governments or other issuers. Receivables are the rights, emanating from property and other legal relationships, to claim the settlement of a debt, the payment for deliveries or rendered services from a specific person or entity. They are carried at amortised cost applying the effective interest rate method. Profit or loss will be recognised in profit or loss if they are derecognised or impaired.

Non-derivative financial liabilities

Financial liabilities are posted as at the date of their occurrence. Financial liabilities are initially recognised as at the trading date when the Group becomes a contracting party in relation to the instrument. The Group will derecognise a financial liability if the obligations set in the contract are met, cancelled or expired.

Non-derivative financial liabilities are after initial recognition measured at amortised cost by using the effective interest method.

Derivatives

Derivatives with no hedging relation between the hedging instrument and the hedged item, and derivatives used for hedging with no hedging performance specified are classified in financial assets or liabilities at fair value through profit or loss. Derivatives are initially recognised at fair value. Costs related to the transaction are recognised in profit or loss upon occurrence. Subsequent to initial recognition, derivatives are measured at fair value. Any resultant gain or loss arising from measurement at fair value (as a change in fair value) of derivatives is recognised in profit or loss. The fair value of derivatives is determined on the basis of valuation by their issuer as at the statement of financial position date and represents the present offered value of the transaction.

Equity

Share capital

Ordinary shares are classified as share capital. Additional costs attributable directly to the issue of ordinary shares are posted as a decrease in capital.

Redemption of treasury shares or stakes

When treasury shares or stakes posted in share capital are redeemed, the amount of the consideration paid, including directly attributable costs, is recognised as a change in share capital. Redeemed shares or stakes are classified as treasury shares and presented as a deduction from total equity.

Dividends

Dividends are recognised in liabilities and posted upon occurrence of the business event. Dividends are disclosed in financial statements of the Group in the period in which the AGM adopted a resolution on their payment.

(d) Property, plant and equipment

Property, plant and equipment are carried at historical cost less any accumulated depreciation and any accumulated impairment losses.

The historical cost comprises the amounts directly attributed to acquisition of assets as well as capitalised borrowing costs. Elements of property, plant and equipment with different useful lives are posted as items of property, plant and equipment. After the initial recognition of property, plant and equipment, the historical cost model is used for buildings and equipment, and the revaluation model for land. Land is measured by using the revaluation model with the restated amount being its fair value as at the restatement date less any subsequent accumulated impairment losses. The Group annually checks for any need for a revaluation. Land is restated every five years or more often in the case of any indicators of impairment.

If the land's carrying amount is increased as a result of a revaluation, the increase will be recognised directly in equity as revaluation surplus in the statement of comprehensive income. If the land's carrying amount decreases as a result of a revaluation, the decrease will result in a decrease in revaluation surplus for the same land. However, if the decrease in the carrying amount exceeds the accumulated revaluation surplus for the same asset, the difference in the decrease will also be posted to profit or loss as an expense. The land revaluation surplus included in comprehensive income is transferred directly to retained earnings when the asset is derecognised.

Posting borrowing costs

In the case of assets under construction, the Group attributes borrowing costs directly to acquisition, building or production of the asset under construction as a part of the asset's historical cost. Borrowing costs comprise expenses for interest and exchange differences stemming from loans in a foreign currency if they are treated as recalculation of interest expenses. Other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment will be recognised in the asset's carrying amount if it is probable that the future economic benefits embodied in such part of an asset will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

Depreciation

Depreciation is charged on a straight-line over the useful life of each (part of) item of property, plant and equipment; the method most accurately reflects the expected pattern of the asset's use. Leased assets are depreciated by accounting for the lease period and useful life. The estimated useful lives for the current and the compared period are as follows:

- buildings 20-40 years
- IT equipment 2-4 years
- other plant and equipment 4-10 years

Depreciation methods, useful lives and residual values are re-examined as at the reporting date and adjusted if necessary.

(e) Intangible assets

Intangible assets include long-term deferred development costs, investments in acquired industrial property rights (concessions, patents, licences, brands and similar rights) and other rights as well as goodwill of the acquired company. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Intangible assets are disclosed after initial recognition by using the historical cost model, namely at historical cost less any accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets with definite useful life is accrued by using the straight-line depreciation method in the estimated useful life.

Goodwill

Goodwill occurs in acquisition of subsidiaries and joint ventures. Any excess of the cost of the acquisition over fair values of the assets and liabilities acquired is recognised as goodwill. Goodwill is not amortised. However, it is tested annually for impairment.

Acquisition of non-controlling interest

Acquisitions of non-controlling interests are posted as transactions with equity owners, hence no goodwill is recognised from the transaction. Any difference is recognised directly in equity.

Subsequent measurement

Goodwill is stated at cost less any accumulated impairment losses.

Research & development

To assess whether an internally generated intangible asset meets the criteria for recognition, the Company classifies the generation of the asset into:

- research; and
- development.

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Development activities include the plan or design for production of new or significantly improved products and procedures. Development costs will be recognised if they can be reliably measured, if the product or procedure is feasible in expert and business terms, if there is a possibility of future economic benefits, if the Group has appropriate resources to complete the development and if the Group intends to use or sell the asset. The recognised value of use comprises costs of services and material and other costs, which can be directly written up to the asset's use for the intended purpose, and capitalised borrowing costs. Other development expenditure is recognised in the income statement as an expense as incurred.

Capitalised development expenditure is stated at cost less any accumulated amortisation and accumulated impairment losses.

Other intangible assets

Other intangible assets having finite useful lives acquired by the Group are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure on intangible assets will be capitalised only if increasing future economic benefits stemming from the asset to which expenditure relates. All other costs are recognised in profit or loss as an expense as incurred.

Amortisation

Amortisation is charged on the asset's historical cost or another amount instead of historical cost less the residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of intangible assets, except goodwill, commencing when the assets are ready for use. The method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and the compared year are 3, 5 and 10 years. Amortisation methods, useful lives and residual values are checked as at the end of each financial year and adjusted if necessary.

(f) Investment properties

Investment properties are in possession for the purpose of generating or increasing the value of a long-term investment or both, hence investment properties result in cash flows which strongly depend on other assets in possession of the Company. That differentiates investment properties from owned property in use, which together with other assets of the Company participates in production and supply of goods or rendering of services and in the resulting cash flows.

Judgement is needed to determine whether a property qualifies as investment property. The Intereuropa Group estimates that for real estate partly given in operating lease and partly used by Intereuropa d.d. or any of its subsidiaries, parts of the real estate cannot be sold separately (or given separately in financial lease) therefore such real estate is posted as property, plant and equipment used in rendering services. Real estate will be recognised as investment property only if it is leased in its entirety.

The historical cost model is used subsequent to initial recognition, whereby property investment is disclosed at historical cost less any accumulated depreciation and any accumulated impairment losses (the same model as for property, plant and equipment).

Depreciation of investment properties applies the same depreciation rates as used for real estate in property, plant and equipment.

(g) Leased assets

Leases in terms of which the Group assumes substantially all major risks and benefits of ownership are classified as financial leases. Leased assets are after initial recognition disclosed in the amount equalling fair value or the present value of the minimum lease payments, if the latter is lower. After initial recognition, an asset under financial lease is depreciated as any other item of property, plant and equipment.

Other leases are posted as operating leases.

(h) Inventories

Inventories of material are evaluated at historical cost composed of the purchase price, import duties and directly attributable purchase costs. The purchase price is reduced by the received rebates and discounts. The weighted average cost method is used in material consumption.

(i) Impairment of assets

Financial assets

A financial asset not disclosed at fair value through profit or loss will be deemed impaired if there is objective evidence of impairment as a result of one or more events that reduced the estimated future cash flows arising therefrom, and such evidence can be reliably measured.

Accounts receivable (receivables from provided services, default interest, etc.) are impaired by establishing 100% value adjustment for all receivables overdue by more than 180 days or on the basis of assessment of recoverability of individual receivables. As regards impairments of receivables in legal actions, execution proceedings, bankruptcies and compulsory settlements, we take into account the estimated recoverability of claims (estimated future cash flow) with regard to categories of individual receivables.

Write-off of receivables is made on the basis of concluded bankruptcy proceedings, approved compulsory settlements, unsuccessful execution proceedings and established unrecoverability of receivables.

Impairment of loans given

In case of impartial evidence that loss due to impairment occurred in loans, posted at amortised cost, the amount of the loss will be measured as the difference between the asset's carrying amount and the present value of expected future cash flow discounted at the original effective interest rate. Impairment can also be made on the basis of an assessment by the management on uncollectibility of a loan.

Impairment of available-for-sale financial assets

Available-for-sale financial assets will be impaired if the market price is either falling for more than one year or if the decrease exceeds 20% of the investment's historical cost. Losses from available-for-sale investment securities resulting from impairment are recognised by transferring the accumulated loss, recognised in other comprehensive income for the period and posted in revaluation surplus, to the income statement. The accumulated loss derecognised from other comprehensive income and reported in profit or loss represents the difference between the historical cost and current fair value less any impairment loss previously recognised in profit or loss. Financial assets for which fair value could not be reliably determined are posted at historical cost.

If there is impartial evidence that loss from impairment was incurred in financial assets carried at cost, impairment will be made if the carrying amount of the financial investment as at the balance-sheet date exceeds by more than 20% the proportional part of the carrying amount of the total equity of the company in which the investment is held as at the nearest possible dare for which data are available.

Non-financial assets

As at each reporting date, the Group checks the residual book value of non-financial assets of the Group, except for deferred tax assets, for the purpose of testing for impairment. If signs of impairment are found, the asset's recoverable amount will be determined. Assessment of impairment of goodwill and intangible assets with indefinite useful life that are not yet available for use is made as at each reporting date.

Recoverable amount of an asset or cash-generating unit is the higher of the value in use or their fair value less costs to sell. In determining the asset's value in use, projected cash flows are discounted to the present value at the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. Assets that cannot be tested individually are for the purpose of testing for impairment classified in the smallest possible group of assets generating cash flows from continued use which are mostly independent of revenue generated by other assets or asset groups (cash-generating unit). In order to test goodwill impairment, cash-generating units to which goodwill is allocated are subject to special testing; cash-generating units to which goodwill is allocated are combined so that the level of testing for impairment reflects the lowest level at which goodwill is monitored for internal reporting. Goodwill from a business combination is allocated to cash-generating units or a group of units for which it is expected to gain from synergies of the merger.

Joint assets of the Group generate no separate cash flows. If there are signs of impairment of a joint asset, the recoverable amount of the cash-generating unit to which a joint asset belongs will be determined.

An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment is recognised in the income statement. Recognised impairment loss of a cash-generating unit is allocated first to reduce the carrying amount of goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of other assets of the unit (group of units) proportionally to the book value of each asset in the unit.

An impairment loss in respect of goodwill is not reversed. As regards other assets, impairment loss from previous periods is evaluated as at the end of the reporting period to determine whether loss has been reduced or even eliminated. Impairment loss will be derecognised in the case of a change in estimates based on which the Group determined the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying value does not exceed the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment loss had been recognised for the asset in prior years.

(j) Non-current assets held for sale

Non-current assets or a disposal group comprising assets and liabilities (within non-current assets that applies to investment properties, intangible assets, long-term financial assets, and within property, plant and equipment only to land and buildings due to materiality) whose carrying amount is reasonably expected to be recovered principally through a sale transaction rather than through continuing use are classified as assets held for sale with the sale envisaged within the next twelve months. Sale is highly likely when the entire plan and an active programme to find a buyer are underway. Furthermore, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Re-measurement of assets (or their elements or a disposal group) is performed in line with the Group's accounting policies directly prior to classification of an asset to assets held for sale. Such non-current asset (or disposal group) is accordingly measured at the lower of its carrying amount or fair value, less costs to sell.

The period of sale completion may be extended over one year due to special events and circumstances beyond the Company's control subject to sufficient evidence that the Company strictly complies with the plan for selling the asset.

If an asset held for sale no longer meets the criteria for classification in assets held for sale, it should be reclassified into another appropriate asset group, namely that in which it was classified before being posted to assets held for sale.

(k) Employee benefits

Short-term employee benefits

The liabilities for short-term employee benefits are measured with no discount and are posted to expenses when work of an employee related to a certain short-term benefit is completed.

(l) Provisions

Provisions are recognised if the Group has a legal or constructive obligation as a result of a past event; a reliable estimate can be made of the amount of the obligation; and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation as at the statement of financial position date. In reaching the best estimate of a provision, the risks and uncertainties that inevitably surround many events and circumstances are taken into account. Where the effect of the time value of money is material, the amount of a provision will be the present value of the expenditures expected to be required to settle the obligation.

Provisions for employee benefits

- Pursuant to the law, the collective agreement and the internal rules, group members are obliged to pay its employees long-service awards and gratuities upon retirement. Long-term provisions have been established accordingly. There are no other pension liabilities. The provisions are formed in the amount of estimated future payments for gratuities and long-service awards, discounted as at the date of actuarial calculation. An actuarial calculation will only be made if the assumptions used by the actuary in the last actuarial calculation materially change. The calculation will be made every five years unless the number of employees changes by more than 15%. The provisions are derecognised in the amount of the actually incurred costs in the interim period.

Provisions are recognised by calculating the appropriate cost/expense. They are reduced directly by the covered costs in respect of which they have been established. That means that in a financial year such costs are no longer posted to the income statement. Provisions are cancelled once the contingent liabilities for which they were made no longer apply, or when there is no need to keep them. Revenues are recognised from cancelled provisions. At the end of an accounting period, provisions are adjusted to bring their amount to the present value disbursements expected to be required to settle the obligations.

(m) Long-term deferred income

Long-term deferred income includes donations received for acquisition of property, plant and equipment or to cover certain expenses. It is intended for covering the depreciation costs of these assets or expenses and used up by recognising them as operating revenues.

(n) Revenues

Revenue is recognised when it is probable that future economic benefits will flow to the Company and these benefits can be measured reliably. All the following criteria must be met:

1. the amount of revenue can be measured reliably;
2. it is probable that the economic benefits associated with the transaction will flow to the Company;
3. the stage of completion of the transaction as at the statement of financial position date can be measured reliably;
4. the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue from rendering services

Revenues from services rendered are recognised in the income statement in proportion to the stage of completion of the transaction as at the end of the reporting period. The stage of completion is assessed by reference to a review of incurred cost (work-performed review).

Revenues from the rendering of services are recognised at selling prices of completed services as stated in invoices or other documents or at prices of incomplete services with a reference to the stage of completion. It is estimated that in cases a particular transaction is not completed as at the statement of financial position date, no reliable estimate can be given as to the outcome of the transaction and therefore revenues are recognised only to the amount of incurred direct costs that are recoverable.

Amounts collected on behalf of third parties, such as accrued value added taxes and other duties (e.g. customs duties) are excluded from sales revenues.

At the time of sale, trade discounts and volume rebates given should be deducted from revenues; they should clearly be indicated either in the invoices or other relevant documents. Subsequently, revenues should also be reduced by the sales value of returned goods and additionally approved discounts or rebates.

Government grants

Government grants compensating for expenses incurred are recognised as revenues on a systematic basis in the same periods in which the relevant expenses are incurred. Government grants compensating for the cost of an asset are recognised in the income statement as other operating revenues on a systematic basis over the useful life of the asset.

(o) Leases (granted)

Income from operating lease is recognised as revenue on a straight-line basis over the term of the lease.

Lease (taken)

Minimum financial lease payments are apportioned between finance costs and the reduction of the outstanding liability. Finance costs are allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(p) Finance income and costs

Finance income comprises interest income from investments, dividend income, revenues from disposal of available-for-sale financial assets, changes in fair value of financial assets at fair value through profit or loss, positive exchange differences and profit from hedging instruments recognised in the income statement. Interest income is recognised in the income statement as it accrues, using the effective interest rate method. Dividend income is recognised in the income statement on the date on which the shareholder's right to payment is enforced. For companies listed on a stock exchange, the date is usually the one when the right to the current dividend ceases to be linked with the share.

Finance costs comprise borrowing costs, negative exchange differences, changes in fair value of financial assets at fair value through profit or loss, losses from impairments of financial assets and losses from hedging instruments recognised in the income statement. Borrowing costs are recognised in the income statement by applying the effective interest rate method.

Borrowing costs comprise interest expenses at the effective interest rate method, finance charges related to financial lease and exchange differences stemming from loans in a foreign currency if they are treated as recalculation of interest expenses. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(r) Corporate income tax

Corporate income tax for the financial year includes current tax and deferred tax. Corporate income tax is posted in the income statement, except for the part in which it relates to the items disclosed directly in other comprehensive income and therefore posted there.

Current tax is calculated in accordance with the applicable tax legislation as at the statement of financial position date. The financial year equals the calendar year, which in turn equals the tax year.

Deferred tax is posted by accounting for the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to the investments in subsidiaries and joint ventures to the extent that they will probably not reverse in the foreseeable future. Deferred tax is not recognised for the purpose of taxable temporary differences incurred upon the initial recognition of goodwill.

Deferred tax is posted in the amount expected to fall due upon elimination of temporary differences based on the applicable legislation as at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(s) Discontinued operations

A discontinued operation is a component of the Group's business, which was disposed or classified to assets held-for-sale, representing a separate major line of a business or geographical segment or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

(t) Earnings per share

For ordinary shares, the Group discloses the basic earnings per share and the diluted earnings per share. The Company discloses basic earnings per share calculated by dividing the profit or loss distributed to ordinary shareholders with the weighted average number of ordinary shares in the financial year. Diluted earnings per share are calculated by adjusting the profit or loss distributed to ordinary shareholders and the weighted average number of ordinary shares in the financial year for the effect of all dilutive potential ordinary shares representing convertible bonds and share options of employees. The Group has no dilutive potential ordinary shares, hence the basic and diluted earnings per share are identical.

(u) Porting

A business segment is a constituent part of the Group and performs business activity resulting in revenues and expenses related to intragroup transactions. The performance of a business segment is regularly monitored by the management to be used as the basis for taking decisions on the resources to be allocated to a segment and assessing performance of the Group; separate financial data are available for a business segment.

Certain business segments are combined in a single business segment for the needs of external users of business information, in line with the quantitative thresholds set out in the IFRS 8.

In addition to the combined business segment and other segments, the consolidated financial statements also present information for:

- the Intereuropa Group; and
- adjustments.

For the annual reporting period, the management checks whether individual business segments have met any of the quantitative thresholds set out in the IFRS 8 and, if need be, changes the list of business segments reported separately. Information on sale by customer and the volume of operations on the presented geographic segments is monitored by business segment.

(v) New standards and interpretations

Changes in standards and interpretations

The accounting policies used in compiling the consolidated financial statements are consistent with those used in the preceding year with the exception of newly adopted or amended standards and interpretations entering into force on 1 January 2011 as listed below. The changes have no effect on the Group's financial statements.

IAS 24 – Related Party Disclosures

The changes to the IAS 24 specify in greater detail and simplify the definition of a related party. They also reduce the scope of disclosures of transactions of government-owned companies with the government and other government-owned enterprises. The changes apply to the periods starting on 1 January 2011 or thereafter. The changes must be applied to the preceding periods as well.

IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues (supplement)

The supplements to the standard relate to rights issues for a fixed amount in a foreign currency which were discussed in the existing standard as financial liabilities arising from a derivative. The supplement specifies that if certain conditions are met, such rights will be classified as an equity instrument notwithstanding the foreign currency in which the opening price has been set. The supplement applies to the periods starting on 1 February 2010 or thereafter.

Supplement to the IFRIC 14 – Prepayments of a Minimum Funding Requirement

The supplement to the IFRIC 14 applies to periods starting on 1 January 2011 and is used for preceding periods as well. The supplement contains instructions for assessing the recoverable amount of the net value of pensions. The supplement enables companies to recognise prepayments of a minimum funding requirement as an asset.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

It applies to periods after 1 July 2010. The interpretation specifies in detail that equity instruments issued by a company in exchange for financial liabilities are deemed repayment of the liability. Equity instruments are measured at fair value. If their fair value cannot be reliably measured, they will be measured at fair value of the abolished liability. Any resulting profit or loss is recognised directly in the income statement.

Improvements to IFRSs

In May 2010, the International Accounting Standards Board (IASB) issued its third omnibus of amendments to the IFRS, primarily with a view to removing inconsistencies and clarifying wording. The changes apply to the periods from 1 July 2010 or 1 January 2011.

IFRS 3 – Business Combinations

The measurement options available for non-controlling interest were amended. Only components of non-controlling interest that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value. The changes apply to the periods starting on 1 July 2010 or thereafter.

The second improvement relates to the interpretation that contingent consideration arising from a business combination before adoption of the IFRS 3R (as amended in 2008) is recognised in accordance with the IFRS 3 adopted in 2005.

The last improvement relates to unreplaced and voluntarily replaced share-based payment and its accounting within business combinations. The improvement has no effect on the Group's financial statements.

IFRS 7 – Financial Instruments: Disclosures

The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The changes apply to the periods starting on 1 January 2011 or thereafter. The change has no material effect on the Group's financial statements.

IAS 1 – Presentation of Financial Statements

The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements. The change applies to the periods starting on 1 January 2011 or thereafter. The improvement has no effect on the Group's financial statements.

IAS 27 – Consolidated and Separate Financial Statements

The improvement specifies that the transitional provisions of the IAS 27R as amended in 2008 apply mutatis mutandis to the subsequently amended standards. The improvement applies to the periods starting on 1 July 2010 or thereafter. The improvement has no effect on the Group's financial statements.

IAS 34 – Interim Financial Statements

The amendment requires additional disclosures of fair values and changes in classification of financial assets as well as any changes in contingent assets and liabilities in interim condensed (consolidated) financial statements. The improvement has no effect on the Group's financial statements.

IFRIC 13 – Customer Loyalty Programmes

Determining fair value of credits must take into account discounts and incentives which would have been otherwise offered to customers not participating in customer loyalty programmes. The change applies to the periods starting on 1 January 2011 or thereafter. The improvement has no effect on the consolidated financial statements.

Standards and interpretations not yet in force

The Group applied no standard or interpretation not yet in force and due to take effect in the future.

In accordance with the requirements of the IFRS and the EU, the Group will have to take into account in the future the following amended and supplemented standards:

IFRS 7 – Financial Instruments: Disclosures – Transfers of Financial Assets

The changed standard applies to periods starting on 1 July 2011 or thereafter and sets disclosures of transfers of financial assets, namely transfers resulting in complete derecognition of a financial asset and those not resulting in such derecognition. The change has retrospective application.

In accordance with the requirements of the IFRS, the Group will have to take into account in the future the following new, amended or supplemented standards and interpretations, if adopted by the EU:

IFRS 9 – Financial Instruments

The standard replaces the IAS 39 with the compulsory application for periods after 1 January 2015. The currently adopted first part of the standard sets new requirements concerning classification and measurement of financial assets. The EU has yet to adopt the standard.

IFRS 10 – Consolidated Financial Statements

The standard replaces a part of the IAS 27 Consolidated and Separate Financial Statements relating to consolidated financial statements with the compulsory application for periods after 1 January 2013. The IFRS 10 establishes a model of uniform control for all companies. That will require from the management to carefully consider which companies are controlled and subsequently consolidated. The standard also changes the definition of a controlling an entity. The EU has yet to adopt the standard.

IFRS 11 – Joint Arrangements

The standard replaces the IAS 31 Interests in Joint Ventures and the SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. The new standard defines only two types of joint ventures with possible control, namely joint operations and joint ventures. The standard uses the definition of control as specified in the IFRS 10. The standard abolishes the option of proportional consolidation of joint ventures and allows only the equity method of consolidation. The standard will be obligatory for periods after 1 January 2013. The EU has yet to adopt the standard.

IFRS 12 – Disclosure of Interests in Other Entities

The standard with compulsory application for periods after 1 January 2013 includes all disclosures related to consolidated financial statements contained in the IAS 27 Consolidated and Separate Financial Statements as well as disclosures contained in the IAS 28 Investments in Associates and the IAS 31 Interests in Joint Ventures. A number of new disclosures have been laid down, mostly related to the assumptions used to determine whether a company controls another entity. The EU has yet to adopt the standard.

IFRS 13 – Fair Value Measurement

The standard will have compulsory application for periods after 1 January 2013. The IFRS 13 does not change the guideline when a company should use fair value but only provides instructions how to measure fair value of financial and other assets and liabilities when prescribed or permitted by the IFRS. The EU has yet to adopt the standard.

IAS 1 – Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income

The amendment to the IAS 1 changes grouping of items presented in other comprehensive income. Items of other comprehensive income which may or will be transferred to the income statement will be presented separately from those never recognised in the income statement. The amendment will apply to annual periods starting on 1 July 2012 or thereafter but the EU has yet to adopt the change.

IAS 12 – Deferred Taxes (supplement)

The amendment will apply to annual periods starting on 1 January 2012 or thereafter. The amendment relates to determining deferred tax for investment properties posted at fair value. The aim of the change is to include:

a) the assumption that deferred tax for investment properties posted at fair value is in accordance with the IAS 40 determined based on the assumption that the carrying amount of investment property will be reimbursed through sale;
b) the requirement that deferred tax for assets not depreciated and posted by using the revaluation model in line with the IAS 16 is always measured on the basis of sales value of the assets. The EU has yet to adopt the changes.

IAS 19 – Employee Benefits (supplement)

In June 2011, the Board issued a number of changes to the IAS 19. The main change relates to removing the corridor mechanism for recognising changes in a defined benefit plan. That means that all changes are recognised upon occurrence, either in the income statement or the statement of other comprehensive income, depending on the type of change. The amendments will apply to annual periods starting on 1 January 2013 or thereafter. The EU has yet to adopt the changes.

IAS 27 – Separate Financial Statements

The standard was issued in May 2011 due to new standards IFRS 10, IFRS 11 and IFRS 12. The IAS 27 Separate Financial Statements contains the accounting treatment and disclosures for investments in subsidiaries, associates and joint ventures in separate financial statements. The standard will apply to annual periods starting on 1 January 2013 or thereafter. The EU has yet to adopt the standard.

IAS 28 – Investments in Associates and Joint Ventures

The standard was issued in May 2011 due to new standards IFRS 10, IFRS 11 and IFRS 12. The IAS 28 now contains accounting treatment of investments in associates and the requirements for using the equity method in consolidation of investments in associates and joint ventures. The standard will apply to annual periods starting on 1 January 2013 or thereafter. The EU has yet to adopt the standard.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

The IFRIC 20 discusses the costs of removing waste material (stripping) in the production phase of a surface mine. The interpretation is a step away from the approach of using the average ratio between the volume of waste material and the mined material during the mine's useful life used in reporting in line with the IFRS by a number of mining and metal companies. The interpretation will apply to annual periods starting on 1 January 2013 or thereafter. The EU has yet to adopt the interpretation. The interpretation will have no effect on the financial position or operations of the Group.

The Group is examining the effect of not yet compulsory standards and interpretations and has not yet assessed their impact. The Group will apply new standards and interpretations in line with their requirements if adopted by the EU.

IV. DETERMINING FAIR VALUE

With regard to the Group's accounting policies and breakdowns, the fair value of financial and non-financial assets and liabilities has to be determined in a number of cases. Fair values of individual asset groups for the needs of measurement and reporting were determined by methods described below. Where additional explanation is needed with regard to the assumptions for determining fair value, it is provided in the breakdowns to individual items of assets and liabilities of the Group.

Property, plant and equipment

After the initial recognition, land is measured according to a revalued amount equalling fair value as at the revaluation date (i.e. the estimated amount for which land could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion). Land is restated every five years or more often in the case of any indicators of impairment.

Intangible assets

Fair value of patents and trademarks acquired in business combinations is based on the discounted future value of licence fees that would not have to be paid due to ownership of a patent or trademark.

Inventories

Fair value of inventories is determined on the basis of their expected sales value in regular operations less any estimated completion and sales costs plus a suitable charge with regard to the quantity of work put into completion of the transaction and sale of inventories.

Investments in equity and debt securities

Fair value of financial assets at fair value through profit or loss, investments held to maturity and available-for-sale financial assets is determined with regard to the quoted purchase price as at the end of the reporting period.

Operating and other receivables

The disclosed value of trade receivables in our view reflects their fair value. The value of other receivables is calculated as the present value of future cash flows discounted at the market interest rate applicable as at the end of the reporting period.

Derivatives

The fair value of forwards equals their quoted market price as at the end of the reporting period, if available. If not available, the fair value will be determined as the difference between the contract value of a forward transaction and the current offered value of a forward transaction accounting for the remaining maturity of the transaction with risk-free interest rate. The fair value of interest swaps equals the market price as at the reporting date.

Basic financial liabilities

The fair value for reporting purposes is calculated on the basis of the present value of future principal and interest payments discounted at the market interest rate as at the end of the reporting period.

V. FINANCIAL RISK MANAGEMENT

The Group is exposed to the following when using financial instruments:

- credit risk;
- liquidity risk;
- market risk;
- operational risk.

This item discusses the Group's exposure to the abovementioned risks, its objectives, policies and procedures for measuring and managing risks and its handling of capital. Other quantitative disclosures are included in continuation of the notes to the consolidated financial statements.

Risk management policies

The management of the Group is fully responsible for setting up the risk management framework. A risk management committee has been established, responsible for development and supervision of risk management policies adopted by the Group. The risk management committee has the following tasks:

- preparing reports on risk management of the Intereuropa Group for the Management Board of the parent company and for the Supervisory Board;
- specifying types of risk that the Intereuropa Group is exposed to;
- permanent supervision and monitoring of key risks;
- detecting new significant risks;
- specifying the methodology for measuring exposure to individual risk types;
- estimating exposure to individual risk types;
- specifying and implementing the risk management policy for individual risk types;
- preparing proposals for implementing measures for hedging individual risk types;
- adopting amendments and supplements to the rules on risk management and other appropriate internal regulations and instructions related to risks;
- performing all other tasks and activities aimed at managing risks that the Intereuropa Group is exposed to.

The Group adopted the Rules on Risk Management of the Intereuropa Group. Risk management policies have been developed with the aim of specifying and analysing risks facing the Group. Appropriate restrictions and controls are set on the basis thereof and risks and compliance with the restrictions monitored.

Credit risk

Credit risk represents risk that a party to an agreement on financial instrument shall fail to fulfil their obligations and thus cause the Group to suffer a financial loss. Credit risk arises primarily from the Group's trade receivables.

Trade and other receivables

The Group's exposure to credit risk depends primarily on characteristics of a customer. However, the management also takes into account the demography of the Group's customer database and the risk of insolvency of customers from the aspect of the industry and the country in which a customer operates as such factors may influence credit risk, in particular in adverse economic circumstances.

The policies were designed so that an analysis of creditworthiness is performed for each new major customer before the Group offers the standard payment and delivery terms. The Group's review includes external assessments, if any.

The Group establishes revaluation adjustment for impairment representing the amount of estimated loss from trade and other receivables and investments. The main elements of the revaluation adjustment are the specific part of loss relating to individual major risks and the common part of loss formed for groups of similar assets due to the already incurred but as yet unspecified loss.

Guarantees

In line with its policy, the Group offers financial guarantees only to subsidiaries in majority ownership of the parent company.

Liquidity risk

Liquidity risk is the risk that the Group would be unable to settle its financial liabilities settled by cash or other financial assets.

The Group provides for liquidity by always having sufficient liquidity funds to settle its liabilities as they fall due, in normal and complex circumstances, without incurring unacceptable loss or risking the loss of reputation.

Costs of services are monitored by activity which helps in monitoring the needs for cash flows and optimising return on investments. The Group makes sure to have sufficient amounts of cash or credit lines available to cover business expenses for a certain period. That applies to servicing financial liabilities not including consequences of any exceptional circumstances impossible to foresee, e.g. natural disasters.

Market risks

Market risk is the risk that changes in market prices such as exchange rates, interest rates and equity instruments would affect the Group's revenues or the value of financial instruments. The goal of market risk management is to control and monitor exposure to market risks within reason while optimising return.

The Group trades in financial instruments and assumes financial liabilities with the aim of managing market risks.

With the trend of falling variable interest rates, the Group concluded no interest swaps or other derivatives last year for hedging against changes/rises in the variable interest rate. The effect of changes in the variable interest rate Euribor on the income statement is presented in the table Analysis of the impact of the change in interest rates on profit before tax.

Currency risk is relevant mostly for Group members operating in countries outside the euro area. It involves primarily the risk of changes in exchange rates of the Russian rouble, Serbian dinar, Croatian kuna and Ukrainian hryvnia. In cash flows from operating activities, those companies use a natural hedge against the risk of changes in exchange rate of the national currency meaning alignment of expenditure and proceeds in individual currencies in terms of time and amount, and do not use FX futures.

FX positions in statements of financial position of companies with euro-denominated loans remain open. It is highly likely for those companies that a change in exchange rate of the national currency would have a strong impact on their operations. The company in Russia is among the most exposed.

Exposure to currency risk is low for Group members operating in countries of the euro area, as cash flows in those companies are almost exclusively in euros and therefore the effect on operations is small.

Operational risks

Operational risk is the risk of direct or indirect loss incurred for a wide range of reasons related to processes within the Group, staff, technology and infrastructure as well as a consequence of external factors not related to credit, market and liquidity risk. That among other includes risks stemming from legal and regulatory requirements and generally accepted corporate standards. Operational risks stem from the entire business of the Group. The Group's objective is to manage operational risks in a way establishing a balance between avoiding a financial loss and the damage to reputation of the Group, and the overall cost efficiency, as well as avoiding such control procedures that would hinder or limit self-initiative and creativity. Executives of each organisational unit have the key responsibility for developing and introducing controls for managing operational risks.

Compliance with the Group's standards is supported by the programme of regular audits by the internal audit department. Results of internal audits are discussed with the management of the audited business unit and the summary is submitted to the management of the Group and the audit committee.

Managing capital

The Supervisory Board monitors all major indicators of return on equity of the Group and monitors the amount of dividend payouts to ordinary shareholders.

Neither the parent company nor its subsidiaries are subject to capital requirements imposed by external bodies.

VI. STATEMENT OF CASH FLOWS

The Group's statement of cash flows presents expenditure and proceeds accounting for the indirect method in the accounting period and explains changes in the balance of cash. Compiling of the financial statement took into account data from the consolidated income statement for 2011, items of consolidated statements of financial position of the Group as at 31 December 2011 and 31 December 2010 and other necessary data.

NOTE 1: Sales revenues

Table 9

€ thousand	2011	2010
Sales revenues	211,880	190,624

The Group's sales revenue stood at € 211,880 thousand.

NOTE 2: Other operating revenues

Table 10: Other operating revenues

€ thousand	2011	2010
Profit from sale of property, plant and equipment and investment properties	1,212	5,220
Revenues from cancelled provisions	419	280
Other operating revenues	559	1,851
Total other operating revenues	**2,190**	**7,351**

Other operating revenues stem primarily from sale of property, plant and equipment and investment properties.

NOTE 3: Costs of services

Table 11: Costs of services

€ thousand	2011	2010
Direct costs	115,962	97,903
Telephone costs	1,093	1,330
Maintenance costs	4,144	4,593
Insurance premiums	1,613	1,809
Training and education costs	65	92
Other costs of services	13,800	13,643
Total costs of services	**136,677**	**119,369**

Direct costs are those directly linked to rendering of services.

NOTE 4: Labour costs

Table 12: Labour costs

€ thousand	2011	2010
Wages and salaries	28,529	30,003
Pension insurance costs	3,243	2,807
Other social security costs	2,846	3,120
Other labour costs:	5,469	5,534
Holiday allowances	972	880
Travel and meal allowances	2,794	3,143
Other labour costs	1,704	1,511
Labour costs	**40,087**	**41,464**

The Group reduced labour costs to € 40,087 thousand as a result of a reduced number of employees compared to the previous year.

The average number of employees, categorised by education, is presented in the Business Report.

NOTE 5: Depreciation and amortisation

Table 13: Depreciation and amortisation

€ thousand	2011	2010
Amortisation of intangible assets	754	774
Depreciation of property, plant and equipment and investment properties	11,192	13,291
Total depreciation and amortisation	**11,946**	**14,065**

NOTE 6: Other operating expenses

Table 14: Other operating expenses

€ thousand	2011	2010
Costs of material	10,713	11,256
Loss in disposal of property, plant and equipment	3,171	154
Impairment and write off of property, plant and equipment	755	34,527
City land tax and similar expenses	1,105	1,002
Other operating expenses	2,836	3,334
Total other operating expenses	**18,580**	**50,273**

The bulk of other operating expenses are costs of material. They are lower compared to 2010 due to a lower amount of impairment of property, plant and equipment.

NOTE 7: Finance income and costs

Table 15: Finance income and costs

€ thousand	2011	2010
Interest income	1,028	915
Income from dividends and profit participations in others	4	11
Profit from sale of financial assets	23	179
Income from abolishing value adjustments of receivables and collected previously written-off receivables	1,361	1,516
Income from debt write off	99	100
Net exchange differences	0	4,561
Total finance income	**2,515**	**7,282**
Interest expenses	-11,785	-10,587
Finance costs from impairment and write-offs of financial assets	-6	0
Finance costs from impairment of financial assets held for sale	-81	-2,825
Costs of derivatives	-576	-3,746
Net exchange differences	-2,036	0
Costs from revaluation adjustments and write offs of receivables	-2,730	-2,755
Total finance costs	**-17,214**	**-19,913**
Profit from financing activities	**-14,699**	**-12,631**

Lower finance income was mostly due to net exchange differences which increased finance costs of the Group in the observed period by € 2,036 thousand (mostly from the rate between the euro and the rouble).

NOTE 8: Profit or loss recognised by the equity method

The joint venture Intereuropa-FLG, d.o.o., Ljubljana, 50% owned by the Group, contributed € 24 thousand in profit in 2011.

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

The assessed tax liability of the Group for 2011 including the value of non-deductible tax withholdings paid abroad amounted to € 315 thousand. Taxable and deductible temporary differences are disclosed in revenue from deferred tax in the amount of € 2,800 thousand.

Table 16: Adjustment to the effective tax rate

€ thousand	2011	2010
Tax	-173	-844
Deferred tax	2,800	1,444
Non-deductible tax withheld abroad	-142	0
Total corporate income tax	**2,485**	**600**
Profit before tax	-7,895	-39,793
Tax at the applicable rate	1,735	8,284
Non-deductible tax withheld abroad	-142	0
Tax on non-deductible expenses	26	-7,330
Tax on tax reliefs	-41	66
Tax on revenues reducing tax base	66	79
Tax on tax loss for which no deferred tax assets can be posted	-1,209	0
Tax on other items	2,050	-499
Total corporate income tax	**2,485**	**600**

The weighted tax rate was 21.98%.

NOTE 10: Property, plant and equipment

Table 17: Property, plant and equipment in 2011

€ thousand	Land	Buildings	Other plant and equipment	Equipment under financial lease	Property, plant and equipment under construction	Advances for acquisition of property, plant and equipment	Total
HISTORICAL COST							
As at 1 Jan. 2011	**160,965**	**271,863**	**54,448**	**6,149**	**16,000**	**1,529**	**510,954**
Alignment of the opening balance	0	-19	0	0	0	0	-19
Purchasing	0	0	0	0	1,728	186	1,914
Activation	0	2,897	711	36	-3,644	0	0
Advances brought forward	0	0	0	0	878	-878	0
Disposals	-4,990	-4,462	-10,405	0	-1	0	-19,858
Write offs	0	0	-1,149	0	0	0	-1,149
Decrease arising from sale of a subsidiary	0	0	-28	0	0	0	-28
Exchange differences	-78	-24,829	279	-77	-3,971	-23	-28,699
As at 31 Dec. 2011	**155,897**	**245,450**	**43,856**	**6,108**	**10,990**	**814**	**463,115**
VALUE ADJUSTMENT							
As at 1 Jan. 2011	**-25,007**	**-109,860**	**-40,146**	**-2,378**	**-10,697**	**0**	**-188,089**
Alignment of the opening balance	0	19	0	0	0	0	19
Depreciation and amortisation	0	-5,599	-4,469	-891	0	0	-10,959
Disposals	0	1,712	8,117	0	0	0	9,829
Write offs	0	0	1,132	0	0	0	1,132
Impairments	0	-312	-427	0	0	0	-739
Decrease arising from sale of a subsidiary	0	0	27	0	0	0	27
Exchange differences	-402	23,296	-26	-255	3,900	0	26,513
As at 31 Dec. 2011	**-25,409**	**-90,744**	**-35,792**	**-3,524**	**-6,797**	**0**	**-162,266**
RESIDUAL VALUE							
As at 1 Jan. 2011	135,958	162,003	14,301	3,771	5,303	1,529	322,865
As at 31 Dec. 2011	**130,488**	**154,706**	**8,064**	**2,584**	**4,193**	**814**	**300,849**

Land is posted at fair value and other items of property, plant and equipment at historical cost less accumulated depreciation.

The comparable sales method was used in land re-evaluation. The latest appraisal of land was made by independent appraisers at the end of 2009. As a result of the share price being lower than the book value in 2011, the Group checked the need for any impairment of property, plant and equipment and found that the recoverable amount thereof exceeded their carrying amount based on their fair value less costs of sale. The Group also checked transactions on the real estate market until 31 December 2011 and found no material change in the value of real estate requiring any impairment thereof.

If the Group was unsuccessful in restructuring its financial liabilities and selling the investment in Russia, it might have to sell assets outside the regular sale procedures which could result in the assets being sold at a price lower than their recognised value as at 31 December 2011.

The carrying amount of land as at 31 December 2011 would equal € 46,242 thousand if it were posted at historical cost.

The impairment of property, plant and equipment of € 739 thousand mostly relates to impairments of equipment and plants in the following companies:

- ⟶ Intereuropa Transport, d.o.o., Koper € 427 thousand and
- ⟶ Intereuropa RTC d.d. Sarajevo € 312 thousand.

As at the balance sheet date, the Intereuropa Group had property, plant and equipment pledged as loan collateral in the amount of € 197,260 thousand, and as collateral for other financial liabilities and contingent liabilities in the amount of € 4,000 thousand and € 30,099 thousand, respectively. No other legal restrictions for disposal with property, plant and equipment existed. The carrying amount of mortgaged real estate was € 256,966 thousand as at the reporting date.

Table 18: Property, plant and equipment in 2010

€ thousand	Land	Buildings	Other plant and equipment	Equipment under financial lease	Property, plant and equipment under construction	Advances for acquisition of property, plant and equipment	Total
HISTORICAL COST							
As at 1 Jan. 2010	**169,042**	**267,358**	**60,063**	**6,512**	**22,217**	**776**	**525,969**
Purchasing	0	0	0	0	1,383	896	2,279
Activation	0	7,588	824	321	-8,733	0	0
Advances brought forward	0	0	0	0	163	-163	0
Transfer between items	0	0	83	-83	0	0	0
Disposals	-5,970	-5,651	-7,111	-143	-6	-7	-18,888
Write offs	0	0	-10	0	-15	0	-25
Revaluation to fair value	-1,884	0	0	0	0	0	-1,884
Exchange differences	-223	2,568	599	-458	991	27	3,504
As at 31 Dec. 2010	**160,965**	**271,863**	**54,448**	**6,149**	**16,000**	**1,529**	**510,954**
VALUE ADJUSTMENT							
As at 1 Jan. 2010	**-24,691**	**-78,397**	**-39,731**	**-1,444**	**-3,795**	**0**	**-148,059**
Depreciation and amortisation	0	-6,310	-5,799	-946	0	0	-13,055
Disposals	0	1,797	5,508	0	0	0	7,305
Write offs	0	0	9	0	0	0	9
Transfer between items	0	0	-12	12	0	0	0
Impairments	-316	-26,950	-121	0	-6,902	0	-34,289
As at 31 Dec. 2010	**-25,007**	**-109,860**	**-40,146**	**-2,378**	**-10,697**	**0**	**-188,089**
RESIDUAL VALUE							
As at 1 Jan. 2010	144,351	188,961	20,332	5,068	18,422	776	377,910
As at 31 Dec. 2010	**135,958**	**162,003**	**14,301**	**3,771**	**5,303**	**1,529**	**322,865**

NOTE 11: Investment properties

Table 19: Investment properties

€ thousand	2011	2010
HISTORICAL COST		
As at 1 Jan.	**9,468**	**9,468**
Disposals	-348	0
As at 31 Dec.	**9,120**	**9,468**
VALUE ADJUSTMENT		
As at 1 Jan.	**-2,679**	**-2,443**
Depreciation and amortisation	-233	-236
Disposals	166	0
As at 31 Dec.	**-2,746**	**-2,679**
RESIDUAL VALUE		
As at 1 Jan.	6,789	7,025
As at 31 Dec.	**6,375**	**6,789**

Table 20: Revenues and expenses from investment properties

€ thousand	2011	2010
A. Rental income from investment properties	1,410	1,430
B. Direct operating expenses creating revenue from investment properties	-537	-437
C. Profit from sale of investment properties	363	3,699
Total (A+B+C)	**1,236**	**4,692**

Market values of investment properties kept, in spite of the falling prices on the real estate market, a higher value than their carrying amount as at 31 December 2011 and it was therefore assessed that no indicators of impairment exist.

NOTE 12: Intangible assets

A test for any impairment of goodwill found that 87% of its value was goodwill associated to the Bosnian subsidiary, Intereuropa RTC d.d. Sarajevo. The company was accounted as the cash generating unit. The basis for calculation was the planned sales amounts for 2012-2015 envisaging 2.3% average annual sales growth. The calculation applied 14.53% discount rate representing the weighted average of the cost of capital. We found, based on discounted cash flows, that the recoverable amount of the cash generating unit exceeds its carrying amount, including goodwill, hence there was no need for impairment of goodwill.

Table 21: Intangible assets in 2011

€ thousand	Long-term title rights	Goodwill	Long-term deferred development costs	Total
As at 1 Jan. 2011	**7,410**	**1,424**	**3,943**	**12,777**
Purchasing	78	0	142	220
Decreases arising from disposal	-31	0	0	-31
Decrease arising from sale of a subsidiary	0	-143	0	-143
Exchange differences	-30	0	0	-30
As at 31 Dec. 2011	**7,427**	**1,281**	**4,085**	**12,793**
VALUE ADJUSTMENT				
As at 1 Jan. 2011	**-3,807**	**0**	**-119**	**-3,926**
Depreciation and amortisation	-754	0	0	-754
Decreases arising from disposal	31	0	0	31
Exchange differences	26	0	0	26
As at 31 Dec. 2011	**-4,504**	**0**	**-119**	**-4,623**
RESIDUAL VALUE				
As at 1 Jan. 2011	3,603	1,424	3,824	8,851
As at 31 Dec. 2011	**2,923**	**1,281**	**3,966**	**8,170**

Long-term deferred development expenses primarily represent investments in the development of an IT solution to support integrated logistic services.

The carrying amount of pledged intangible assets was € 851 thousand as at the reporting date.

Table 22: Intangible assets in 2010

€ thousand	Long-term title rights	Goodwill	Long-term deferred development costs	Total
HISTORICAL COST				
As at 1 Jan. 2010	**7,474**	**1,424**	**3,793**	**12,691**
Purchasing	465	0	150	615
Sale of a subsidiary	-517	0	0	-517
Exchange differences	-12	0	0	-12
As at 31 Dec. 2010	**7,410**	**1,424**	**3,943**	**12,777**
VALUE ADJUSTMENT				
As at 1 Jan. 2010	**-3,081**	**0**	**-119**	**-3,200**
Depreciation and amortisation	-774	0	0	-774
Transfers of	48	0	0	48
As at 31 Dec. 2010	**-3,807**	**0**	**-119**	**-3,926**
RESIDUAL VALUE				
As at 1 Jan. 2010	4,394	1,424	3,674	9,491
As at 31 Dec. 2010	**3,603**	**1,424**	**3,824**	**8,851**

NOTE 13: Other non-current operating assets

Other non-current operating assets almost exclusively relate to accrued incidental borrowing costs (costs related to loan agreements such as agency and consulting fees etc.) transferred to expenses in relation to the time lapsed and with regard to the outstanding principal. They were lower by € 169 thousand as at the balance sheet date.

NOTE 14: Loans and deposits given

Table 23: Composition of loans and deposits

€ thousand	31. 12. 2011	31. 12. 2010
Long-term loans and deposits given	**75**	**84**
- loans given	39	56
– deposits	36	28
Short-term loans and deposits given	**8,518**	**1,347**
- loans given	33	138
– deposits	8,485	1,209
Total loans and deposits given	**8,593**	**1,431**

The Group's deposits amounted to € 8,485 thousand, with one-year maturity.

Table 24: Long-term loans and deposits given

€ thousand	2011	2010
Opening balance	**84**	**80**
New loans	8	23
Transfer from the short-term part	4	24
Transfer to the short-term part	-11	0
Sale of subsidiaries	-4	0
Repayments	-4	0
Exchange differences	-1	5
Closing balance	**75**	**84**

Table 25: Long-term loans and deposits given, by maturity

€ thousand	31. 12. 2011	31. 12. 2010
Maturity from 1 to 2 years	30	35
Maturity from 2 to 3 years	16	15
Maturity from 3 to 4 years	0	0
Maturity from 4 to 5 years	0	0
Maturity over 5 years	29	33
Total	**75**	**84**

Table 26: Long-term loans given by collateral (excluding deposits)

€ thousand	31. 12. 2011	31. 12. 2010
Secured	29	33
Unsecured	10	23
Total	**39**	**56**

Table 27: Short-term loans given by collateral (excluding deposits)

€ thousand	31. 12. 2011	31. 12. 2010
Based on bills of exchange	0	0
Based on other types of collateral	33	138
Total	**33**	**138**

NOTE 15: Joint venture

The company Intereuropa d.d. has a 50% stake in the joint venture Intereuropa-FLG, d.o.o., Ljubljana.

Table 28: Investment in the joint venture

v 1000 EUR	2011	2010
OPENING AMOUNT		
As at 1 Jan.	135	148
INCREASE		
Equity accounted profits	24	34
Total increases	**24**	**34**
DECREASE		
Payment of profit	-23	-47
Total decreases	**-23**	**-47**
As at 31 Dec.	**136**	**135**

Table 29: Assets, liabilities, revenues and expenses of the joint venture

€ thousand	31. 12. 2011	31. 12. 2010
ASSETS	**2,370**	**2,831**
Non-current assets	13	14
Current assets	2,358	2,817
LIABILITIES	**2,370**	**2,831**
Equity	235	232
Non-current liabilities	18	18
Current liabilities	2,117	2,581
Revenues	12,348	13,679
Expenses (including corporate income tax)	12,300	13,612
Net profit for the period	**48**	**67**

NOTE 16: Other financial assets

Available-for-sale financial assets

Table 30: Available-for-sale financial assets

€ thousand	2011		2010	
	Available-for-sale financial assets at fair value	Available-for-sale financial assets at historical cost	Available-for-sale financial assets at fair value	Available-for-sale financial assets at historical cost
Balance at the beginning of period, 1 Jan.	**1,272**	**2,406**	**1,291**	**2,514**
Effect from transformation of an investment company into a mutual fund	-2	0	0	60
Sale	-55	0	-1	-169
Revaluation to fair value	-65	0	-18	0
Balance at the end of period, 31 Dec.	**1,150**	**2,406**	**1,272**	**2,406**

NOTE 17: Available-for-sale assets

Table 31

€ thousand	31. 12. 2011	31. 12. 2010
Available-for-sale property, plant and equipment	0	45
Available-for-sale financial assets	3,310	3,379
Total available-for-sale assets	**3,310**	**3,424**

NOTE 18: Short-term trade receivables

Table 32

€ thousand	31. 12. 2011	31. 12. 2010
Short-term accounts receivable	42,451	43,878
Other short-term operating receivables	3,603	12,425
Total short-term operating receivables	**46,053**	**56,303**

Total short-term trade receivables equalled € 42,451 thousand of which € 3,234 thousand were deferred items.

Write downs of accounts receivable

Table 33

€ thousand	31. 12. 2011	31. 12. 2010
A. Short-term accounts receivable (gross)	50,303	51,121
B. Value adjustments of receivables	7,853	7,243
Residual value (A-B)	42,451	43,878
Write-off of receivables (B/A)	15.61%	14.17%

Value adjustments of accounts receivable and other receivables

Table 34

€ thousand	2011	2010
Value adjustment of receivables as at 1 Jan.	7,243	6,392
exchange differences	541	0
- receivables written off	-955	-351
- collected receivables and discounts	-1,520	-1,455
+ additional increase in value adjustments	2,544	2,657
Closing balance of adjustments as at 31 Dec.	**7,853**	**7,243**

The effect of value adjustments made in 2011 is presented in the category expenses related to value adjustments and write offs of receivables, presented in Note 7.

The structure of short-term accounts receivable by maturity

Table 35

€ thousand	Gross amount 31 Dec. 2011	Value adjustment 31 Dec. 2011	Gross amount 31 Dec. 2010	Value adjustment 31 Dec. 2010
Outstanding	29,255	0	29,503	0
Overdue from 0 to 30 days	7,574	1	9,296	37
Overdue from 31 to 90 days	4,099	48	3,471	25
Overdue from 91 to 180 days	1,421	163	1,494	188
Overdue over 181 days	7,954	7,640	7,357	6,992
Short-term accounts receivable	**50,303**	**7,853**	**51,121**	**7,242**

The major portion of receivables more than 181 days overdue has been registered in court proceedings (executions, litigation, bankruptcies and compulsory settlements). The Group manages exposure to various types of risk arising from accounts receivables by applying its own credit rating system for domestic customers and by checking credit rating assessments of foreign customers made by specialised companies. On the basis of the acquired information, the Group requires that customers with lower credit ratings supply instruments for collateralisation of payment (bills of exchange, bank guarantees, mortgages, pledges of movable property and sureties).

NOTE 19: Cash

Cash of the Group amounted to € 17,651 thousand. It included cash on accounts, call deposits and cash in hand. The reasons for increases and decreases in cash in the financial year 2011 are given in the statement of cash flows.

NOTE 20: Equity

The Group's equity equalled € 140,988 thousand of which the controlling and the non-controlling interest amounted to € 131,296 thousand and € 9,692 thousand, respectively. Changes in equity items in 2011 are presented in the statement of comprehensive income and the statement of changes in equity.

Share capital of the parent company Intereuropa d.d. is divided into 7,902,413 ordinary freely transferable no-par value shares.

Ordinary no-par value shares give their holders:

- the right to participate in the management of the Company;
- the right to a part of the profit (dividend); and
- the right to a corresponding part of the remaining assets after liquidation or bankruptcy of the Company.

All issued shares are fully paid. Each no-par value share has an identical share and the pertaining amount in share capital. The share of individual no-par value share in share capital is determined with regard to the number of issued no-par value shares. No-par value shares cannot be split.

As at the balance sheet date, 31 December 2011, the parent company had, in accordance with an AGM resolution from 2011, € 16,488 thousand of approved and unused capital. The parent company issued no shares for authorised capital in 2011.

Table 36

€ thousand	2011	2010
Non-current financial liabilities	30,122	175,765
Current financial liabilities	172,689	31,098
Total financial liabilities	202,811	206,863
Total equity	140,988	148,163
Debt/equity	1.44	1.40

Treasury shares

As at 31 December 2011, the Company held 18,135 treasury shares, which represented 0.23% of share capital. The number of treasury shares was unchanged from 31 December 2010.

Reserves

Equity reserves

The Company had no equity reserves as at the reporting date.

Treasury share reserves

Treasury share reserves were established in 2008 in the amount of historical cost, i.e. € 180 thousand. They are included in the revenue reserve item.

Revenue reserve

Revenue reserve was recognised in the amount of € 2,585 thousand rising by € 36 thousand from the compared date due to transfer from retained earnings in accordance with resolutions of annual general meetings of subsidiaries. Covering net loss of the parent company reduced the item by € 3,698 thousand.

Revaluation to fair value

Revaluation to fair value fell to € 67,905 thousand from 2010 as a result of land revaluation related to deferred tax and available-for-sale financial assets and due to transfer of the value of disposal of the Group's real estate to retained earnings.

Translation reserve

Translation reserve rose by € 1,044 thousand from 2010 to € -11,346 thousand as at 31 December 2011. The increase resulted from exchange differences arising from translating equity items in financial statements of foreign subsidiaries from local currencies to the reporting currency.

Retained earnings

Retained earnings of € 39,357 thousand were higher by € 1,221 thousand from 2010.

Equity of the non-controlling interest

Equity of the non-controlling interest of € 9,692 thousand was lower by € 550 thousand from 2010.

Earnings per share

Basic earnings per share (€ -0.73) were calculated as: net profit pertaining to ordinary shareholders of the parent company/the weighted average number of shares excluding treasury shares.

Diluted earnings per share were the same as basic earnings per share as the parent company issued no dilutive potential ordinary shares.

Table 37

	2011	2010
Net loss/controlling interest for the year in € thousand	-5,734	-39,952
Average number of shares	7,884,278	7,884,278
Basic and diluted earnings per share (€)	**-0.73**	**-5.07**

NOTE 21: Provisions

As at the date of the statement of financial position, the Group had € 2,726 thousand of unused long-term provisions and long-term deferred revenues. Their changes are presented in the table below:

Table 38: Provisions

€ thousand	As at 1 Jan. 2011	Drawing (use)	Cancellation and transfer to revenues	Transfer to the short-term part	Additional establishment	Exchange differences	As at 31 Dec. 2011
Provisions for employee benefits	2,316	209	228	0	6	-8	1,877
Provisions for legal proceedings	491	1	103	75	137	0	450
Other provisions	178	178	0	1,061	1,341	-1	279
Long-term deferred revenues	98	17	63	6	107	0	119
TOTAL	**3,084**	**404**	**394**	**1,142**	**1,592**	**-9**	**2,726**

The calculation of provisions for employee benefits for gratuities and long-service awards was based on an actuarial calculation taking the following assumptions into account:

- number of employees, their gender, age, total length of service, length of service with the Company and the average gross salary in the last quarter of 2007;
- method for calculating gratuities in accordance with the national legislation;
- growth of average salaries in respective countries;
- fluctuation of staff with regard to age, and conditions for retirement in accordance with the minimum conditions for obtaining the right to old-age pension;
- discount rates applied: 5.7% in Serbia, 5.85% in Slovenia, 5.4% in Montenegro, 7% in Bosnia and Herzegovina and 5.5% in Croatia.

The provisions for employee benefits were reduced in the relevant period by the amount of paid gratuities and long-service awards. Due to the initiated liquidation proceedings for Intereuropa Transport, d.o.o., the Company cancelled the remaining provisions for employee benefits and established other provisions for business reasons recognised as short-term in the amount of € 1,061 thousand.

Provisions for legal actions were established on the basis of obtained opinions and estimates by internal and external legal experts.

Long-term deferred revenues primarily related to property, plant and equipment acquired free of charge and property, plant and equipment purchased from funds obtained by employing disabled persons above the quota. They are being credited to operating revenues in the amount of depreciation costs.

NON-CURRENT LIABILITIES

NOTE 22: Received loans and financial leases

Table 39: Structure of received long-term loans and financial leases

€ thousand	31. 12. 2011	31. 12. 2010
Long-term loans received on the basis of loan agreements	27,252	171,218
Long-term loans received on the basis of financial lease	149	675
Total non-current financial liabilities	**27,401**	**171,893**

Table 40: Long-term loans and financial leases

€ thousand	31. 12. 2011	31. 12. 2010
As at 1 Jan.	**171,893**	**107,009**
Drawing of revolving credit	3,590	0
Adjustment of the opening balance (transfer to non-current assets)	8	0
Refinancing of short-term loans	240	87,953
Transfer from current liabilities (a grace period on long-term loans)	2,008	0
New loans	71	1,201
Repayments	-8	-3,498
Transfer to current liabilities – default on financial covenants	-116,596	0
Transfer to current liabilities (current part of non-current liabilities)	-33,875	-20,702
Exchange differences	71	-70
As at 31 Dec.	**27,401**	**171,893**

The Group had € 827 thousand in approved and undrawn revolving credit as at 31 December 2011.

Table 41: Long-term loans and financial leases by maturity

€ thousand	31. 12. 2011	31. 12. 2010
Maturity from 1 to 2 years	9,670	29,139
Maturity from 2 to 3 years	5,349	27,805
Maturity from 3 to 4 years	3,206	65,611
Maturity from 4 to 5 years	3,020	11,385
Maturity over 5 years	6,156	37,954
Total	**27,401**	**171,893**

Table 42: Long-term loans and financial leases by collateral

€ thousand	31. 12. 2011	31. 12. 2010
Secured	27,377	171,869
Mortgaged real estate and pledged securities	24,550	167,499
Bills of exchange and corporate guarantee	2,827	4,370
Unsecured	24	24
Total	**27,401**	**171,893**

Table 43: Structure of short-term loans and financial leases

€ thousand	31. 12. 2011	31. 12. 2010
Short-term loans received	170,067	26,688
Financial lease	682	2,264
Total	**170,749**	**28,952**

Table 44: Short-term loans and financial leases by collateral

€ thousand	31. 12. 2011	31. 12. 2010
Secured	170,569	28,952
Mortgaged real estate and pledged securities	168,670	25,382
Bills of exchange	1,870	3,359
Other	29	211
Unsecured	179	0
Total	**170,749**	**28,952**

Some loan agreements made between Intereuropa d.d. and banks include financial covenants (financial leverage indicator, indicator of coverage of interest expenses, financial security indicator, equity/total assets, share of gross cash flow in net sales revenues, ratio between net debt and EBITDA and indicator of coverage of finance costs) checked based on audited consolidated financial statements for a financial year.

With regard to the meeting of financial covenants in 2011 and in accordance with the IAS 1.74, all principals for which contractual covenants have not been met were transferred from non-current to current financial liabilities. The amount of reclassified financial liabilities amounted to € 116,596 thousand. However, given the positive trends in our operations, regular settling of obligations and an active search for a solution providing long-term financial stability of the Company involving all stakeholders in financing, no recall of long-term loans is expected.

NOTE 23: Other non-current and current financial liabilities

Table 45: Structure of other non-current and current financial liabilities

€ thousand	31. 12. 2011	31. 12. 2010
Non-current liabilities at fair value through profit or loss	2,721	3,872
Total other non-current financial liabilities	**2,721**	**3,872**
Current liabilities at fair value through profit or loss	1,505	1,729
Dividend liabilities	435	417
Total other current financial liabilities	**1,940**	**2,146**

Other non-current financial liabilities of € 2,721 thousand and other current financial liabilities of € 1,505 thousand relate to liabilities from financial instruments at fair value through profit or loss. They represent the net present value of a derivative of a currency swap with a foreign-exchange option. The liabilities are secured by a mortgage. The effects are disclosed in Note 7 (Expenses from derivatives).

NOTE 24: Deferred tax assets and liabilities

Deferred tax assets were recognised in the amount of deductible temporary differences arising from revenues from revaluation of assets and established provisions and bringing forward of unused tax losses. The condition for their recognition is the existence of available taxable profit, which can be in the future debited for deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences in financial assets for which changes in fair value are recognised directly in equity and for temporary differences in property, plant and equipment, mostly related to revaluation to fair value.

Table 46: Not-offset deferred tax assets and liabilities in 2011

€ thousand						
Deferred tax assets	As at 1 Jan. 2011	Changes in the income statement	Changes in other comprehensive income	Transfer between items	Exchange differences	As at 31 Dec. 2011
Property, plant and equipment	0	0	0	11	0	11
Revaluation of receivables from value adjustments	42	-11	0	-11	1	21
Financial assets revaluation	609	2,337	9	0	-11	2,945
Provisions	354	-51	0	0	-3	300
Tax loss	7,695	853	-3	0	-117	8,428
Other	56	-5	0	0	-2	50
Total deferred tax assets	**8,756**	**3,123**	**6**	**0**	**-132**	**11,755**

Deferred tax liabilities	As at 1 Jan. 2011	Changes in the income statement	Changes in other comprehensive income	Transfer between items	Exchange differences	As at 31 Dec. 2011
Revaluation from temporary differences in property, plant and equipment	17,521	323	-818	0	-44	16,982
Total deferred tax liabilities	**17,521**	**323**	**-818**		**-44**	**16,982**
Effect		**2,800**	**824**			

Table 47: Not-offset deferred tax assets and liabilities in 2010

€ thousand						
Deferred tax assets	As at 1 Jan. 2010	In income statement	In comprehensive income	Transfer between items	Exchange differences	As at 31 Dec. 2010
Revaluation of receivables from value adjustments	50	-1	0	-6	-1	42
Provisions	364	-17	7	0	0	354
Financial assets revaluation	541	69	6	0	-7	609
Long-term operating liabilities	93	-93	0	0	0	0
Tax loss	6,796	1,612	-942	0	229	7,695
Other	1	49	0	6	0	56
Total deferred tax assets	**7,845**	**1,619**	**-929**	**0**	**221**	**8,756**

Deferred tax liabilities	As at 1 Jan. 2010	In income statement	In comprehensive income	Transfer between items	Exchange differences	As at 31 Dec. 2010
Revaluation from temporary differences in property, plant and equipment	18,834	175	-1,398	0	-90	17,521
Total deferred tax liabilities	**18,834**	**175**	**-1,398**	**0**	**-90**	**17,521**
Effect		**1,444**	**469**			

NOTE 25: Short-term operating liabilities

Table 48: Short-term operating liabilities

€ thousand	31. 12. 2011	31. 12. 2010
Short-term accounts payable	33,503	41,034
Short-term operating liabilities from advances	1,099	1,669
Other short-term operating liabilities	7,387	6,594
Total short-term operating liabilities	**41,988**	**49,298**

Of the total amount of short-term operating liabilities as at 31 December 2011, € 2,116 thousand related to liabilities arising from accrued costs for which input invoices from suppliers have not been received yet.

Suppliers (except with regard to customs obligations) are not provided with payment collateral instruments. Other short-term operating liabilities related to liabilities to employees arising from wages and salaries, allowances, contributions, taxes and other liabilities.

NOTE 25: Contingent liabilities

Contingent liabilities disclosed are those not posted in the statement of financial position for which inflows of resources are not likely in settlement of the underlying obligation. It was estimated that the Group had the following contingent liabilities as at 31 December 2011:

Table 49: Contingent liabilities

€ thousand	31. 12. 2011	31. 12. 2010
Arising from bank guarantees and guarantees given	11,328	9,693
Arising from legal proceedings	2,990	3,054
From D.S.U., družba za svetovanje in upravljanje	250	250
Total contingent liabilities	**14,569**	**12,997**

Guarantees and warranties present primarily contingent liabilities arising from performance bank guarantees and similar guarantees, and contingent liabilities arising from a bank guarantee for any customs debt that might result from checking the origin, various analyses and control of goods.

Contingent liabilities arising from lawsuits of € 2,990 thousand represent less than 50% probability that the plaintiff would be successful in their claim and inflows of resources embodying economic benefits would be needed. They are primarily lawsuits arising from the amended resolution on dividend payout from 2008 and lawsuits related to damages for illegal discharge from office.

NOTE 26: Fair value

Available-for-sale securities

The fair value of available-for-sale securities listed on a stock exchange is equal to the published closing price of the shares as at the statement of financial position date. The fair value of shares and stakes in companies listed on a stock exchange is assessed on the basis of the last known transactions or based on their operations.

Loans received and given

The fair value equals the carrying amount.

Short-term receivables and liabilities

It is assumed for receivables and liabilities falling due within one year that their carrying value reflects their fair value.

Table 50: Fair value

	31. 12. 2011		31. 12. 2010	
€ thousand	Carrying amount	Fair value	Carrying amount	Fair value
Available-for-sale financial assets	3,556	3,556	3,678	3,678
Total	**3,556**	**3,556**	**3,678**	**3,678**
Assets at amortised cost				
Long-term loans and deposits	75	75	84	84
Short-term loans given	8,518	8,518	1,347	1,347
Operating receivables (excluding advances)	46,053	46,053	56,303	56,303
Cash and cash equivalents	17,651	17,651	12,216	12,216
Total	**72,297**	**72,297**	**69,950**	**69,950**
Liabilities at fair value				
Derivatives	4,226	4,226	5,601	5,601
Total	**4,226**	**4,226**	**5,601**	**5,601**
Liabilities at amortised cost				
Long-term operating liabilities	1,203	1,203	137	137
Loans	198,151	198,151	202,369	202,369
- at a fixed interest rate	464	464	247	247
- at a variable interest rate	197,687	197,687	202,122	202,122
Short-term operating liabilities	41,988	41,988	49,298	49,298
Total	**241,342**	**241,342**	**251,804**	**251,804**

Fair values of financial instruments

The table below presents classification of financial instruments with regard to calculation of their fair value, to the following three levels:

- level 1: assets or liabilities at market price;
- level 2: assets or liabilities not classified in level 1 with their value determined directly or indirectly on the basis of comparable market data;
- level 3: assets or liabilities the value of which cannot be determined from market data.

Table 51: Fair value amounts

€ thousand	31. 12. 2011			
FAIR VALUE AMOUNTS	Level 1	Level 2	Level 3	Total
Assets at fair value				
Available-for-sale financial assets	1,151	0	2,405	3,556
Total	**1,151**	0	**2,405**	**3,556**
Liabilities at fair value				
Derivatives	0	4,226	0	4,226
Total	**0**	**4,226**	**0**	**4,226**

€ thousand	31. 12. 2010			
FAIR VALUE AMOUNTS	Level 1	Level 2	Level 3	Total
Assets at fair value				
Available-for-sale financial assets	1,272	0	2,405	3,678
Total	**1,272**	0	**2,405**	**3,678**
Liabilities at fair value				
Derivatives	0	5,601	0	5,601
Total	**0**	**5,601**	**0**	**5,601**

NOTE 27: Financial risks

Risk management is discussed in the section Risk management.

Liquidity risk

Liquidity risk is managed by active cash management comprising:

- cash flow monitoring and planning;
- regular collection and daily contact with major customers;
- short-term borrowing within the Group;
- the option of using short-term bank credit lines.

The table presents estimated non-discounted cash flows including future interest.

Table 52: Liquidity risk, 31 December 2011

€ thousand							
31. 12. 2011	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Loans from banks and others	197,319	209,892	43,757	135,353	15,944	8,132	6,654
Loans received on the basis of financial lease	831	875	229	484	96	63	0
Liabilities at fair value through profit or loss	4,226	4,819	852	833	1,605	1,528	0
Accounts payable	34,605	34,637	30,633	10	859	2,971	164
Other liabilities	9,022	9,022	8,617	220	11	86	0
Total	**246,003**	**259,245**	**84,088**	**136,901**	**18,515**	**12,780**	**6,818**

Due to non-compliance with contractual covenants from loan agreements in 2011 and in accordance with the IAS 1.74, the Group transferred € 116,595 thousand of financial liabilities from non-current to current financial liabilities. The transferred liabilities are presented in the table above in the category of 6-12 months although the underlying loan agreements specify longer maturities.

Table 53: Liquidity risk, 31 December 2010

€ thousand							
31. 12. 2010	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Loans from banks and others	197,906	230,185	9,902	26,235	36,939	118,449	41,676
Loans received on the basis of financial lease	2,939	2,924	679	1,570	606	68	0
Liabilities at fair value through profit or loss	5,601	6,401	852	1,084	1,586	2,878	0
Accounts payable	41,137	27,870	34,293	280	103	0	0
Other liabilities	8,297	5,993	7,871	66	29	130	0
Total	**255,880**	**273,373**	**53,597**	**29,235**	**39,263**	**121,525**	**41,676**

The table presents the analysis of interest rate sensitivity and the impact on profit before tax.

Interest rate risk

Table 54: Interest rate risk

€ thousand							
2011	Change in percent	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
EURIBOR	+15%	-188	-173	-492	-163	-77	-1,092
EURIBOR	+10%	-125	-115	-328	-108	-51	-728
EURIBOR	-10%	125	115	328	108	51	728
EURIBOR	-15%	188	173	492	163	77	1,092

Table 55: Interest rate risk

€ thousand							
2010	Change in percent	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
EURIBOR	+15%	-126	-129	-232	-392	-110	-987
EURIBOR	+10%	-84	-86	-154	-261	-73	-658
EURIBOR	-10%	84	86	154	261	73	658
EURIBOR	-15%	126	129	232	392	110	987

Currency risk

Table 56: Currency risk, 31 December 2011

€ thousand					
31. 12. 2011	EUR	HRK	RSD	Other	Total
Operating receivables	32,578	6,841	738	5,896	**46,053**
Long-term loans given	10	0	0	29	**39**
Short-term loans given	27	4	0	3	**33**
Long-term loans received	-27,215	0	0	-185	**-27,401**
Short-term loans received	-164,510	-5,957	0	-281	**-170,749**
Short-term operating liabilities	-31,821	-5,306	-1,045	-3,818	**-41,990**
Other non-current financial liabilities (financial liabilities at fair value through profit or loss)	0	0	0	-2,721	**-2,721**
Other current financial liabilities (financial liabilities at fair value through profit or loss)	-434	0	0	-1,505	**-1,938**
Gross exposure of the statement of financial position	**-191,366**	**-4,420**	**-307**	**-2,582**	**-198,674**

Table 57: Currency risk, 31 December 2010

€ thousand					
31. 12. 2010	EUR	HRK	RSD	Other	Total
Operating receivables	32,987	8,945	652	13,718	**56,303**
Long-term loans given	23	20	7	33	**84**
Short-term loans given	96	617	0	635	**1,347**
Long-term loans received	-164,063	-4,686	-2,732	-412	**-171,893**
Short-term loans received	-18,676	-9,400	-283	-593	**-28,952**
Short-term operating liabilities	-31,979	-6,550	-730	-10,038	**-49,297**
Other non-current financial liabilities (financial liabilities at fair value through profit or loss)	0	0	0	-3,872	**-3,872**
Other current financial liabilities (financial liabilities at fair value through profit or loss)	-329	-27	0	-1,474	**-1,830**
Gross exposure of the statement of financial position	**-181,942**	**-11,081**	**-3,086**	**-2,002**	**-198,111**

Credit risk

Table 58: Credit risk

€ thousand	31. 12. 2011	31. 12. 2010
Long-term loans granted to others	39	56
Long-term deposits	36	28
Short-term loans to others	33	138
Short-term deposits	8,485	1,209
Short-term trade receivables	46,053	56,303
- of which accounts receivable	42,451	43,878
Cash and cash equivalents	17,651	12,216
Available-for-sale financial assets	3,556	3,678
Total	**75,853**	**73,628**

Cost of auditors

Table 59: Cost of auditors

	Jan-Dec 2011	Jan-Dec 2010
- Annual report audit	112	172
- Other audit services	17	9
- Other non-audit services	18	21
Total cost of auditors	**146**	**202**

NOTE 28: Related parties

Table 60: Compensation of key management personnel

€ thousand	2011	2010
Short-term earnings (salary and social security contributions, annual and sick leave, profit participation, non-cash earnings (bonuses))	1,238	1,234
Other earnings	0	0
TOTAL	**1,238**	**1,234**

The Group approved no loans to the key management personnel in 2011.

Table 61: Disclosure of related-party transactions

Revenue from services (€ thousand)	2011	2010
Joint venture	926	918

Costs of services (€ thousand)	2011	2010
Joint venture	5,354	7,546

The Group's liabilities to the joint venture equalled € 846 thousand as at 31 December 2011.

NOTE 29: Business segment information

Table 62

	Slovenia		Croatia		Bosnia and Herzegovina		Serbia		Montenegro	
€ thousand	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenues from external customers	121,304	115,032	32,509	33,671	6,788	6,495	3,460	3,160	5,608	5,438
Revenues from transactions with other segments	7,999	9,006	800	822	521	530	721	636	59	84
Total revenues	129,303	124,038	33,309	34,493	7,309	7,026	4,180	3,796	5,667	5,522
Depreciation and amortisation	6,787	7,671	2,240	2,498	434	489	286	302	617	638
Operating profit	3,456	1,407	259	3,290	809	702	486	374	673	2,265
Interest income	4,756	4,802	330	419	2	1	37	26	135	114
Interest expenses	10,908	9,366	689	1,175	116	253	307	129	0	0
Profit from continuing operations	-8,729	-48,705	-575	-761	387	281	192	-99	751	2,317
Corporate income tax	-2,156	-775	-72	-61	48	34	14	-5	94	245
Assets	320,262	328,457	73,634	85,021	17,743	19,303	11,718	11,362	22,962	24,337
Property, plant and equipment under construction	6	6	84	86	52	633	8	334	288	560
Non-current assets	247,175	261,339	58,586	69,177	16,333	17,739	10,620	10,483	19,684	20,060
Operating liabilities	45,209	46,697	9,274	11,129	1,937	3,117	1,613	1,310	926	943
Financial liabilities	190,236	190,251	10,773	16,235	1,230	1,949	3,019	3,388	360	316
Investments in joint ventures by equity method	75	75	0	0	0	0	0	0	0	0
Income from participation in joint ventures	22	47	0	0	0	0	0	0	0	0

€ thousand	Ukraine		Russia		Other		Total		Adjustments with exclusions*		Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenues from external customers	23,983	9,318	11,467	5,087	6,777	12,380	211,895	190,580	-15	44	211,880	190,624
Revenues from transactions with other segments	3	4	94	25	555	764	10,752	11,871	-10,752	-11,871	0	0
Total revenues	23,986	9,322	11,561	5,112	7,332	13,143	222,647	202,452	-10,767	-11,828	211,880	190,624
Depreciation and amortisation	218	239	1,265	2,053	100	175	11,946	14,065	0	0	11,946	14,065
Operating profit	252	-382	938	-34,763	96	274	6,969	-26,833	-188	-363	6,780	-27,195
Interest income	8	1	149	19	2	1	5,419	5,382	-4,390	-4,467	1,028	915
Interest expenses	162	136	3,988	3,980	5	15	16,176	15,055	-4,390	-4,467	11,785	10,587
Profit from continuing operations	-42	-330	-5,524	-32,669	18	258	-13,521	-79,708	5,627	39,915	-7,895	-39,793
Corporate income tax	86	22	-508	-83	10	23	-299	-600	0	0	-2,485	-600
Assets	5,421	6,475	57,516	69,870	2,613	4,479	511,869	549,304	-104,662	-123,876	407,207	425,428
Property, plant and equipment under construction	4	5	4,562	5,209	5	0	5,007	6,832	0	0	5,007	6,832
Non-current assets	4,011	4,355	53,334	54,327	1,208	1,318	410,951	438,797	-79,563	-86,996	331,389	351,801
Operating liabilities	1,331	2,096	23,404	19,397	587	1,981	84,281	86,671	-20,872	-16,268	63,409	70,402
Financial liabilities	2,375	2,461	50,148	61,838	0	272	258,141	276,709	-55,331	-69,846	202,811	206,863
Investments in joint ventures by equity method	0	0	0	0	0	0	75	75	61	59	136	135
Income from participation in joint ventures	0	0	0	0	0	0	22	47	2	-14	24	34

** All adjustments are subject to consolidation processes*

The performance of business segments is regularly monitored by the management to be used as the basis for taking decisions on the resources to be allocated to a segment and assessing performance of the Group.

NOTE 30: Post reporting date events

As already stated in Item I, the parent company signed the Indicative terms and conditions of restructuring of Intereuropa d.d. on 15 February 2012. An agreement was reached with the banks on a grace period on payment of the principal until 30 September 2012. Discussions are underway regarding a possible conversion of a portion of the debt into equity because of the need for additional capital.

The Company continued with the activities related to sale of real estate, Intereuropa-East Ltd., Moscow and other assets.

The subsidiary Intereuropa Transport, d.o.o., entered into liquidation proceedings on 1 January 2012.

A litigation concerning dividend payout for 2008 posted in contingent liabilities in the amount of € 1,340 thousand has been finally decided in February 2012. The court agreed that the circumstances in 2009 justified adopting the resolution on not paying any dividend.

Independent auditor's report

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Intereuropa d.d.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Intereuropa Group, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Intereuropa Group as of December 31, 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements.

Emphasis of matter

Without qualifying our opinion we draw attention to Note: I Basis for compilation – Declaration of conformity – Basis for measuring in the Group financial statements. The Group incurred a net loss of EUR 5,410 thousand in the year ended December 31, 2011 and the Group was not able to meet its financial covenants and therefore has reclassified long term loans to short term loans in the amount of EUR 116,596 thousand. As a result at December 31, 2011 short term liability exceeds short term assets by EUR 139,369 thousand and the ability of the Group to continue as a going concern in 2012 is dependent on a successful restructuring of its operations and in particular its loan liabilities.

During 2011, Intereuropa d.d. started negotiations with the banks regarding restructuring its financing arrangements and on February 15, 2012 signed a non binding agreement with all the banks involved in the financing of its operations which included a moratorium on loan repayments until September 30, 2012. The implementation of this restructuring plan is dependent on achievement of a number of conditions including sale of the Company's Russian operations and on the banks agreement to convert certain debt to equity and to reschedule debt repayments by the expiry of the moratorium period.

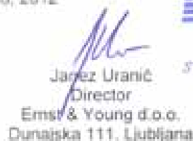
These conditions, along with other matters as set forth in Note: I Basis for compilation – Declaration of conformity – Basis for measuring in the Group financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

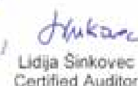
Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act. Our responsibility is to assess whether the business report is consistent with the audited consolidated financial statements. Our work regarding the business report is performed in accordance with ISA 720, and restricted to assessing whether the business report is consistent with the consolidated financial statements and does not include reviewing other information originated from non-audited financial records.

The business report is consistent with the audited consolidated financial statements.

Ljubljana, April 6, 2012





Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

Lidija Šinkovec
Certified Auditor

Financial report of the parent company Intereuropa d.d. for the 2011 financial year

Financial statements of the parent company Intereuropa d.d. and notes thereto

The company Intereuropa d.d. (hereinafter: the Company) is the parent company of the Intereuropa Group registered in Slovenia. Its registered office is at Vojkovo nabrežje 32, 6000 Koper. The Company offers logistic services via its branch network. Pursuant to an AGM resolution of 15 July 2005, the parent company Intereuropa d.d. applied as of 1 January 2006 the International Financial Reporting Standards (IFRS) as adopted by the European Union for a period of at least five years counting from 1 January 2006 as regards compiling and presentation of its separate financial statements.

Table 1: Income statement of Intereuropa d.d. for 2011

€ thousand	Notes	2011	2010
Sales revenues	**1**	**107,406**	**96,427**
Other operating revenues	2	758	4,759
Costs of services	3	-74,886	-67,933
Labour costs	4	-18,871	-19,595
Depreciation and amortisation	5	-5,035	-5,183
Other operating expenses	6	-3,299	-6,022
Operating profit		**6,073**	**2,453**
Finance income		9,108	6,741
Finance costs		-21,075	-56,407
Profit from financing activities	**7**	**-11,967**	**-49,666**
Profit from continuing operations		**-5,894**	**-47,213**
Corporate income tax (including deferred taxes)	8	2,182	815
Net loss for the period		**-3,712**	**-46,398**
Basic and diluted earnings per share (€)		**-0.47**	**-5.88**

Table 2: Statement of comprehensive income of Intereuropa d.d. for 2011

€ thousand	Notes	2011	2010
Net profit for the period		**-3,712**	**-46,398**
Other comprehensive income	**17**	**-41**	**-1,878**
Revaluation of land to fair value	9	0	-2,174
Transfer of surplus from revaluation of land to retained earnings in sale of land		-18	-4,938
Deferred tax in surplus from revaluation of land	22	4	1,422
Revaluation of available-for-sale financial assets to fair value	14	-51	-30
Transfer of revaluation surplus related to available-for-sale financial assets to revenues/expenses		0	0
Deferred tax in revaluation surplus related to available-for-sale financial assets	22	10	6
Retained earnings from revaluation of land (in sale of land)		18	4,938
Deferred tax from retained earnings	22	-4	-934
Retained earnings from merger of a subsidiary		0	-168
Total comprehensive income		**-3,753**	**-48,276**

Notes to the financial statements are a constituent part thereof and must be read in conjunction therewith.

Table 3: Statement of financial position of Intereuropa d.d. as at 31 December 2011

€ thousand	Notes	31. 12. 2011	31. 12. 2010
Assets			
Property, plant and equipment	9	142,629	146,353
Investment properties	10	5,724	6,118
Intangible assets	11	6,634	7,069
Other non-current operating assets	12	474	639
Deferred tax assets	21	5,846	3,515
Loans given	13	29,840	36,473
Investments in subsidiaries	14	49,842	50,797
Investment in a joint venture	14	75	75
Other financial assets	14	3,536	3,589
Total non-current assets		**244,600**	**254,628**
Inventories		35	35
Loans and deposits given	13	29,250	33,337
Short-term operating receivables	15	29,149	25,795
Current income tax assets		4	0
Cash	16	9,371	155
Total current assets		**67,809**	**59,322**
Total assets		**312,409**	**313,950**
Equity	**17**		
Share capital		32,976	32,976
Treasury shares		-180	-180
Reserve		51,849	55,602
Total equity		**84,645**	**88,398**
Liabilities			
Provisions and long-term deferred revenue	18	2,001	1,836
Long-term loans and financial leases	19	20,911	162,991
Other non-current financial liabilities	20	2,721	3,872
Long-term operating liabilities		1,101	103
Deferred tax liabilities	21	12,744	12,747
Total non-current liabilities		**39,478**	**181,549**
Short-term loans and financial leases	19	161,474	16,912
Other current financial liabilities	20	1,579	1,548
Short-term operating liabilities	22	25,233	25,543
Total current liabilities		**188,286**	**44,003**
Total liabilities		**227,764**	**225,552**
Total equity and liabilities		**312,409**	**313,950**

Notes to the financial statements are a constituent part thereof and must be read in conjunction therewith.

Table 4: Statement of cash flows of Intereuropa d.d. for 2011

€ thousand	Note	2011	2010
Cash flows from operating activities			
Net profit for the period		**-3,712**	**-46,398**
Adjustments for:			
- depreciation		5,035	5,183
- impairment and write off of property, plant and equipment		5	2,176
- gain on disposal of property, plant and equipment and investment properties		-478	-4,444
- loss in disposal of property, plant and equipment		6	148
- non-cash expenses		291	270
- non-cash revenues		-164	-224
- finance income		-9,108	-6,741
- recovered impaired receivables		597	566
- finance costs		21,075	56,407
- corporate income tax (including deferred taxes)		-2,182	-815
Operating profit before working capital changes and tax		**11,365**	**6,128**
Changes in working capital and provisions			
Change in receivables		-4,890	3,362
Change in inventories		0	-9
Change in operating liabilities		479	-3,046
Change in provisions		38	-573
Corporate income tax paid		-146	97
Net cash flows from operating activities		**6,846**	**5,959**
Cash flows used in investing activities			
Interest received		872	732
Dividends and other profit participations received		3,573	1,196
Proceeds from sale of property, plant and equipment and investment properties		594	17,220
Proceeds from granted long-term loans		6,336	9,725
Proceeds from sale of other financial assets			272
Proceeds from a decrease in short-term loans and deposits		1,038	28,039
Proceeds from merger of a subsidiary		0	1
Expenditures for acquisitions of property, plant and equipment		-143	-261
Expenditures for acquisition of intangible assets		-489	-10
Expenditures for acquisitions of and capital increases in subsidiaries		0	-33,764
Expenditures for granted long-term loans and deposits		0	-4,440
Expenditures from settlement of derivatives		-1,674	-276
Net cash flows used in investing activities		**10,107**	**18,434**
Cash flows from/(used in) financing activities			
Proceeds from received long-term loans		3,620	583
Proceeds from received short-term loans		3,703	0
Interest paid		-10,219	-9,086
Expenditures for repayment of long-term loans		-4,841	-11,801
Expenditures for reduction in short-term loans		0	-4,557
Dividend paid		0	-2
Net cash flows from financing activities		**-7,737**	**-24,863**
Opening balance of cash and cash equivalents		**155**	**625**
Cash flow for the period		**9,216**	**-470**
Closing balance of cash and cash equivalents	**16**	**9,371**	**155**

Notes to the financial statements are a constituent part thereof and must be read in conjunction therewith.

Table 5: Statement of changes in equity of Intereuropa d.d. for 2011

€ thousand	Note	Share capital	Treasury shares	Reserves		Retained earnings	Total equity
				Revenue reserves	Fair value reserve		
Opening balance as at 1 Jan. 2011		**32,976**	**-180**	**4,754**	**50,848**	**0**	**88,398**
Total comprehensive income for the period		**0**	**0**	**0**	**-55**	**-3,698**	**-3,753**
Net profit or loss		0	0	0	0	-3,712	-3,712
Other comprehensive income		0	0	0	-55	14	-41
Settlement of the net loss for the year		0	0	-3,698	0	3,698	0
Closing balance as at 31 Dec. 2011	**17**	**32,976**	**-180**	**1,056**	**50,793**	**0**	**84,645**

Table 6: Statement of changes in equity of Intereuropa d.d. for 2010

€ thousand	Note	Share capital	Treasury shares	Reserves			Retained earnings	Total equity
				Capital reserves	Revenue reserves	Fair value reserve		
Opening balance as at 1 Jan. 2010		**32,976**	**-180**	**36,040**	**11,276**	**56,562**	**0**	**136,674**
Total comprehensive income for the period		**0**	**0**	**0**	**0**	**-5,714**	**-42,562**	**-48,276**
Net profit or loss		0	0	0	0	0	-46,398	-46,398
Other comprehensive income		0	0	0	0	-5,714	3,836	-1,878
Transactions with shareholders		0	0	0	0	0	0	0
Settlement of the net loss for the year		0	0	-36,040	-6,522	0	42,562	0
Closing balance as at 31 Dec. 2010	**17**	**32,976**	**-180**	**0**	**4,754**	**50,848**	**0**	**88,398**

Notes to the financial statements are a constituent part thereof and must be read in conjunction therewith.

Notes to financial statements of Intereuropa d.d.

I. THE BASIS FOR COMPILING FINANCIAL STATEMENTS

Declaration of conformity

The Company's financial statements were compiled in line with the International Financial Reporting Standards (IFRS) as adopted by the EU, and in accordance with the Companies Act. The Management Board of the Company approved the financial statements on 17 February 2012.

Basis for measuring

The financial statements have been prepared by accounting for the historical cost except for land and derivatives at fair value through profit or loss, and for available-for-sale financial instruments where fair value has been applied. The measurement methods used are described in Item IV.

The financial statements of Intereuropa d.d. have been compiled based on the assumption of going concern.

The Company made a loss of € 3,712 thousand in the year ending on 31 December 2011 mostly resulting from restructuring of companies' operations, closing unprofitable companies, asset impairments and high finance costs. The Company was in default regarding financial covenants from loan agreements as at 31 December 2011 and therefore transferred in the financial statements non-current financial liabilities to current financial liabilities in the amount of € 116 million.

Intereuropa d.d. entered the restructuring process in 2011. Accordingly, liquidation proceedings have been initiated for unprofitable companies which will have a positive impact on operations in 2012. Additionally, the Company entered negotiations with banks regarding restructuring its financial obligations and concluded a non-binding agreement with the banks on 15 February 2012. The agreement contains the following:

- an agreement on granting a grace period on payment of the principal until 30 September 2012;
- initiating sale of the company in Russia;
- the banks expressed interest for conversion of their loans into share capital of the Company of up to € 22 million;
- the banks have agreed to continue negotiations on restructuring of financial liabilities of Intereuropa d.d. during the grace period with the aim of achieving an agreement on restructuring of financial liabilities by 30 September 2012 which would enable the Company to regularly service its financial obligations in the future.

Given the above, the Management Board believes it was correct to apply the going concern assumption when compiling the financial statements as at 31 December 2011 despite an important degree of uncertainty pointing to a significant doubt in the Company remaining a going concern.

Functional and presentation currency

The financial statements were compiled in euros, the functional currency being at the same time the presentation currency of Intereuropa d.d. All financial data are rounded to a thousand units. Therefore, the tables for disclosure may contain deviations of +1 or -1.

Use of estimates and assessments

The preparation of financial statements required the management to make certain estimates, assessments and assumptions affecting the application of accounting policies and the posted amounts of assets and liabilities, and revenues and expenses. The actual outcome may deviate from these estimations and assumptions.

The data on significant estimates of uncertainty and critical assessments which the management has prepared in the process of implementation of accounting policies and which had the strongest effect on the amounts posted in the financial statements are the following:

- the amount of bad debt;
- the recoverable amount which serves as comparison with the carrying amount in test of asset impairment;
- the useful lives of depreciable assets;
- the residual value of property, plant and equipment;
- valuation of financial instruments at fair value;
- posting deferred tax assets and liabilities;
- establishing provisions;
- appraising value of land posted at fair value (the Company recognised impairments where the value fell).

II. CHANGES IN ACCOUNTING ESTIMATES

In 2011, the Company changed the depreciation rate for IT equipment as a part of property, plant and equipment from 33.3% to 25%. The reason for the change is prolonged useful life of IT equipment resulting from better quality of elements.

The effect from the changed depreciation rate in 2011 was € 103 thousand added to profit or loss.

III. IMPORTANT ACCOUNTING POLICIES

The Company consistently applies the same accounting policies from period to period, as presented in the enclosed financial statements. The comparable data are aligned with the presentation of data for the current financial year. Any changes in policies are disclosed. There were no changes to accounting policies in 2011 compared to 2010.

(a) Foreign exchange

Foreign-currency transactions

Foreign-currency transactions are converted to euros, the functional currency of the Company, at the exchange rate applying as at the transaction date. Foreign-currency cash and liabilities are converted to the functional currency at the exchange rate applying as at the transaction date. Non-cash assets and liabilities denominated in foreign currencies that are stated at fair value are converted into the functional currency by using the exchange rate applicable as at the date the fair value was determined. The ECB reference exchange rate was applied.

Exchange differences appearing in settlement of cash items or in conversion of cash items by using exchange rates other than those used for initial recognition in the period or presentation in the preceding financial statements, are recognised in profit or loss (as revenues or expenses) for the period in which they appeared.

(b) Financial instruments

They comprise investments in equity and debt securities, operating and other receivables, cash and cash equivalents, received and granted loans, and operating and other liabilities.

Non-derivative financial assets

They are initially carried at fair value. The ordinary sales and purchases of financial assets are recognised as at the trading date, i.e. the date on which the Company undertakes to sell or purchase the asset. Any profit or loss resulting from disposal of financial assets is also recognised as at the same day.

Posting of finance income and costs is described in the item Finance income and costs.

Cash and cash equivalents

Cash and cash equivalents comprise balances held with banks and other financial institutions, cash in hand and immediately redeemable securities.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets marked as available-for-sale or not included in any other category. After initial recognition, such investments are measured at fair value accounting for the changes in fair value. Impairment losses are recognised in profit or loss and posted to capital/revaluation surplus. When an investment is derecognised, the accumulated profit and loss disposed in other comprehensive income for the period will be transferred to profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans are investments in debt of other enterprises, governments or other issuers. They also comprise investments in bonds bought. Receivables are the rights, emanating from property and other legal relationships, to claim the settlement of a debt, the payment for deliveries or rendered services from a specific person or entity. They are carried at amortised cost applying the effective interest rate method. Profit or loss will be recognised in profit or loss if it is derecognised or impaired.

Investments in subsidiaries

Long-term investments in equity of subsidiaries included in consolidated financial statements are carried at historic cost. Participation in profit of a subsidiary is recognised when the right to payment of the participation is established based on a resolution by the general meeting. Impairment loss will be recognised if the investment is found impaired.

Financial liabilities

Financial liabilities are posted as at the date of their occurrence. Financial liabilities are initially recognised as at the trading date when the Company becomes a contracting party in relation to the instrument. The Company will derecognise a financial liability if the obligations set in the contract are met, cancelled or expired.

Non-derivative financial liabilities are after initial recognition measured at amortised cost by using the effective interest method.

Derivatives

Derivatives with no hedging relation between the hedging instrument and the hedged item, and derivatives used for hedging with no hedging performance specified are classified in financial assets or liabilities at fair value through profit or loss. Derivatives are initially recognised at fair value. Costs related to the transaction are recognised in profit or loss upon occurrence. Subsequent to initial recognition, derivatives are measured at fair value. Any resultant gain or loss arising from measurement at fair value (as a change in fair value) of derivatives is recognised in profit or loss. The fair value of derivatives is determined on the basis of valuation by their issuer as at the statement of financial position date and represents the present offered value of the transaction.

Equity

Share capital

Ordinary shares are classified as share capital. Additional costs attributable directly to the issue of ordinary shares are posted as a decrease in equity.

Redemption of treasury shares or stakes

When treasury shares or stakes posted in share capital are redeemed, the amount of the consideration paid, including directly attributable costs, is recognised as a change in share capital. Redeemed shares or stakes are classified as treasury shares and presented as a deduction from total equity.

Dividends

Dividends are recognised in liabilities and posted upon occurrence of the business event. Dividends are disclosed in financial statements in the period in which the AGM adopted a resolution on their payment.

(c) Property plant & equipment

Property, plant and equipment are carried at historical cost less any accumulated depreciation and any accumulated impairment losses. The historical cost comprises the amounts directly attributed to acquisition of assets as well as capitalised borrowing costs. Elements of property, plant and equipment with different useful lives are posted as items of property, plant and equipment. After the initial recognition of property, plant and equipment, the historical cost model is used for buildings and equipment, and the revaluation model for land. Land is measured at the revalued amount being its fair value as at the revaluation date less any subsequent accumulated impairment losses. Land is revalued every five years or more often in the case of any indicators of impairment.

If the land's carrying amount is increased as a result of a revaluation, the increase will be recognised directly in equity as revaluation surplus in the statement of comprehensive income. If the land's carrying amount decreases as a result of a revaluation, the decrease will result in a decrease in revaluation surplus for the same land. However, if the decrease in the carrying amount exceeds the accumulated revaluation surplus for the same asset, the difference in the decrease will also be posted to profit or loss as an expense. The land revaluation surplus included in equity is transferred directly to retained earnings when the asset is derecognised.

Posting borrowing costs

In the case of assets under construction, the Company attributes borrowing costs directly to acquisition, building or production of the asset under construction as a part of the asset's historical cost. Borrowing costs comprise expenses for interest and exchange differences stemming from loans in a foreign currency if they are treated as recalculation of interest expenses. Other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment will be recognised in the asset's carrying amount if it is probable that the future economic benefits embodied in such part of an asset will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

Depreciation

Depreciation is charged on a straight-line over the useful life of each (part of) item of property, plant and equipment. The method most closely reflects the expected pattern of the future use of the asset. Leased assets are depreciated by accounting for the lease period and useful life. The estimated useful lives for the current and the compared period are as follows:

- buildings 20-40 years
- IT equipment 2-4 years
- other plant and equipment 4-10 years

Depreciation methods, useful lives and residual values are re-examined as at the reporting date and adjusted if necessary.

(d) Intangible assets

Intangible assets include long-term deferred development costs, investments in acquired industrial property rights (concessions, patents, licences, brands and similar rights) and other rights as well as goodwill of the acquired company. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. An intangible asset is measured initially at cost. Intangible assets are disclosed after initial recognition by using the historical cost model, namely at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets with definite useful life is accrued by using the straight-line depreciation method in the estimated useful life.

Research & development

To assess whether an internally generated intangible asset meets the criteria for recognition, the Company classifies the generation of the asset into:

- research; and
- development.

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Development activities include the plan or design for production of new or significantly improved products and procedures. Development costs will be recognised if they can be reliably measured, if the product or procedure is feasible in expert and business terms, if there is a possibility of future economic benefits, if the Group has appropriate resources to complete the development and if the Group intends to use or sell the asset. The recognised value of use comprises costs of services and material and other costs, which can be directly written up to the asset's use for the intended purpose. Other development expenditure is recognised in the income statement as an expense as incurred.

Capitalised development expenditure is stated at cost less any accumulated amortisation and accumulated impairment losses.

Other intangible assets

Other intangible assets having finite useful lives are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure on intangible assets will be capitalised only if increasing future economic benefits stemming from the asset to which expenditure relates. All other costs are recognised in profit or loss as an expense as incurred.

Amortisation

Amortisation is charged on the asset's historical cost or another amount instead of historical cost less the residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of intangible assets, except goodwill, commencing when the assets are ready for use. The method most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and the compared year are 3, 5 and 10 years. Amortisation methods, useful lives and residual values are checked as at the end of each financial year and adjusted if necessary.

(e) Investment properties

Investment properties are in possession for the purpose of generating or increasing the value of a long-term investment or both, hence investment properties result in cash flows which strongly depend on other assets in possession of the Company. That differentiates investment properties from owned property in use, which together with other assets of the Company participates in production and supply of goods or rendering of services and in the resulting cash flows.

Judgement is needed to determine whether a property qualifies as investment property. Intereuropa d.d. estimates that for real estate partly given in operating lease and partly used by Intereuropa d.d. or any of its subsidiaries, parts of the real estate cannot be given separately (or given separately in financial lease) therefore such real estate is posted as property, plant and equipment used in rendering services. Real estate will be recognised as investment property only if it is leased in its entirety.

The historical cost model is used subsequent to initial recognition, whereby property investment is disclosed at historical cost less any accumulated depreciation and any accumulated impairment losses (the same model as for property, plant and equipment). Depreciation of investment properties applies the same depreciation rates as used for real estate in property, plant and equipment.

(f) Leased assets

Leases in terms of which the Company assumes substantially all major risks and benefits of ownership are classified as financial leases. Leased assets are after initial recognition disclosed in the amount equalling fair value or the present value of the minimum lease payments, if the latter is lower. After initial recognition, an asset under financial lease is depreciated as any other item of property, plant and equipment.

Other leases are posted as operating leases.

(g) Inventories

Inventories of material are evaluated at historical cost composed of the purchase price, import duties and directly attributable purchase costs. The purchase price is reduced by the received rebates and discounts. The weighted average cost method is used in material consumption.

(h) Impairment of assets

Financial assets

A financial asset not disclosed at fair value through profit or loss will be deemed impaired if there is objective evidence of impairment as a result of one or more events that reduced the estimated future cash flows arising therefrom, and such evidence can be reliably measured.

Impairment of investments in subsidiaries

The Company assesses at each reporting date whether there is any indication that an investment may be impaired. If any such indication exists, the Company will estimate the recoverable amount of the investment in a subsidiary. The asset's recoverable amount equals the higher of its fair value less costs to sell or value in use. The estimated value of an asset in use equals the present value of estimated future cash flows based on business projections for five or ten years (usually estimated for subsequent years by extrapolating forecasts) and the estimated present value upon disposal. If the carrying amount of a financial asset exceeds the recoverable amount, impairment of the investment in a subsidiary will be made. A more complex model for estimating the value of an asset in use applies to strategic investment in subsidiaries under which the sum of discounted cash flows, the residual value and the values of synergies represent the value of the entire capital of a company. The calculated value of equity is adjusted with regard to the purpose and marketability of the investment.

Accounts receivable

Accounts receivable (receivables from provided services, default interest, etc.) are impaired by establishing 100% value adjustment for all receivables overdue by more than 180 days or on the basis of assessment of recoverability of individual receivables. As regards impairments of receivables in legal actions, execution proceedings, bankruptcies and compulsory settlements, we take into account the estimated recoverability of claims (estimated future cash flow) with regard to categories of individual receivables. An exception to the rule are receivables from members of the Intereuropa Group. Revaluation adjustments for trade receivables due from Group members or any other receivables due from Group members will be made only when that would arise from the model of revaluation of the investment in a subsidiary and the investment's value has already been impaired to 0.

Write off of receivables is made on the basis of concluded bankruptcy proceedings, approved compulsory settlements, unsuccessful execution proceedings and established unrecoverability of receivables.

Impairment of loans given

In case of impartial evidence that loss due to impairment occurred in loans, posted at amortised cost, the amount of the loss will be measured as the difference between the asset's carrying amount and the present value of expected future cash flow discounted at the original effective interest rate. Impairment can also be made on the basis of an assessment by the management on uncollectibility of a loan.

Impairment of available-for-sale financial assets at fair value

Available-for-sale financial assets will be impaired if the market price is either falling for more than one year or if the decrease exceeds 20% of the investment's historical cost. Losses from available-for-sale investment securities resulting from impairment are recognised by transferring the accumulated loss, recognised in other comprehensive income for the period and posted in revaluation surplus, to the income statement. The accumulated loss derecognised from other comprehensive income and reported in profit or loss represents the difference between the historical cost and the current fair value less any impairment loss previously recognised in profit or loss.

Impairment of available-for-sale financial assets carried at cost

In case of impartial evidence that loss due to impairment occurred in financial assets, posted at historical cost because their fair value cannot be reliably measured, the amount of the impairment loss from investments in subsidiaries will be measured as the difference between the financial asset's carrying amount and its recoverable amount estimated as the present value of expected future cash flow discounted at the current market profitability of similar financial assets. Other investments carried at cost will be impaired if the carrying amount of the investment as at the balance-sheet date exceeds by more than 20% the proportional part of the accounting value of the total equity of the company in which the investment is held as at the nearest possible dare for which data are available.

Non-financial assets

As at each reporting date, the Company checks the residual book value of property, plant and equipment and intangible assets, except for deferred tax assets, for the purpose of testing for impairment. If signs of impairment are found, the asset's recoverable amount will be determined. Assessment of impairment for goodwill and intangible assets with indefinite useful life that are not yet available for use is made as at each reporting date.

Recoverable amount of an asset or cash-generating unit is the higher of the value in use or their fair value less costs to sell. In determining the asset's value in use, projected cash flows are discounted to the present value at the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. Assets that cannot be tested individually are for the purpose of testing for impairment classified in the smallest possible group of assets generating cash flows from continued use which are mostly independent of revenue generated by other assets or asset groups (cash-generating unit).

An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment is recognised in the income statement. Recognised impairment loss of a cash-generating unit is allocated first to reduce the carrying amount of goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of other assets of the unit (group of units) proportionally to the book value of each asset in the unit.

An impairment loss is reversed only to the extent that the asset's carrying value does not exceed the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment loss had been recognised for the asset in prior years.

(i) Non-current assets held for sale

Non-current assets or a disposal group comprising assets and liabilities (within non-current assets that applies to investment properties, intangible assets, long-term financial assets, and within property, plant and equipment only to land and buildings due to materiality) whose carrying amount is reasonably expected to be recovered principally through a sale transaction rather than through continuing use are classified as assets held for sale with the sale envisaged within the next twelve months. Sale is highly likely when the entire plan and an active programme to find a buyer are underway. Furthermore, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Re-measurement of assets (or their elements or a disposal group) is performed in line with the Group's accounting policies directly prior to classification of an asset to assets held for sale. Such non-current asset (or disposal group) is accordingly measured at the lower of its carrying amount or fair value, less costs to sell.

The period of sale completion may be extended over one year due to special events and circumstances beyond the Company's control subject to sufficient evidence that the Company strictly complies with the plan for selling the asset. If an asset held for sale no longer meets the criteria for classification in assets held for sale, it should be reclassified into another appropriate asset group, namely that in which it was classified before being posted to assets held for sale.

(j) Employee benefits

Short-term employee benefits

The liabilities for short-term employee benefits are measured with no discount and are posted to expenses when work of an employee related to a certain short-term benefit is completed.

(k) Provisions

Provisions will be recognised if the Company has a legal or constructive obligation as a result of a past event; a reliable estimate can be made of the amount of the obligation; and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation as at the statement of financial position date. In reaching the best estimate of a provision, the risks and uncertainties that inevitably surround many events and circumstances are taken into account. Where the effect of the time value of money is material, the amount of a provision will be the present value of the expenditures expected to be required to settle the obligation.

Provisions for employee benefits

Pursuant to the law, the collective agreement and the internal rules, the Company is obliged to pay its employees long-service awards and gratuities upon retirement, for which it has established long-term provisions. There are no other pension liabilities. The provisions are formed in the amount of estimated future payments for gratuities and long-service awards, discounted as at the date of actuarial calculation. An actuarial calculation will only be made if the assumptions used by the actuary in the last actuarial calculation materially change. The calculation will be made every five years unless the number of employees changes by more than 15%. The provisions are derecognised in the amount of the actually incurred costs in the interim period.

Provisions are recognised in accounting records and financial statements by calculating the appropriate cost/expense. They are reduced directly by the covered costs in respect of which they have been established. That means that in a financial year such costs are no longer posted to the income statement.

Provisions are cancelled in accounting records once the contingent liabilities for which they were made no longer apply, or when there is no need to keep them. Revenues are recognised from cancelled provisions. At the end of an accounting period, provisions are adjusted to bring their amount to the present value disbursements expected to be required to settle the obligations.

Long-term deferred income includes donations received for acquisition of property, plant and equipment or to cover certain expenses. It is intended for covering the depreciation costs of these assets or expenses and used up by recognising them as operating revenues.

(l) Revenues

Revenue is recognised when it is probable that future economic benefits will flow to the Company and these benefits can be measured reliably. All the following criteria must be met:

1. the amount of revenue can be measured reliably;
2. it is probable that the economic benefits associated with the transaction will flow to the Company;
3. the stage of completion of the transaction as at the statement of financial position date can be measured reliably;
4. the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue from rendering services

Revenues from services rendered are recognised in the income statement in proportion to the stage of completion of the transaction as at the end of the reporting period. The stage of completion is assessed by reference to a review of incurred cost (work-performed review). They are recognised at selling prices of completed services as stated in invoices or other documents or at prices of incomplete services with a reference to the stage of completion. It is estimated that in cases a particular transaction is not completed as at the statement of financial position date, no reliable estimate can be given as to the outcome of the transaction and therefore revenues are recognised only to the amount of incurred direct costs that are recoverable. Amounts collected on behalf of third parties, such as charged value added tax and other contributions or taxes are excluded from sales revenues. At the time of sale, trade discounts and volume rebates given should be deducted from revenues; they should clearly be indicated either in the invoices or other relevant documents. Subsequently, revenues should also be reduced by the sales value of returned goods and additionally approved discounts or rebates.

Government grants

Grants that compensate the Company for expenses incurred are recognised as revenues on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are recognised in the income statement as other operating revenues on a systematic basis over the useful life of the asset.

(m) Leases

Income from operating lease is recognised as revenue on a straight-line basis over the term of the lease. Finance costs are allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(n) Finance income and costs

Finance income comprises interest income from investments, dividend income, revenues from disposal of available-for-sale financial assets, changes in fair value of financial assets at fair value through profit or loss, positive exchange differences and profit from hedging instruments recognised in the income statement. Interest income is recognised in the income statement as it accrues, using the effective interest rate method. Dividend income is recognised in the income statement on the date on which the shareholder's right to payment is enforced. For companies listed on a stock exchange, the date is usually the one when the right to the current dividend ceases to be linked with the share.

Finance costs comprise borrowing costs, negative exchange differences, changes in fair value of financial assets at fair value through profit or loss, losses from impairments of financial assets and losses from hedging instruments recognised in the income statement. Borrowing costs are recognised in the income statement by applying the effective interest rate method.

Borrowing costs comprise interest expenses at the effective interest rate method, finance charges related to financial lease and exchange differences stemming from loans in a foreign currency if they are treated as recalculation of interest expenses. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(o) Corporate income tax

Corporate income tax for the financial year includes current tax and deferred tax. Corporate income tax is posted in the income statement, except for the part in which it relates to the items disclosed directly in equity. That part is disclosed in other comprehensive income.

Current tax is calculated in accordance with the applicable tax legislation as at the statement of financial position date. The financial year equals the calendar year, which in turn equals the tax year.

Deferred tax is posted by accounting for the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to the investments in subsidiaries and joint ventures to the extent that they will probably not reverse in the foreseeable future. Further, deferred tax is not recognised for the purpose of taxable temporary differences incurred upon the initial recognition of goodwill.

Deferred tax is posted in the amount expected to fall due upon elimination of temporary differences based on the applicable or essentially applicable legislation as at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Discontinued operations

A discontinued operation is a component of the Company's business, which was disposed or classified to assets held-for-sale, representing a separate major line of a business or geographical segment or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

(r) Earnings per share

For ordinary shares, the Company discloses the basic earnings per share and the diluted earnings per share. The Company discloses basic earnings per share calculated by dividing the profit or loss distributed to ordinary shareholders with the weighted average number of ordinary shares in the financial year. Diluted earnings per share are calculated by adjusting the profit or loss distributed to ordinary shareholders and the weighted average number of ordinary shares in the financial year for the effect of all dilutive potential ordinary shares representing convertible bonds and share options of employees. The Company has no dilutive potential ordinary shares, hence the basic and diluted earnings per share are identical.

(s) Business combinations under joint management

Business combinations under joint management (i.e. business combinations where all companies combined are governed by one party or parties before and after the business combination where such management is not transitory) are recognised according to the pooling method. The transferred assets and liabilities are recognised at carrying amount which was previously posted in the consolidated financial statements of the controlling company.

(t) New standards and interpretations

Changed standards and interpretations in 2011

The accounting policies used in compiling the Company's financial statements are consistent with those used in the preceding years with the exception of newly adopted or amended standards and interpretations entering into force on 1 January 2011 as listed below.

IAS 24 – Related Party Disclosures

The changes to the IAS 24 specify in greater detail and simplify the definition of a related party. They also reduce the scope of disclosures of transactions of government-owned companies with the government and other government-owned enterprises. The changes apply to the periods starting on 1 January 2011 or thereafter. The changes must be applied to the preceding periods as well. The improvement has no effect on the Company's financial statements.

IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues (supplement)

The supplements to the standard relate to rights issues for a fixed amount in a foreign currency which were discussed in the existing standard as financial liabilities arising from a derivative. The supplement specifies that if certain conditions are met, such rights will be classified as an equity instrument notwithstanding the foreign currency in which the opening price has been set. The supplement applies to the periods starting on 1 February 2010 or thereafter. The supplement has no effect on the Company's financial statements.

Supplement to the IFRIC 14 – Prepayments of a Minimum Funding Requirement

The supplement to the IFRIC 14 applies to periods starting on 1 January 2011 and is used for preceding periods as well. The supplement contains instructions for assessing the recoverable amount of the net value of pensions. The supplement enables companies to recognise prepayments of a minimum funding requirement as an asset. The supplement has no effect on the Company's financial statements.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

It applies to periods after 1 July 2010. The interpretation specifies in detail that equity instruments issued by a company in exchange for financial liabilities are deemed repayment of the liability. Equity instruments are measured at fair value. If their fair value cannot be reliably measured, they will be measured at fair value of the abolished liability. Any resulting profit or loss is recognised directly in the income statement. The interpretation has no effect on the Company's financial statements.

Improvements to IFRSs

In May 2010, the International Accounting Standards Board (IASB) issued its third omnibus of amendments to the IFRS, primarily with a view to removing inconsistencies and clarifying wording. The changes apply to the periods from 1 July 2010 or 1 January 2011.

IFRS 1 – First-time Adoption of International Financial Reporting Standards

The improvement clarifies a change in accounting policies in the year of adoption of the IFRS after publication of the interim financial report in accordance with the IAS 34 Interim Financial Reporting. It enables a company using the IFRS for the first time to recognise an event's fair value as the assumed amount. Furthermore, the standard expands the term of assumed value of real property, plant and equipment or intangible assets by including items of regulated activities the prices of which are set by an administrative authority. The improvement has no effect on the Company's financial statements.

IFRS 3 – Business Combinations

The measurement options available for non-controlling interest were amended. Only components of non-controlling interest that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value. The changes apply to the periods starting on 1 July 2010 or thereafter.

The second improvement relates to the interpretation that contingent consideration arising from a business combination before adoption of the IFRS 3R (as amended in 2008) is recognised in accordance with the IFRS 3 adopted in 2005.

The last improvement relates to unreplaced and voluntarily replaced share-based payment and its accounting within business combinations. The improvement has no effect on the Company's financial statements.

IFRS 7 – Financial Instruments: Disclosures

The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The changes apply to the periods starting on 1 January 2011 or thereafter. The improvement has no material effect on the Company's financial statements.

IAS 1 – Presentation of Financial Statements

The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements. The change applies to the periods starting on 1 January 2011 or thereafter. The improvement has no effect on the Company's financial statements.

IAS 27 – Consolidated and Separate Financial Statements

The improvement specifies that the transitional provisions of the IAS 27R as amended in 2008 apply mutatis mutandis to the subsequently amended standards. The improvement applies to the periods starting on 1 July 2010 or thereafter. The improvement has no effect on the Company's financial statements.

IAS 34 – Interim Financial Statements

The amendment requires additional disclosures of fair values and changes in classification of financial assets as well as any changes in contingent assets and liabilities in interim condensed (consolidated) financial statements. The improvement has no effect on the Company's financial statements.

IFRIC 13 – Customer Loyalty Programmes

Determining fair value of credits must take into account discounts and incentives which would have been otherwise offered to customers not participating in customer loyalty programmes. The change applies to the periods starting on 1 January 2011 or thereafter. The improvement has no effect on the Company's financial statements.

Standards and interpretations not yet in force

The Company applied no standard or interpretation not yet in force and due to take effect in the future.

In accordance with the requirements of the IFRS and the EU, the Company will have to take into account in the future the following amended and supplemented standards:

IFRS 7 – Financial Instruments: Disclosures – Transfers of Financial Assets

The changed standard applies to periods starting on 1 July 2011 or thereafter and sets disclosures of transfers of financial assets, namely transfers resulting in complete derecognition of a financial asset and those not resulting in such derecognition. The change has retrospective application.

In accordance with the requirements of the IFRS, the Company will have to take into account in the future the following new, amended or supplemented standards and interpretations, if adopted by the EU:

IFRS 9 – Financial Instruments

The standard replaces the IAS 39 with the compulsory application for periods starting after 1 January 2013. The currently adopted first part of the standard sets new requirements concerning classification and measurement of financial assets. The EU has yet to adopt the standard.

IFRS 10 – Consolidated Financial Statements

The standard replaces a part of the IAS 27 Consolidated and Separate Financial Statements relating to consolidated financial statements with the compulsory application for periods after 1 January 2013. The IFRS 10 establishes a model of uniform control for all companies. That will require from the management to carefully consider which companies are controlled and subsequently consolidated. The standard also changes the definition of a controlling an entity. The EU has yet to adopt the standard.

IFRS 11 – Joint Arrangements

The standard replaces the IAS 31 Interests in Joint Ventures and the SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. The new standard defines only two types of joint ventures with possible control, namely joint operations and joint ventures. The standard uses the definition of control as specified in the IFRS 10. The standard abolishes the option of proportional consolidation of joint ventures and allows only the equity method of consolidation. The standard will be obligatory for periods after 1 January 2013. The EU has yet to adopt the standard.

IFRS 12 – Disclosure of Interests in Other Entities

The standard with compulsory application for periods after 1 January 2013 includes all disclosures related to consolidated financial statements contained in the IAS 27 Consolidated and Separate Financial Statements as well as disclosures contained in the IAS 28 Investments in Associates and the IAS 31 Interests in Joint Ventures. A number of new disclosures have been laid down, mostly related to the assumptions used to determine whether a company controls another entity. The EU has yet to adopt the standard.

IFRS 13 – Fair Value Measurement

The standard will have compulsory application for periods after 1 January 2013. The IFRS 13 does not change the guideline when a company should use fair value but only provides instructions how to measure fair value of financial and other assets and liabilities when prescribed or permitted by the IFRS. The EU has yet to adopt the standard.

IAS 1 – Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income

The amendment to the IAS 1 changes grouping of items presented in other comprehensive income. Items of other comprehensive income which may or will be transferred to the income statement will be presented separately from those never recognised in the income statement. The amendment will apply to annual periods starting on 1 July 2012 or thereafter but the EU has yet to adopt the change.

IAS 12 – Deferred Taxes (supplement)

The amendment will apply to annual periods starting on 1 January 2012 or thereafter. The amendment relates to determining deferred tax for investment properties posted at fair value. The aim of the change is to include a) the assumption that the deferred tax for investment properties, valued at fair value in accordance with the IAS 40, is determined based on the assumption that the carrying amount of investment properties would be returned through sale, and b) the assumption that the deferred tax for assets not depreciated and valued by using the revaluation model in line with the IAS 16 is always determined based on the sales value of the assets. The EU has yet to adopt the changes.

IAS 19 – Employee Benefits (supplement)

In June 2011, the Board issued a number of changes to the IAS 19. The main change relates to removing the corridor mechanism for recognising changes in a defined benefit plan. That means that all changes are recognised upon occurrence, either in the income statement or the statement of other comprehensive income, depending on the type of change. The amendments will apply to annual periods starting on 1 January 2013 or thereafter. The EU has yet to adopt the changes.

IAS 27 – Separate Financial Statements

The standard was issued in May 2011 due to new standards IFRS 10, IFRS 11 and IFRS 12. The IAS 27 Separate Financial Statements contains the accounting treatment and disclosures for investments in subsidiaries, associates and joint ventures in separate financial statements. The standard will apply to annual periods starting on 1 January 2013 or thereafter. The EU has yet to adopt the standard.

IAS 28 – Investments in Associates and Joint Ventures

The standard was issued in May 2011 due to new standards IFRS 10, IFRS 11 and IFRS 12. The IAS 28 now contains accounting treatment of investments in associates and the requirements for using the equity method in consolidation of investments in associates and joint ventures. The standard will apply to annual periods starting on 1 January 2013 or thereafter. The EU has yet to adopt the standard.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

The IFRIC 20 discusses the costs of removing waste material (stripping) in the production phase of a surface mine. The interpretation is a step away from the approach of using the average ratio between the volume of waste material and the mined material during the mine's useful life used in reporting in line with the IFRS by a number of mining and metal companies. The interpretation will apply to annual periods starting on 1 January 2013 or thereafter. The EU has yet to adopt the interpretation. The interpretation will have no effect on the financial position or operations of the Company.

The Company is reviewing the effect of not yet obligatory standards and interpretations. The effect of the new requirements has not been assessed so far and the new standards and interpretations will be applied accordingly if adopted by the EU.

IV. DETERMINING FAIR VALUE

With regard to the Company's accounting policies and breakdowns, fair value of financial and non-financial assets and liabilities has to be determined in a number of cases. Fair values of individual asset groups for the needs of measurement and reporting were determined by methods described below. Where additional explanation is needed with regard to the assumptions for determining fair value, it is provided in the breakdowns to individual items of assets and liabilities of the Company.

Property, plant and equipment

The revaluation model is used for land. After the initial recognition, land is measured according to a revalued amount equalling fair value as at the revaluation date (i.e. the estimated amount for which land could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion). Land is revalued every five years or more often in the case of any indicators of impairment.

Intangible assets

Fair value of patents and trademarks acquired in business combinations is based on the discounted future value of licence fees that would not have to be paid due to ownership of a patent or trademark.

Investments in equity and debt securities

Fair value of financial assets at fair value through profit or loss, investments held to maturity and available-for-sale financial assets is determined with regard to the quoted purchase price as at the end of the reporting period.

Calculation of the recoverable amount of investments in subsidiaries took into account projections of future cash flows from 2010 to 2014. Calculation of the weighted average price of capital was based on the target debt/equity ratio with regard to the experience from monitoring the financial stability of subsidiaries.

Trade and other receivables

We estimate that the disclosed value of trade receivables reflects their fair value; the value of other receivables is calculated as the present value of future cash flows discounted at the market interest rate applicable as at the end of the reporting period.

Derivatives

The fair value of forwards equals their quoted market price as at the end of the reporting period, if available. If not available, the fair value will be determined as the difference between the contract value of a forward transaction and the current offered value of a forward transaction accounting for the remaining maturity of the transaction with risk-free interest rate. The fair value of interest swaps equals the market price as at the reporting date.

Basic financial liabilities

The fair value for reporting purposes is calculated on the basis of the present value of future principal and interest payments discounted at the market interest rate as at the end of the reporting period.

V. FINANCIAL RISK MANAGEMENT

The management adopted risk management policies as a part of the Rules on Risk Management. A risk management committee has been established, responsible for development and supervision of risk management policies.

Credit risk

Credit risk represents risk that a party to an agreement on financial instrument shall fail to fulfil their obligations and thus cause the Company to suffer a financial loss. Credit risk arises primarily from the Company's trade receivables.

Trade and other receivables

Exposure to credit risk depends primarily on characteristics of a customer. However, the management also takes into account the demography of the Company's customer database and the risk of insolvency of customers from the aspect of the industry and the country in which a customer operates as such factors may influence credit risk, in particular in adverse economic circumstances.

The policies were designed so that an analysis of creditworthiness is performed for each new major customer before the Company offers the standard payment and delivery terms. The Company establishes revaluation adjustment for impairment representing the amount of estimated loss from trade and other receivables and investments. The main elements of the revaluation adjustment are the specific part of loss relating to individual major risks and the common part of loss formed for groups of similar assets due to the already incurred but as yet unspecified loss.

Liquidity risk

Liquidity risk is the risk that the Company would be unable to settle its financial liabilities settled by cash or other financial assets.

The Company provides for liquidity by always having sufficient liquidity funds to settle its liabilities as they fall due, in normal and complex circumstances, without incurring unacceptable loss or risking the loss of reputation.

Market risks

Market risk is the risk that changes in market prices such as exchange rates, interest rates and equity instruments would affect the Company's revenues or the value of financial instruments. The goal of market risk management is to control and monitor exposure to market risks within reason while optimising return. The Company trades in financial instruments and assumes financial liabilities with the aim of managing market risks.

Operational risks

Operational risk is the risk of direct or indirect loss incurred for a wide range of reasons related to processes within the Company, staff, technology and infrastructure as well as a consequence of external factors not related to credit, market and liquidity risk, for example risks stemming from legal and regulatory requirements and generally accepted corporate standards. Operational risks stem from the entire business of the Company. The Company's objective is to manage operational risks in a way establishing the balance between avoiding a financial loss and the damage to reputation of the Company, and the overall cost efficiency, as well as avoiding such control procedures that would hinder or limit self-initiative and creativity. Executives of each organisational unit have the key responsibility for developing and introducing controls for managing operational risks.

Results of internal audits are discussed by the Internal Audit Department and the management of the audited business unit and the summary is submitted to the Management Board of the Company and the audit committee.

Managing capital

The Supervisory Board monitors all major indicators of return on equity of the Company and monitors the amount of dividend payouts to ordinary shareholders. The parent company is not subject to capital requirements imposed by external bodies.

VI. STATEMENT OF CASH FLOWS

The Company's statement of cash flows presents expenditure and proceeds accounting for the indirect method in the accounting period and explains changes in the balance of cash. Compiling of the financial statement took into account data from the income statement for 2011, items of the statements of financial position of the Company as at 31 December 2011 and 31 December 2010 and other necessary data.

NOTE 1: Sales revenues

Sales revenues of € 107,406 thousand were revenues from rendered services.

Table 7: Sales revenues

€ thousand	2011	2010
Revenues from sales to group members	4,312	4,164
Revenues from sales to others	103,093	92,263
Total sales revenues	**107,406**	**96,427**

NOTE 2: Other operating revenues

Table 8: Other operating revenues

€ thousand	2011	2010
Profit from sale of property, plant and equipment	478	4,444
Revenues from cancelled provisions	163	223
Other operating revenues	116	92
Total other operating revenues	**758**	**4,759**

NOTE 3: Costs of services

Table 9: Costs of services

€ thousand	2011	2010
Costs of services in the group	5,586	6,020
Costs of services (except those in the group)	69,301	61,913
Direct costs	61,186	54,667
Telephone costs	258	363
Maintenance costs	1,924	1,856
Insurance premiums	555	679
Training and education costs	29	46
Other costs of services	5,348	4,302
Total costs of services	**74,886**	**67,933**

Direct costs are those directly linked to rendering of services.

NOTE 4: Labour costs

Table 10: Labour costs

€ thousand	2011	2010
Wages and salaries	13,277	13,627
Pension insurance costs	1,475	1,655
Other social security costs	973	1,027
Other labour cost	3,146	3,286
Holiday allowances	715	622
Travel and meal allowances	1,963	2,047
Other labour costs	468	617
Total labour costs	**18,871**	**19,595**

NOTE 5: Depreciation and amortisation

Table 11: Depreciation and amortisation

€ thousand	2011	2010
Amortisation of intangible assets	626	476
Depreciation of property, plant and equipment and investment properties	4,408	4,707
Depreciation and amortisation	**5,035**	**5,183**

NOTE 6: Other operating expenses

Table 12: Other operating expenses

€ thousand	2011	2010
Costs of material	2,066	2,123
Loss in disposal of property, plant and equipment	6	148
Impairment and write off of property, plant and equipment	5	2,176
City land tax and similar expenses	989	1,002
Other operating expenses	234	572
Other operating expenses	**3,299**	**6,022**

NOTE 7: Finance income and costs

Table 13: Finance income and costs

€ thousand	2011	2010
Interest income from group members	4,384	4,442
Interest income from others	343	328
Income from intra-group participations	3,655	1,166
Income from participation in the joint venture	22	47
Income from dividends and profit participations in others	4	11
Profit from sale of financial assets	5	177
Income from abolishing value adjustments of receivables and collected previously written-off receivables	597	566
Income from debt write off	97	4
Total finance income	**9,108**	**6,741**
Interest expenses	-10,697	-9,206
Loss in sale of financial assets	-204	0
Finance costs from impairment of investments in shares and stakes in the group	-757	-29,046
Finance costs from impairment of loans to Group members	-3,342	0
Costs of derivatives	-554	-3,502
Net exchange differences	-6	-11
Costs from revaluation adjustments and write offs of receivables	-5,514	-14,642
Total finance costs	**-21,075**	**-56,407**
Profit from financing activities	**-11,967**	**-49,666**

Finance costs from impairment of financial assets totalling € 4,099 thousand related to:

- impairment of investments in interests in subsidiaries which entered liquidation proceedings in the amount of € 757 thousand, namely: impairment of the investment in Intereuropa Transport, d.o.o., Koper (€ 696 thousand) and impairment of the investment in Intereuropa Transport & Spedition GmbH, Troisdorf (€ 61 thousand); and
- impairment of short-term loans granted to Group members of € 3,342 thousand, namely impairment of a loan granted to Intereuropa Transport, d.o.o., Koper (€ 2,100 thousand) and impairment of a loan granted to Intereuropa-East Ltd., Moscow (€ 1,242 thousand).

Finance costs related to value adjustments and write offs of receivables of € 5,514 thousand related to impairment of accounts receivable in the amount of € 953 thousand and impairment of interest receivables from loans to Intereuropa-East Ltd., Moscow (€ 4,534 thousand) and AD Intereuropa – logističke usluge, Belgrade (€ 27 thousand).

NOTE 8: Corporate income tax

Corporate income tax (including deferred tax) equalled € 2,182 thousand in 2011. The tax rate of 20% was applied for the tax year 2011 and 20% rate for deferred tax.

Table 14: Adjustment to the effective tax rate

€ thousand	2011	2010
Tax	0	0
Non-deductible tax withheld abroad	-142	0
Deferred tax	2,324	815
Total corporate income tax	**2,182**	**815**
Profit before tax	-5,894	-47,213
Tax at the applicable rate	1,179	9,442
Non-deductible tax withheld abroad	-142	0
Tax on non-deductible expenses	-1,748	-9,224
Tax on revenues reducing tax base	777	308
Tax on other items	2,116	289
Total corporate income tax	**2,182**	**815**

NOTE 9: Property, plant and equipment

Table 15: Property, plant and equipment in 2011

€ thousand	Land	Buildings	Other plant and equipment	Property, plant and equipment under construction	Total
HISTORICAL COST					
As at 1 Jan. 2011	**100,430**	**100,443**	**25,782**	**2,166**	**228,821**
Alignment of the opening balance	0	-19	0	0	-19
Purchasing	0	0	0	609	609
Activation	0	340	269	-609	0
Disposals	-21	-219	-972	0	-1,211
Write offs	0	0	-247	0	-247
As at 31 Dec. 2011	**100,409**	**100,544**	**24,831**	**2,166**	**227,952**
VALUE ADJUSTMENT					
As at 1 Jan. 2011	**-14,293**	**-45,205**	**-20,808**	**-2,161**	**-82,468**
Alignment of the opening balance	0	19	0	0	19
Depreciation and amortisation	0	-2,508	-1,687	0	-4,195
Disposals	0	134	946	0	1,079
Write offs	0	0	242	0	242
As at 31 Dec. 2011	**-14,293**	**-47,560**	**-21,307**	**-2,161**	**-85,322**
RESIDUAL VALUE					
As at 1 Jan. 2011	86,137	55,237	4,973	6	146,353
As at 31 Dec. 2011	**86,116**	**52,984**	**3,524**	**6**	**142,630**

Land is posted at fair value and other items of property, plant and equipment at historical cost less accumulated depreciation.

The comparable sales method was used in land re-evaluation. As a result of the share price being lower than the book value in 2011, the Company checked the need for any impairment of property, plant and equipment and found that the recoverable amount thereof exceeded their carrying amount based on their fair value less costs of sale. The Company also checked transactions on the real estate market until 31 December 2011 and found no material change in the value of real estate requiring any impairment thereof.

If the Company was unsuccessful in restructuring its financial liabilities and selling the investment in Russia, it might have to sell assets outside the regular sale procedures which could result in the assets being sold at a price lower than their recognised value as at 31 December 2011.

The carrying amount of land as at 31 December 2011 would equal € 22,398 thousand if it were posted at historical cost.

Table 16: Property, plant and equipment in 2010

€ thousand	Land	Buildings	Other plant and equipment	Property, plant and equipment under construction	Total
HISTORICAL COST					
As at 1 Jan. 2010	**108,087**	**105,779**	**22,655**	**2,257**	**238,778**
Increase from merger of a subsidiary	0	0	4,811	0	4,812
Purchasing	0	0	0	421	421
Activation	0	121	378	-498	0
Disposals	-5,483	-5,457	-2,062	-14	-13,016
Revaluation to fair value	-2,174	0	0	0	-2,174
As at 31 Dec. 2010	**100,430**	**100,443**	**25,782**	**2,166**	**228,821**
VALUE ADJUSTMENT					
As at 1 Jan. 2010	**-14,293**	**-44,386**	**-17,205**	**0**	**-75,885**
Increase from merger of a subsidiary	0	0	-3,705	0	-3,704
Depreciation and amortisation	0	-2,586	-1,904	0	-4,490
Disposals	0	1,767	2,006	0	3,772
Impairment	0	0	0	-2,161	-2,161
As at 31 Dec. 2010	**-14,293**	**-45,205**	**-20,808**	**-2,161**	**-82,468**
RESIDUAL VALUE					
As at 1 Jan. 2010	93,794	61,393	5,450	2,257	162,893
As at 31 Dec. 2010	**86,137**	**55,237**	**4,973**	**6**	**146,353**

As at the balance sheet date, the Company had property, plant and equipment pledged as loan collateral in the amount of € 182,333 thousand, and as collateral for other financial liabilities and contingent liabilities in the amount of € 4,000 thousand and € 20,789 thousand, respectively. No other legal restrictions for disposal with property, plant and equipment existed. The carrying amount of mortgaged real estate was € 139,505 thousand as at the reporting date.

NOTE 10: Investment properties

Table 17: Investment properties

€ thousand	2011	2010
HISTORICAL COST		
As at 1 Jan.	**8,690**	**8,690**
Disposals (sale)	-346	
As at 31 Dec.	**8,344**	**8,690**
VALUE ADJUSTMENT		
As at 1 Jan.	**-2,572**	**-2,355**
Depreciation and amortisation	-214	-217
Disposals (sale)	166	0
As at 31 Dec.	**-2,620**	**-2,572**
RESIDUAL VALUE		
As at 1 Jan.	6,118	6,335
As at 31 Dec.	**5,724**	**6,118**

Market values of investment properties kept, in spite of the falling prices on the real estate market, a higher value than their carrying amount as at 31 December 2011 and it was therefore assessed that no indicators of impairment exist.

Table 18: Revenues and expenses from investment properties

€ thousand	2011	2010
Rental income from investment properties	1,268	1,265
Direct operating expenses from investment properties	-495	-413
Profit from sale of investment properties	363	3,699
Total	**1,136**	**4,551**

NOTE 11: Intangible assets

Table 19: Intangible assets in 2011

€ thousand	Long-term title rights	Long-term deferred development costs	Total
HISTORICAL COST			
As at 1 Jan. 2011	**5,708**	**3,824**	**9,532**
Purchasing	50	142	192
Disposals	-22	0	-22
As at 31 Dec. 2011	**5,736**	**3,966**	**9,702**
VALUE ADJUSTMENT			
As at 1 Jan. 2011	**-2,463**	**0**	**-2,463**
Depreciation and amortisation	-626	0	-626
Disposals	22	0	22
As at 31 Dec. 2011	**-3,068**	**0**	**-3,068**
RESIDUAL VALUE			
As at 1 Jan. 2011	3,245	3,824	7,069
As at 31 Dec. 2011	**2,668**	**3,966**	**6,634**

Long-term deferred development expenses primarily represent investments in the development of an IT solution to support integrated logistic services.

The carrying amount of pledged intangible assets was € 851 thousand as at the reporting date.

Table 20: Intangible assets in 2010

€ thousand	Long-term title rights	Long-term deferred development costs	Total
HISTORICAL COST			
As at 1 Jan. 2010	**1,022**	**3,674**	**4,696**
Purchasing	128	150	278
Increase from merger of a subsidiary	4,595	0	4,595
Disposals	-37	0	-37
As at 31 Dec. 2010	**5,708**	**3,824**	**9,532**
VALUE ADJUSTMENT			
As at 1 Jan. 2010	**-110**	**0**	**-110**
Increase from merger of a subsidiary	-1,914	0	-1,914
Depreciation and amortisation	-476	0	-476
Disposals	37	0	37
As at 31 Dec. 2010	**-2,463**	**0**	**-2,463**
RESIDUAL VALUE			
As at 1 Jan. 2010	912	3,674	4,586
As at 31 Dec. 2010	**3,245**	**3,824**	**7,069**

NOTE 12: Other non-current operating assets

Other non-current operating assets of € 474 thousand almost exclusively related to accrued incidental borrowing costs (costs related to loan agreements such as agency and consulting fees etc.) transferred to expenses in relation to the time lapsed and with regard to the outstanding principal.

NOTE 13: Loans and deposits given

Table 21: Composition of loans

€ thousand	31. 12. 2011	31. 12. 2010
Long-term loans given	**29,840**	**36,473**
- to subsidiaries	29,829	36,454
- to others	10	19
Short-term loans and deposits given	**29,250**	**33,337**
- to subsidiaries	22,232	33,321
- to others	13	16
– deposits	7,006	0
Total loans given	**59,090**	**69,810**

Table 22: Long-term loans granted

€ thousand	2011	2010
Opening balance	**36,473**	**20,788**
New loans	0	4,439
Loan reprogramming	582	17,839
Transfer from the short-term part	4	361
Repayments	-4	-329
Transfer to the short-term part	-7,215	-6,625
Closing balance	**29,840**	**36,473**

Table 23: Long-term loans granted, by maturity

€ thousand	31. 12. 2011	31. 12. 2010
Maturity from 1 to 2 years	6,900	6,927
Maturity from 2 to 3 years	5,968	6,604
Maturity from 3 to 4 years	5,968	5,969
Maturity from 4 to 5 years	3,870	5,969
Maturity over 5 years	7,134	11,004
Total	**29,840**	**36,473**

Table 24: Long-term loans given by collateral

€ thousand	31. 12. 2011	31. 12. 2010
Secured (bills of exchange)	745	1,260
Unsecured	29,095	35,213
Total	**29,840**	**36,473**

Table 25: Short-term loans given by collateral (excluding deposits)

€ thousand	31. 12. 2011	31. 12. 2010
Secured (bills of exchange)	1,397	1,729
Unsecured	20,847	31,607
Total	**22,244**	**33,337**

NOTE 14: Other investments

Investments in subsidiaries

Decreases of investments in the Group were affected by:

- impairment of investments of € 757 thousand, namely: in Intereuropa Transport, d.o.o., Koper (€ 696 thousand) and in Intereuropa Transport & Spedition GmbH, Troisdorf (€ 61 thousand) (Note 7); and
- sale of Intereuropa S.A.S., Saint Pierre de Chandieu (€ 199 thousand). The posted loss equalled € 198 thousand.

The carrying amount of pledged financial assets was € 10,186 thousand as at the reporting date.

Table 26: Investments in subsidiaries

€ thousand	2011	2010
As at 1 Jan.	**50,797**	**82,032**
Sale	-199	0
Impairment of financial assets	-757	-29,046
Decrease from merger of a subsidiary with the parent company	0	-2,188
As at 31 Dec.	**49,842**	**50,797**

An additional impairment was made of the investment in Intereuropa Transport, d.o.o., of € 696 thousand and of the investment in Intereuropa Transport & Spedition GmbH, Troisdorf in liquidation proceedings (€ 61 thousand). A calculation of recoverable amount was made for the investment in subsidiary Intereuropa-East Ltd., Moscow, due to existence of indicators of impairment of the investment. A five-year business forecast and the following assumptions have been taken into account:

- WACC of 12.43%; and
- long-term growth rate of 1.5%.

Due to the completely impaired investment in the subsidiary in the preceding year, impairment was made of the loans and interest due from the company (see Note 7 in conjunction with Note 15).

Available-for-sale financial assets

Table 27: Available-for-sale financial assets

	2011		2010	
€ thousand	Available-for-sale financial assets at fair value	Available-for-sale financial assets at historical cost	Available-for-sale financial assets at fair value	Available-for-sale financial assets at historical cost
As at 1 Jan.	**1,191**	**2,398**	**1,221**	**2,507**
Effect from transformation of an investment company into a mutual fund	-2	0	0	0
Derecognising impairment upon sale of investment	0	0	0	60
Sale	0	0	0	-169
Revaluation to fair value	-51	0	-30	0
As at 31 Dec.	**1,138**	**2,398**	**1,191**	**2,398**

Available-for-sale financial assets carried at cost include investments in stakes and shares of companies not having published market price on an active market and therefore their value was measured at historical cost as the actual value cannot be determined with reliable accuracy.

There were no available-for-sale financial assets pledged as collateral for liabilities recognised in the statement of financial position or for contingent liabilities as at 31 December 2011.

Joint venture

This investment category comprises only the investment in the joint venture Intereuropa-FLG, d.o.o., Ljubljana, namely a 50% stake. The investment's carrying amount equals € 75 thousand, unchanged from the compared balance-sheet date.

NOTE 15: Short-term trade receivables

Table 28: Short-term trade receivables

€ thousand	31. 12. 2011	31. 12. 2010
Short-term accounts receivables from Group members	1,242	1,076
Short-term operating receivables from Group members for interest	184	806
Other short-term operating receivables from Group members	135	28
Short-term accounts receivables (excluding Group members)	26,684	23,436
Other short-term operating receivables from others	739	384
Other current assets	166	65
Total short-term operating receivables	**29,149**	**25,795**

Total short-term trade receivables equalled € 27,926 thousand of which € 2,320 thousand were deferred items.

Table 29: Value adjustments of short-term trade receivables (excluding Group members)

€ thousand	2011	2010
Adjustment of accounts receivable as at 1 Jan.	3,258	3,363
- receivables written off	-326	-486
- collected receivables and discounts	-570	-504
+ additional increase in value adjustments	890	885
Adjustment of accounts receivable as at 31 Dec.	**3,252**	**3,258**

Table 30: Value adjustments of loan interest receivables due from Group members

€ thousand	2011	2010
Value adjustment for interest as at 1 Jan.	13,652	38
+ increase in value adjustment	4,534	13,652
Value adjustment for interest as at 31 Dec.	**18,186**	**13,690**

The effect of value adjustments made in 2011 is presented in the category expenses related to value adjustments and write offs of receivables, presented in Note 7. Expenses from value adjustments and write offs of receivables totalled € 5,514 thousand of which expenses from value adjustments of accounts receivables equalled € 890 thousand and expenses from value adjustments of loan interest receivables € 4,534 thousand, the difference of € 90 thousand was represented by directly written off accounts receivable.

Table 31: The structure of short-term accounts receivable (except intragroup) by maturity

€ thousand	Gross amount 31 Dec. 2011	Value adjustment 31 Dec. 2011	Gross amount 31 Dec. 2010	Value adjustment 31 Dec. 2010
Outstanding	20,657	0	18,051	0
Overdue from 0 to 30 days	3,915	1	4,477	15
Overdue from 31 to 90 days	1,623	48	1,126	25
Overdue from 91 to 180 days	475	163	126	181
Overdue over 181 days	3,266	3,040	2,914	3,037
Short-term accounts receivable	**29,936**	**3,252**	**26,694**	**3,258**

The major portion of receivables more than 181 days overdue has been registered in court proceedings (executions, litigation, bankruptcies and compulsory settlements).

The Company manages exposure to various types of risk arising from accounts receivables by applying its own credit rating system for domestic customers and by checking credit rating assessments of foreign customers made by specialised companies. On the basis of the acquired information, the Company requires that customers with lower credit ratings supply instruments for collateralisation of payment (bills of exchange, bank guarantees, mortgages, pledges of movable property and sureties).

NOTE 16: Cash

Cash amounted to € 9,371 thousand as at 31 December 2011. It included cash on accounts, call deposits and cash in hand. The reasons for increases and decreases in cash in the financial year 2011 are given in the statement of cash flows.

NOTE 17: Equity

Share capital

Share capital of the parent company Intereuropa d.d. amounting to € 32,976 thousand is divided into 7,902,413 ordinary freely transferable no-par value shares.

All issued shares are fully paid. Each no-par value share has an identical share and the pertaining amount in share capital. The share of individual no-par value shares in share capital is determined with regard to the number of issued no-par value shares. No-par value shares cannot be split.

As at the balance sheet date, 31 December 2011, the Company had, in accordance with an AGM resolution from 2010, € 16,488 thousand of approved and unused capital. The parent company issued no shares for authorised capital in 2011.

Table 32: Finance debt compared to equity

€ thousand	2011	2010
Non-current financial liabilities	23,632	166,862
Current financial liabilities	163,053	18,460
Total financial liabilities	186,685	185,322
Total equity	84,645	88,398
Debt/equity	2.2	2.1

Treasury shares

The Company holds 18,135 treasury shares. The historical cost of treasury shares was € 180 thousand. The Company derives no rights from treasury shares. Other Group members hold no shares of the Company.

Reserve

Reserves comprise revenue reserve and fair value reserves (revaluation surplus).

Revenue reserve

Revenue reserve comprises, in addition to reserves for treasury shares, legal reserves used in 2011 in the amount of € 3,698 thousand for covering loss for the current year; the amount used to cover loss in the previous year was € 6,522 thousand. They equalled € 1,056 thousand as at 31 December 2011. Reserves for treasury shares are a part of revenue reserve.

Changes in capital items in 2011 are presented in the statement of changes in equity.

Distributable profit

Distributable profit equalled € 0 as at 31 December 2011 and 31 December 2010. Net loss for 2011 of € 3,712 thousand was settled from retained earnings of € 14 thousand and drawing of legal reserves of € 3,698 thousand.

Dividends

Intereuropa d.d. paid no dividends in 2011.

Table 33: Earnings per share

	2011	2010
Net loss for the year in € thousand	-3,712	-46,398
Average number of shares	7,884,278	7,884,278
Basic and diluted earnings per share (€)	**-0.47**	**-5.88**

Basic earnings per share (€ -0.47) were calculated as: net loss pertaining to ordinary shareholders of the parent company/the weighted average number of shares excluding treasury shares (€ -3,712 thousand / 7,884,278 shares). Diluted earnings per share were the same as basic earnings per share as the parent company issued no dilutive potential ordinary shares.

NOTE 18: Provisions and long-term deferred revenue

Table 34: Provisions and long-term deferred revenue

€ thousand	As at 1 Jan. 2011	Use of provisions	Cancellation and transfer to revenues	Additional establishment	As at 31 Dec. 2011
Provisions for employee benefits	1,314	45	0	0	1,269
Provisions for severance pay for dismissal due to business circumstances	0	0	0	230	230
Provisions for legal proceedings	441	0	101	61	401
Long-term deferred revenues	81	0	63	83	101
Total	**1,836**	**45**	**164**	**374**	**2,001**

The calculation of provisions for employee benefits for gratuities and long-service awards was based on an actuarial calculation taking the following assumptions into account:

- average gross salary in the last quarter of 2007;
- the method of calculation of gratuities (two average gross salaries of the employee or two average gross salaries in the Republic of Slovenia);
- increase of average wages in the Republic of Slovenia of 3.9% annually;
- fluctuation of staff with regard to age, and conditions for retirement in accordance with the minimum conditions for obtaining the right to old-age pension;
- annual discount interest rate of 5.85%.

The assumptions for calculating provisions and the number of employees have not materially changed and therefore the provisions were neither cancelled nor additionally established. The provisions for employee benefits were reduced in the relevant period by the amount of paid gratuities and long-service awards. Long-term deferred revenues related to property, plant and equipment acquired free of charge and property, plant and equipment purchased from funds obtained by employing disabled persons above the quota. They are being credited to operating revenues in the amount of depreciation costs.

Provisions for legal actions were established on the basis of obtained opinions and estimates by internal and external legal experts.

NOTE 19: Received loans and financial leases

Table 35: Structure of received long-term loans and financial leases

€ thousand	31. 12. 2011	31. 12. 2010
Long-term loans from others	20,887	162,967
Non-current liabilities at fair value through profit or loss	24	24
Total non-current financial liabilities	**20,911**	**162,991**

Table 36: Received long-term loans and financial leases

€ thousand	31. 12. 2011	31. 12. 2010
Opening balance	162,991	93,320
Refinancing of short-term loans	0	87,953
Transfer from current liabilities (a grace period on long-term loans)	2,008	0
New loans	31	0
Drawing of revolving credit	3,590	583
Increase from merger of a subsidiary	0	678
Transfer to current liabilities – default on financial covenants	-116,596	0
Transfer to current liabilities (current part of non-current liabilities)	-31,113	-16,173
Repayments	0	-3,370
Closing balance	**20,911**	**162,991**

The Company had € 827 thousand in approved and undrawn revolving credit as at 31 December 2011.

Some loan agreements made with banks include financial covenants (financial leverage indicator, indicator of coverage of interest expenses, financial security indicator, equity/total assets, share of gross cash flow in net sales revenues, ratio between net debt and EBITDA and indicator of coverage of finance costs) checked based on audited consolidated financial statements for a financial year. Commercial banks could recall long-term loans if financial covenants were not met in accordance with the loan agreements.

With regard to the meeting of financial covenants in 2011 and in accordance with the IAS 1.74, all principals for which contractual covenants have not been met were transferred from non-current to current financial liabilities. The amount of reclassified financial liabilities amounted to € 116,596 thousand. However, given the positive trends in our operations, regular settling of obligations and an active search for a solution providing long-term financial stability of the Company involving all stakeholders in financing, no recall of long-term loans is expected.

Table 37: Maturity of received long-term bank loans and financial leases

€ thousand	31. 12. 2011	31. 12. 2010
Maturity from 1 to 2 years	7,361	25,763
Maturity from 2 to 3 years	2,470	26,508
Maturity from 3 to 4 years	2,462	62,838
Maturity from 4 to 5 years	2,462	10,640
Maturity over 5 years	6,156	37,242
Total	**20,911**	**162,991**

Table 38: Received long-term bank loans and financial leases by collateral

€ thousand	31. 12. 2011	31. 12. 2010
Mortgaged real estate and pledged securities	20,887	162,967
Other collateral	24	24
Total	**20,911**	**162,991**

Table 39: Structure of received short-term loans and financial leases

€ thousand	31. 12. 2011	31. 12. 2010
Received short-term loans from Group members	0	746
Short-term loans from banks	161,445	16,024
Financial lease	29	142
Total	**161,474**	**16,912**

Current financial liabilities of € 161,474 thousand included € 116,596 thousand of financial liabilities transferred from non-current to current financial liabilities due to non-compliance with contractual covenants from loan agreements in 2011 and in accordance with the IAS 161,474.

Table 40: Received short-term loans and financial leases by collateral

€ thousand	31. 12. 2011	31. 12. 2010
Secured	161,474	16,166
Mortgaged real estate and pledged securities	161,445	16,024
other	29	142
Unsecured	0	746
Total	**161,474**	**16,912**

NOTE 20: Other non-current and current financial liabilities

Table 41: Structure of other non-current and current financial liabilities

€ thousand	31. 12. 2011	31. 12. 2010
Non-current financial liabilities at fair value through profit or loss	2,721	3,872
Total other non-current financial liabilities	**2,721**	**3,872**
Current financial liabilities at fair value through profit or loss	1,505	1,474
Liabilities for dividends and other participations	74	74
Total other current financial liabilities	**1,579**	**1,548**

Other non-current financial liabilities of € 2,721 thousand relate to liabilities from financial instruments at fair value through profit or loss. They represent the net present value of a derivative of a currency swap with a foreign-exchange option. The part of the financial instrument falling due in 2011 was posted to current financial liabilities in the amount of € 1,505 thousand. The liabilities are secured by a mortgage. The effects are disclosed in Note 7 (Expenses from derivatives).

NOTE 21: Deferred tax assets and liabilities

Table 42: Not-offset deferred tax assets and liabilities in 2011

€ thousand				
Deferred tax assets	As at 1 Jan. 2011	Changes in the income statement	Changes in other comprehensive income	As at 31 Dec. 2011
Revaluation of receivables from value adjustments	28	-9	0	19
Financial assets revaluation	52	2,337	10	2,399
Provisions	208	-9	0	199
Intangible assets	3	-1	0	2
Tax loss	3,224	6	-3	3,227
Total deferred tax assets	**3,515**	**2,324**	**7**	**5,846**

Deferred tax liabilities	As at 1 Jan. 2011	Changes in the income statement	Changes in other comprehensive income	As at 31 Dec. 2011
Revaluationt of land	12,747	0	-3	12,744
Total deferred tax liabilities	**12,747**	**0**	**-3**	**12,744**
Effect		**2,324**	**10**	

Table 43: Not-offset deferred tax assets and liabilities in 2010

€ thousand				
Deferred tax assets	As at 1 Jan. 2010	Changes in the income statement	Changes in other comprehensive income	As at 31 Dec. 2010
Revaluation of receivables from value adjustments	35	-7	0	28
Financial assets revaluation	542	-496	6	52
Provisions	218	-18	8	208
Long-term operating liabilities	93	-93	0	0
Tax loss	2,740	1,426	-942	3,224
Other	0	3	0	3
Total deferred tax assets	**3,628**	**815**	**-928**	**3,515**

Deferred tax liabilities	As at 1 Jan. 2010	Changes in the income statement	Changes in other comprehensive income	As at 31 Dec. 2010
Revaluationt of land	14,169	0	-1,422	12,747
Total deferred tax liabilities	**14,169**	**0**	**-1,422**	**12,747**
Effect		**815**	**494**	

NOTE 22: Short-term operating liabilities

Table 44: Structure of short-term operating liabilities

€ thousand	31. 12. 2011	31. 12. 2010
Short-term operating liabilities to group members	1,251	733
Short-term accounts payable	20,335	21,005
Short-term operating liabilities from advances	24	85
Other short-term operating liabilities	3,623	3,720
Total short-term operating liabilities	**25,233**	**25,543**

Of the total amount of short-term operating liabilities as at 21 December 2011, € 2,119 thousand related to liabilities arising from accrued costs for which input invoices from suppliers have not been received yet.

Only liabilities arising from customs duties equalling € 6,467 thousand as at the statement of financial position date were collateralised by a bank guarantee. Other suppliers are not provided with payment collateral instruments.

NOTE 23: Contingent liabilities

Contingent liabilities disclosed are those not posted in the statement of financial position for which inflows of resources are not likely in settlement of the underlying obligation. It is estimated that the Company had the following contingent liabilities as at 31 December 2011:

Table 45: Contingent liabilities

€ thousand	31. 12. 2011	31. 12. 2010
Arising from bank guarantees and guarantees given for Group members	13,737	19,959
Arising from bank guarantees and guarantees given	6,110	4,643
Arising from legal proceedings	2,761	2,727
From D.S.U., družba za svetovanje in upravljanje	250	250
Total contingent liabilities	**22,858**	**27,579**

Guarantees and warranties for Group members mostly relate to guarantees for raised loans and customs guarantees of subsidiaries. Other guarantees and warranties present primarily contingent liabilities arising from performance bank guarantees and similar guarantees, and contingent liabilities arising from a bank guarantee for any customs debt that might result from checking the origin, various analyses and control of goods.

Contingent liabilities arising from lawsuits of € 2,761 thousand represent less than 50% probability that the plaintiff would be successful in their claim and inflows of resources embodying economic benefits would be needed. They are primarily lawsuits arising from the amended resolution on dividend payout from 2008 and lawsuits related to damages for illegal discharge from office.

NOTE 24: Fair value

Available-for-sale securities

The fair value of available-for-sale securities listed on a stock exchange is equal to the published closing price of the shares as at the statement of financial position date. The fair value of shares and stakes in companies listed on a stock exchange is assessed on the basis of the last known transactions or based on their operations.

The fair value equals the carrying amount.

Short-term receivables and liabilities

It is assumed for receivables and liabilities falling due within one year that their carrying value reflects their fair value.

Table 46: Fair value

€ thousand	31. 12. 2011		31. 12. 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets at fair value				
Available-for-sale financial assets	3,536	3,536	3,589	3,589
Total	**3,536**	**3,536**	**3,589**	**3,589**
Assets at amortised cost				
Loans given	59,090	59,090	69,810	69,810
Operating receivables	29,149	29,149	25,795	25,795
Cash and cash equivalents	9,371	9,371	155	155
Total	**97,610**	**97,610**	**95,760**	**95,760**
Liabilities at fair value				
Derivatives	4,226	4,226	5,346	5,346
Total	**4,226**	**4,226**	**5,346**	**5,346**
Liabilities at amortised cost				
Loans and financial leases	182,385	182,385	179,903	179,903
- at a fixed interest rate	0	0	166	166
- at a variable interest rate	182,385	182,385	179,737	179,737
Operating liabilities	26,334	26,334	25,646	25,646
Total	**208,719**	**208,719**	**205,549**	**205,549**

Table 47: Fair value amounts

€ thousand				31. 12. 2011
FAIR VALUE AMOUNTS	Level 1	Level 2	Level 3	Total
Assets at fair value				
Available-for-sale financial assets	1,138	0	2,398	3,536
Liabilities at fair value				
Derivatives	0	4,226	0	4,226

€ thousand				31. 12. 2010
FAIR VALUE AMOUNTS	Level 1	Level 2	Level 3	Total
Assets at fair value				
Available-for-sale financial assets	1,191	0	2,398	3,589
Liabilities at fair value				
Derivatives	0	5,346	0	5,346

The table presents classification of financial instruments with regard to calculation of their fair value, to the following three levels:

- level 1: assets or liabilities at market price;
- level 2: assets or liabilities not classified in level 1 with their value determined directly or indirectly on the basis of comparable market data;
- level 3: assets or liabilities the value of which cannot be determined from market data.

NOTE 25: Financial risks

Liquidity risk

Liquidity risk is managed by active cash management comprising:

- cash flow monitoring and planning;
- regular collection and daily contact with major customers;
- short-term borrowing within the Group;
- the option of using short-term bank credit lines.

The table presents estimated non-discounted cash flows including future interest.

Table 48: Liquidity risk, 31 December 2011

€ thousand							
31. 12. 2011	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Loans received from others based on loan agreements	182,333	194,443	36,488	133,733	11,589	5,979	6,654
Loans received from others based on financial lease	53	56	16	16	25		0
Liabilities to group suppliers	1,251	1,251	1,251	0	0	0	0
Accounts payable (excluding Group members)	21,435	21,435	20,325	10	854	82	164
Liabilities arising from advances	24	24	24	0	0	0	0
Liabilities at fair value through profit or loss	4,226	4,819	852	833	1,605	1,528	0
Other liabilities	3,696	3,696	3,696	0	0	0	0
Total	**213,018**	**225,724**	**62,652**	**134,592**	**14,073**	**7,589**	**6,818**

Due to non-compliance with contractual covenants from loan agreements in 2011 and in accordance with the IAS 1.74, the Company transferred € 116,595 thousand of financial liabilities from non-current to current financial liabilities. The transferred liabilities are presented in the table above in the category of 6-12 months although the underlying loan agreements specify longer maturities.

Table 49: Liquidity risk, 31 December 2010

€ thousand							
31. 12. 2010	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Loans received from Group members on the basis of loan agreements	746	756	756	0	0	0	0
Loans received from others based on loan agreements	178,991	213,922	8,167	16,966	33,975	113,700	41,115
Loans received from others based on financial lease	166	170	134	11	20	5	0
Liabilities to group suppliers	733	733	733	0	0	0	0
Accounts payable (excluding Group members)	21,108	21,108	21,005	0	103	0	0
Liabilities arising from advances	85	85	85	0	0	0	0
Liabilities at fair value through profit or loss	5,346	6,146	852	829	1,586	2,878	0
Liabilities to others	3,794	3,794	3,794	0	0	0	0
Total	**210,969**	**246,714**	**35,526**	**17,806**	**35,684**	**116,583**	**41,115**

Currency risk

Table 50: Currency risk, 31 December 2011

€ thousand				
31. 12. 2011	EUR	USD	Other	Total
Short-term operating receivables from Group members	1,429	0	133	**1,561**
Short-term operating receivables (excluding Group members)	27,336	159	93	**27,588**
Long-term loans to Group members	29,829	0	0	**29,829**
Short-term loans to Group members	22,232	0	0	**22,232**
Long-term loans to others	10	0	0	**10**
Other granted short-term loans	13	0	0	**13**
Long-term loans from others	-20,911	0	0	**-20,911**
Short-term loans from others	-161,474	0	0	**-161,474**
Short-term operating liabilities to Group members	-1,249	-2	0	**-1,251**
Short-term operating liabilities (excluding Group members)	-23,416	-483	-82	**-23,981**
- of which accounts payable (excluding Group members)	-19,770	-483	-82	**-20,335**
Other non-current financial liabilities (financial liabilities at fair value through profit or loss)	0	0	-2,721	**-2,721**
Other current financial liabilities (financial liabilities at fair value through profit or loss and dividend liabilities)	-74	0	-1,505	**-1,579**
Gross exposure of the statement of financial position	**-126,275**	**-327**	**-4,082**	**-130,684**

Table 51: Currency risk, 31 December 2010

€ thousand				
31. 12. 2010	EUR	USD	Other	Total
Short-term operating receivables from Group members	1,894	0	16	1,910
Short-term operating receivables (excluding Group members)	23,825	9	52	23,885
Long-term loans to Group members	36,454	0	0	36,454
Short-term loans to Group members	33,276	45	0	33,321
Long-term loans to others	19	0	0	19
Other granted short-term loans	16	0	0	16
Short-term loans from Group members	-746	0	0	-746
Long-term loans from others	-162,991	0	0	-162,991
Short-term loans from others	-16,166	0	0	-16,166
Short-term operating liabilities to Group members	-731	-1	0	-733
- of which accounts payable to Group members	-729	-1	0	-730
Short-term operating liabilities (excluding Group members)	-24,325	-417	-68	-24,810
- of which accounts payable (excluding Group members)	-18,768	-417	-68	-19,252
Other non-current financial liabilities (financial liabilities at fair value through profit or loss)	0	0	-3,872	-3,872
Other current financial liabilities (financial liabilities at fair value through profit or loss and dividend liabilities)	-74	0	-1,474	-1,548
Gross exposure of the statement of financial position	**-109,551**	**-364**	**-5,347**	**-115,262**

Credit risk

Table 52: Credit risk

€ thousand	31. 12. 2011	31. 12. 2010
Long-term loans to Group members	29,829	36,454
Short-term loans to Group members	22,232	33,321
Long-term loans to others	10	19
Short-term loans to others	13	16
Short-term deposits	7,006	0
Short-term trade receivables	29,149	25,795
- of which accounts receivable	26,684	23,436
- of which from Group members	1,561	1,910
Cash and cash equivalents	9,371	155
Financial assets at fair value through profit and loss	1,138	1,191
Available-for-sale financial assets	2,398	2,398
Total	**101,146**	**99,349**

The table presents the analysis of interest rate sensitivity and the impact on profit before tax.

Interest rate risk

Table 53: Interest rate risk

€ thousand							
Interest rate 31 Dec. 2011	Change in percent	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
EURIBOR	+15%	-178	-156	-437	-163	-77	-1,010
EURIBOR	+10%	-119	-104	-291	-108	-51	-673
EURIBOR	-10%	119	104	291	108	51	673
EURIBOR	-15%	178	156	437	163	77	1,010

Table 54: Interest rate risk

€ thousand							
Interest rate 31 Dec. 2010	Change in percent	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
EURIBOR	+15%	-118	-122	-220	-373	-108	-940
EURIBOR	+10%	-79	-81	-146	-249	-72	-627
EURIBOR	-10%	79	81	146	249	72	627
EURIBOR	-15%	118	122	220	373	108	940

NOTE 26: Other disclosures

Table 55: Cost of auditors

€ thousand	2011	2010
Auditing of the Annual Report	53	104
Total cost of auditors	**53**	**104**

Related parties of Intereuropa d.d.:

- subsidiaries;
- associates;
- joint ventures of the parent company;
- key management personnel of the parent company.

Key management personnel of the parent company are members of the Management Board.

Table 56: Disclosure of related-party transactions

Revenue from services		
€ thousand	2011	2010
Subsidiaries	4,312	4,594
Joint venture	394	265

Costs of services		
€ thousand	2011	2010
Subsidiaries	5,432	5,696
Joint venture	5,153	7,386

Intereuropa d.d. had € 815 thousand in liabilities to the joint venture as at the reporting date. None of the above stated liabilities is collateralised or has any guarantee been issued or received in relation therewith. Liabilities to the joint venture are generally settled by remittances, assignations or compensations.

Transactions with related parties were made at market terms.

Compensation to members of the Management Board, the Supervisory Board and employees employed under service contracts in 2011

The company approved no advances, loans and guarantees to members of the Management Board, members of the Supervisory Board and employees under service contracts.

Table 57: Income of the Management Board members in 2011

	Salary – fixed part		Salary – variable part		Bonuses and other benefits		Total	
in €	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Gortan Ernest	144,001	72,429	0	0	898	4,377	144,899	76,806
Vošinek Pucer Tatjana	126,004	64,041			3,283	4,436	129,287	68,476
Total	**270,005**	**136,470**	**0**	**0**	**4,180**	**8,813**	**274,185**	**145,282**

Net bonuses and other benefits

	Net bonuses and other benefits						
in €	Manager insurance	Additional pension insurance	Other bonuses	Reimbursement of costs	Profit participation	Other income	Total
Gortan Ernest	0	1,342	74	2,497	0	464	4,377
Vošinek Pucer Tatjana	0	1,342	1,287	1,340	0	467	4,436
Total	**0**	**2,683**	**1,361**	**3,838**	**0**	**930**	**8,813**

Table 58: Remuneration of the Supervisory Board members in 2011

in €	Remuneration for holding an office	Remuneration for work in committees	Session fees	Reimbursement of costs	Profit participation	Other benefits and bonuses	Total
Pečar Nevija	3,116	1,133	3,069	0	0	0	7,318
Korelič Bruno	3,739	1,133	3,743	0	0	0	8,615
Može Vinko	3,116	0	2,739	802	0	0	6,657
Tufek Tadej	3,427	1,340	3,069	1,157	0	0	8,993
Čertalič Maša	3,116	0	3,069	0	0	0	6,185
Babič Maksimiljan	3,116	0	3,069	1,330	0	0	7,515
Kobale Ljubo	3,116	0	3,069	0	0	0	6,185
Total	**22,747**	**3,606**	**21,827**	**3,289**	**0**	**0**	**51,469**

Table 59: Income of personnel under service contracts

in €	Gross salary	Bonuses and other benefits (holiday allowance, reimbursement of costs, gratuity and severance pay, long-service awards etc.)	Total income
Employees under service contracts	1,526,068	293,400	1,819,468

NOTE 27: Post reporting date events

As already stated in Item I, the parent company signed the Indicative terms and conditions of restructuring of Intereuropa on 15 February 2012. An agreement was reached with the banks on a grace period on payment of the principal until 30 September 2012. Discussions are underway regarding a possible conversion of a portion of the debt into equity because of the need for additional capital.

The Company continued with the activities related to sale of real estate, Intereuropa East and other assets.

The subsidiary Intereuropa Transport entered into liquidation proceedings on 1 January 2012.

A litigation concerning dividend payout for 2008 posted in contingent liabilities in the amount of € 1,340 thousand has been finally decided in February 2012. The court agreed that the circumstances in 2009 justified adopting the resolution on not paying any dividend.

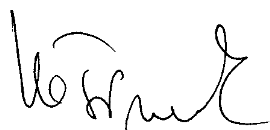
Signing of the Annual Report for 2011 and its constituent parts

The Management Board of Intereuropa d.d. has been informed on the contents of parts of the Annual Report of Intereuropa d.d. and the Intereuropa Group for 2011 and thus on the entire Annual Report of Intereuropa d.d. and the Intereuropa Group for 2011. We hereby agree and confirm the same by our signature below.

Management Board

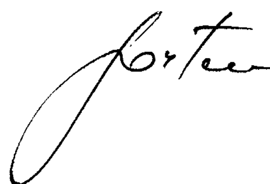
Deputy President of the Management Board

Tatjana Vošinek Pucer



President of the Management Board

Ernest Gortan, Msc.



Independent auditor's report

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Intereuropa d.d.

Report on the Financial Statements

We have audited the accompanying financial statements of Intereuropa d.d., which comprise the statement of financial position as at December 31, 2011, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Intereuropa d.d., as of December 31, 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements.

Emphasis of matter

Without qualifying our opinion we draw attention to Note: I Basis for compilation – Declaration of conformity – Basis for measuring in the financial statements. The Company incurred a net loss of EUR 3,712 thousand in the year ended December31, 2011 and the Company was not able to meet its financial covenants and therefore has reclassified long term loans to short term loans in the amount of EUR 116,596 thousand. As a result at December 31, 2011 short term liability exceeds short term assets by EUR 120,477 thousand and the ability of the Company to continue as a going concern in 2012 is dependent on a successful restructuring of its operations and in particular its loan liabilities.

During 2011, the Company started negotiations with the banks regarding restructuring its financing arrangements and on February 15, 2012 signed a non binding agreement with all the banks involved in the financing of its operations which included a moratorium on loan repayments until September 30, 2012. The implementation of this restructuring plan is dependent on achievement of a number of conditions including sale of the Company's Russian operations and on the banks agreement to convert certain debt to equity and to reschedule debt repayments by the expiry of the moratorium period.

These conditions, along with other matters as set forth in Note: I Basis for compilation – Declaration of conformity – Basis for measuring in the financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act. Our responsibility is to assess whether the business report is consistent with the audited financial statements. Our work regarding the business report is performed in accordance with ISA 720, and restricted to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

The business report is consistent with the audited financial statements.

Ljubljana, April 6, 2012

Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

Lidija Šinkovec
Certified Auditor

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Annual Report of the Intereuropa Group 2011

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