ANNUAL REPORT 2012

Intereuropa

Global Logistics service

Annual Report of the Intereuropa Group for 2012

Intereuropa

Global Logistics service

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INTRODUCTION

1 INTRODUCTION

1.1 Highlights on the operation of the Intereuropa Group

Table 1: Income Statement

in € thousand

	2009	2010	2011	2012	I 12/11
Sales revenues	191,117	190,624	211,880	188,409	89
Earnings before interest, taxes and depreciation and amortisation (EBITDA)	13,365	20,416	21,382	12,693	59
Operating profit	-52,409	-28,333	5,510	-7,226	-
Profit from continuing operations	-61,307	-39,793	-7,895	-20,238	256
Net profit or loss	-53,907	-39,193	-5,410	-13,430	248
Value added	61,074	61,880	61,469	47,418	77
Basic earnings per share (in €)	-6.87	-5.07	-0.73	-1.60	219
Gross dividend per share (in €)	0.00	0.00	0.00	0.00	-

Table 2: Statement of Financial Position

in € thousand

	2009	2010	2011	2012	I 12/11
Total assets	489,270	427,659	407,207	322,969	79
Non-current assets	406,821	351,801	331,390	267,212	81
Current assets	82,449	73,627	75,817	55,757	74
Equity	188,803	148,163	140,988	154,893	110
Average capital*	206,035	188,080	147,281	154,656	105
Financial and operating liabilities	296,663	274,181	263,493	161,042	61

*Capital exclusive of Net profit / loss of the financial year.

Table 3: The number of employees

by man-hours paid

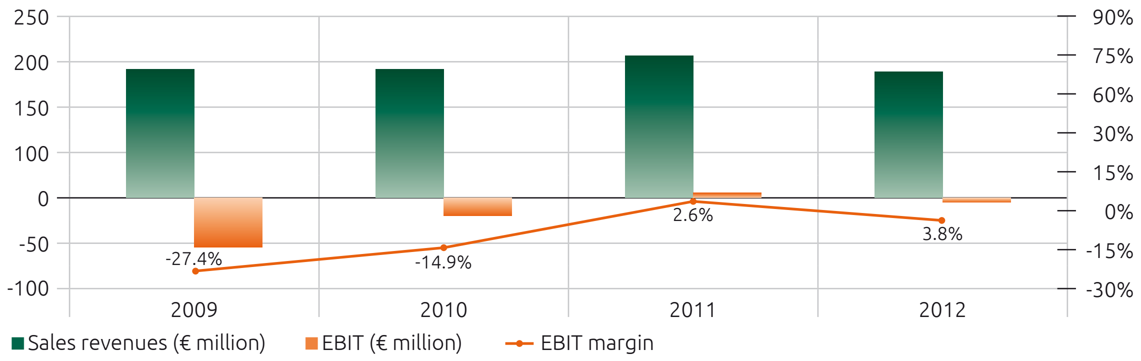
	2009	2010	2011	2012	I 12/11
Number of employees in the Group	2,510	2,274	2,137	1,879	88
Number of employees in the parent company	863	784	744	731	98
Number of employees in subsidiaries	1,647	1,490	1,393	1,148	82

Table 4: Performance Indicators

	2009	2010	2011	2012	I 12/11
Return on equity	-26.2%	-20.8%	-3.7%	-8.7%	235
Return on assets	-11.5%	-8.6%	-1.3%	-3.7%	285
Productivity (in €)	76.15	83.82	99.16	100.26	101
Return on revenue	-27.2%	-19.1%	-2.5%	-6.9%	276

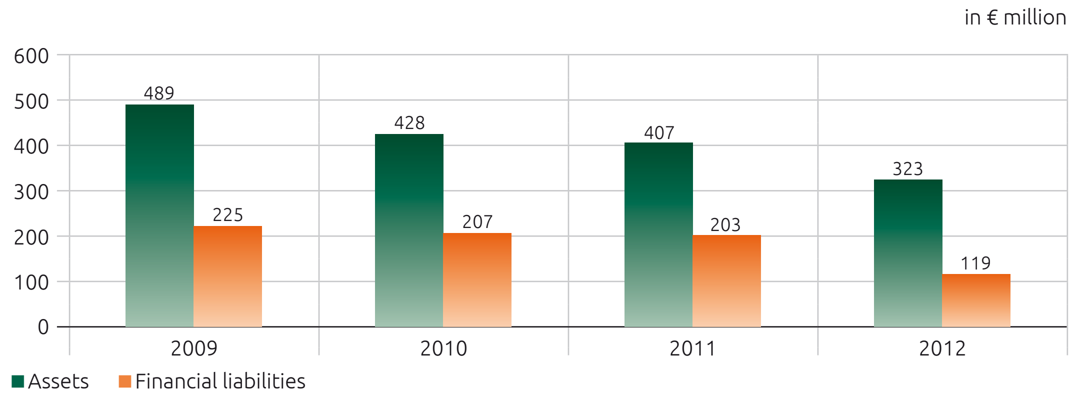
EBITDA: Amortisation + operating expenses from revaluation of intangible fixed assets (IFA), and depreciation of Property, Plant and Equipment, plus operating profit or loss.
Value Added: EBITDA + labour costs.
Return on Equity: Net profit /loss/ average capital.
Return on Assets: Net profit or loss/ Average assets.
Productivity: Sales revenues/ number of employees.
Return on Revenue: Net profit or loss/ Total revenues.

Chart 1: Sales revenue, EBIT and EBIT margin of the Group, 2009 – 2012



Besides the disposal of the subsidiary in Russia, the operation of the Group was also strongly influenced by the optimization-focused measures that brought about a decline in the sales of some logistical products, but improved the profitability of operations on the other hand. Excluding the impact of the disposal of Russian subsidiary, the EBIT margin 2012 would have achieved 6.6 percent on the level of the Group.

Chart 2: Movement of Assets and Financial Liabilities of Intereuropa Group, 2009 – 2012



The decrease in assets of the Group in the year 2012 mostly resulted from the disposal of the Russian subsidiary inclusive of the Logistics Centre Chekhov, which was concluded in November 2012. Accordingly, the financial liabilities of the Group were reduced by € 45.0 million; after that the Parent Company further reduced the financial liabilities by € 19.6 million as a result of an increase of share capital and the conversion into equity of a part of claims receivable from the Company by creditor banks.

1.2 Presentation of the Intereuropa Group

1.2.1 Basic data

Parrent company

Abbreviated name	Intereuropa d.d. (Intereuropa Ltd. Co.)
Country of the parent company	Slovenia
Head office of the parent company	Vojkovo nabrežje 32, 6000 Koper
Comp. ID no.	5001684
Tax no.	56405006
Entry in Companies Register	Registered with the District Court in Koper, file no. 1/00212/00
Share capital	27,488,803 €
Number of of issued and paid-up shares	27,488,803 no-par value shares, of which 16,830,838 ordinary (IEKG) and 10,657,965 preferencial (IEKN)
Share listing	Shares deignated IEKG are included in blue chips on the Ljubljana Stock Exchange, CEESEG.
Management Board	Ernest Gortan, M.Sc., President of the Managing Board Tatjana Vošinek Pucer, Deputy President of the Managing Board
Chairman of the Supervisory Board	Bruno Korelič

Intereuropa Group

No. of employees*	1,702 employees
Vehicle fleet*	173 company-owned trucks, tractors, and trailers and other commercial vehicles
Total warehousing area*	234,934 m^2 (sqm) in-house warehouse
Total land area*	1,702,997 m^2 of land area
Membership in international organisations	FIATA, IATA, FETA, FONASBA, BIMCO, IRU
Quality certificates**	certificate ISO 9001:2008, have following companies: Intereuropa d.d., Koper, Intereuropa, log. usluge d.o.o. Zagreb, Intereuropa RTC d.d. Sarajevo.
Branch network**	Slovenia, Croatia, Montenegro, Bosnia & Herzegovina, Serbia, Kosovo, Macedonia, Albania, Ukraine

* Data as of 31 December 2012.
** The following subsidiaries are excluded from the list:
- Intereuropa Transport d.o.o., Koper, in liquidation since 17 January 2012,
- Intereuropa Transport & Spedition, GmbH, Troisdorf, in liquidation from 1 to 30 September 2012,
- Intereuropa-East Ltd., Moscow (Russian Fed.), sold on 15 November 2012.

1.2.2 Our Business Activities

The Intereuropa Group provides comprehensive logistics services in three core business areas:

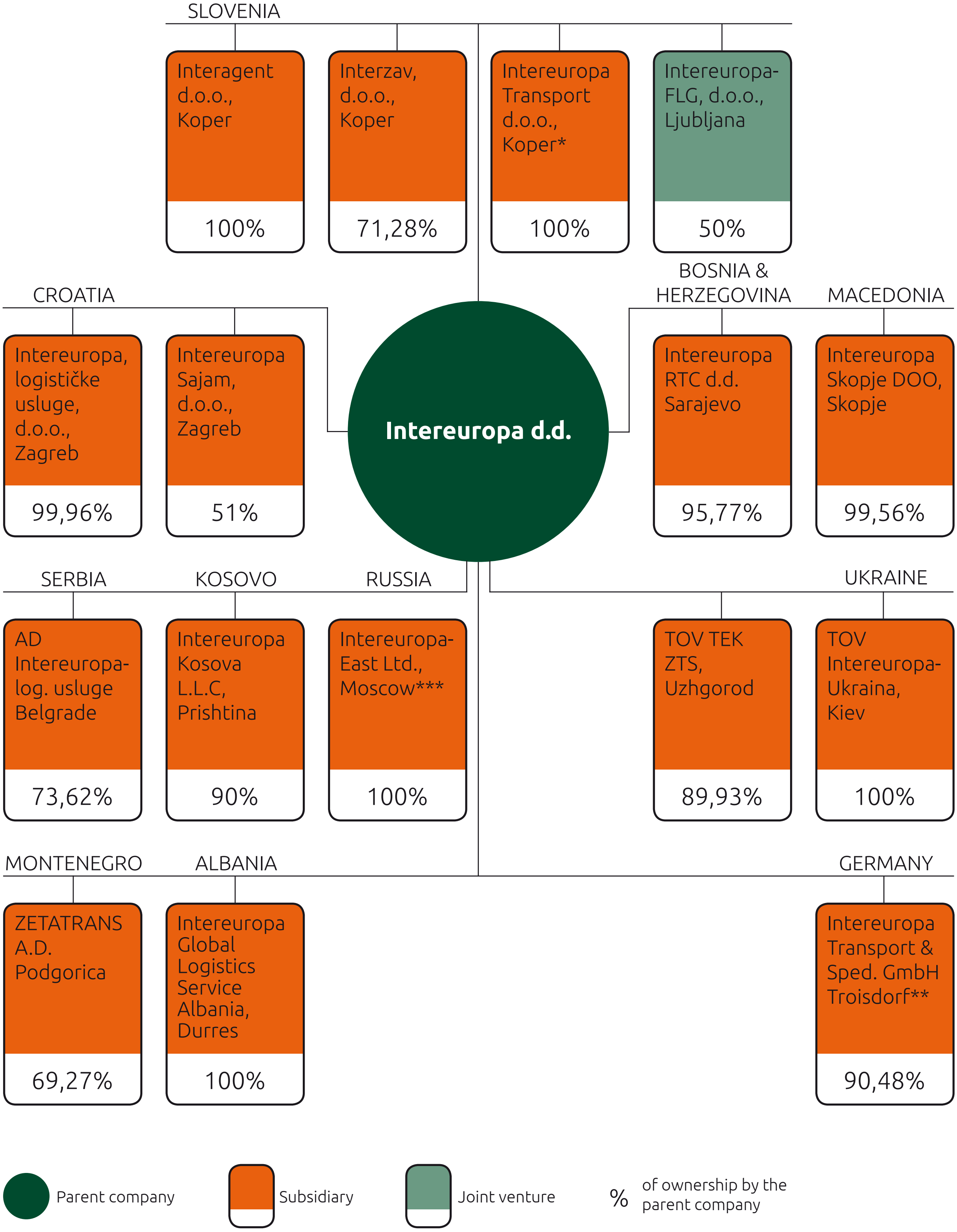
- Land Transport: Groupage, Express Transport, Road Transport, Railway Transport, Customs Services, Distribution of spares.
- Intercontinental Transport: Air-Freight, Sea-Freight, Shipping Agency, Car Logistics.
- Logistics Solutions: Warehousing and Distribution, Logistics Projects.

Our advantages as service providers:

- We are qualified for a full spectrum of logistic services and able to provide optimal solutions tailored to the desires and needs of our customers.
- We are experts in developing efficient comprehensive logistics solutions for a wide range of goods that are warehoused, distributed and transported by land, sea or air in all geographical directions.
- We manage our own warehousing facilities.
- We offer additional services, such as presentation on fairs and exhibitions, rentals and agency services for insurance deals.
- We implement complex and comprehensive logistics projects and are a reliable partner for outsourced integral logistic services for manufacturers and trading companies.

Our knowledge, qualified staff and own capacities are all incorporated in logistics projects, aiming to find an optimal solution that best meets the desires and needs of our customers.

1.2.3 Organisation Chart of the Intereuropa Group



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

** Intereuropa Transport & Spedition, GmbH, Troisdorf has been in liquidation proceedings from 1 September 2012 to 30 September 2012.

*** Intereuropa-East Ltd., Moscow has been sold on 15 November 2012.

1.2.4. A presentation of companies in the Intereuropa Group

Company	President of Managing Board/ Director	Supervisory body	Chairman of Supervisory board/Representative of IE d.d. on the Supervisory Board	Business: Land Transport	Business: Logistics Solutions	Business: Intercon-tinental Transport	Business: Other services	Distinction
Intereuropa d.d., Koper	Ernest Gortan, M.Sc., President of the Managing Board Tatjana Vošinek Pucer, Deputy President of the Managing Board	Supervisory Board	Bruno Korelič, Chairman of Supervisory Board	•	•	•	•	The leading provider of comprehensive logistic services in Slovenia / 66 freight vehicles and delivery vans / 129,200 m² of own and hired 4,400 m² warehouse facilities
Interagent d.o.o., Koper	Sandi Křižman, Managing Director	Managing Board of Intereuropa d.d.	President of Managing 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 till 30 June 2012, Mojca Žbontar, Managing Director as of 1 July 2012	General Meeting	A representative of Intereuropa d.d. empowered by the Managing Board				•	Agent / Insurance Broker
Intereuropa Transport d.o.o., Koper, in liquidation*	Ernest Gortan, M.Sc., liquidation trustee	Managing Board of Intereuropa d.d.	President of Managing Board of Intereuropa d.d.	•				* As of 17 January 2012, the company is in liquidation proceedings
Intereuropa, logističke usluge, d.o.o., Zagreb	Andrija Jurgec, Managing Director till 15 June 2012, Petra Končnik, Managing Director as of 16 June 2012 till 20 December 2012, Director General as of 21 December 2012	Supervisory Board	Ernest Gortan, M.Sc, Chairman of Supervisory Board	•	•	•	•	The leading provider of comprehensive logistic services in Croatia / 47 freight and commercial delivery vehickes / 54,100 m² of warehouse facilities
Intereuropa Sajam, d.o.o., Zagreb	Vjekoslav Granić, Managing Director	Supervisory Board	Tatjana Vošinek Pucer, Chairwoman of the Supervisory Board	•	•		•	Fairs & Exhibition Logistics 3 freight and other commercial delivery vehicles / 640 m² of warehouse facilities
Intereuropa RTC d.d., Sarajevo	Haris Avdić, Managing Director	Supervisory Board, Audit Committee	Ernest Gortan, M.Sc, Chairman of Supervisory Board; Redžep Franca, president of Audit committee till 28 May 2012 Vildana Huzbašić, President of Audit Committee as of 29 May 2012	•	•	•	•	Leading provider of complex logistics services in BiH / 16 freight vehicles and delivery vans / 6,900 m² of warehouse facilities
AD Intereuropa-logističke usluge Beograd	Nemanja Kačavenda, Director General	Board of Directors	Dr. Bojan Beškovnik, President of the Board of Directors	•	•	•		A leading providers of comprehensive logistic services in Serbia / 10 freight vehicles and delivery vans / 23,800 m² of warehousing area
Intereuropa Kosova L.L.C, Prishtina	Arben Mustafa, Managing Director; Andrej Kariš, Managing Director;	General Meeting	A representative of Intereuropa d.d. empowered by the Managing Board	•	•	•		The sole provider of comprehensive logistic services in Kosovo / 3 freight vehicles and delivery vans / 1,800 m² of warehousing areas
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 vehicles and delivery vans / 18,200 m² of warehousing area
Intereuropa Skopje d.o.o., Skopje	Nebojša Cvetanovski, Managing Director	An independent Supervisor	Tatjana Vošinek Pucer, Independent Supervisor	•	•	•		The leading provider of groupage services in Macedonia / 3 commercial delivery vehicles / 2,100 m² of warehouse facilities
Intereuropa Global Logistics Service Albania, Durres	Dashamir Mandija, Managing Director	General Meeting	Dr. Bojan Beškovnik, Representative of IE d.d. empowered by the Managing Board			•		A provider of sea freight services
Intereuropa- East Ltd., Moscow**	Mikhail Novodvorsky, Managing Director till 15 November 2012	Supervisory Board	Ernest Gortan, M.Sc, Chairman of Supervisory Board	•	•	•	•	** The company was sold on 15 November 2012
TOV TEK ZTS, Uzhgorod	Anatolly Nikolajević Parfenyuk, Managing Director	Annual General Meeting, Audit Committee	Miha Romih, M.Sc, representative of IE d.d. empowered by the Managing Board, Peter Janežič, President of Audit committee	•				A company is specialised in railway transport and international road transport / 20 freight vehicles and delivery vans
TOV Intereuropa-Ukraine, Kiev	Igor Bibikov, Managing Director	Managing Board of Intereuropa d.d.	A representative of Intereuropa d.d. empowered by the Managing Board	•				A provider of services of part or full loads and container sea-freight / in 2012 the company was not operating
Intereuropa Transport & Spedition GmbH, Troisdorf***	Sven Thomas Scheer, liquidation trustee	The General Meeting	A representative of Intereuropa d.d. empowered by the Managing Board	•				*** The company was in liquidation proceedings from 1 to 30 September 2012; liquidation process is completed

1.3 Letter of the President of the Managing Board

Ernest Gortan, M.Sc., President of the Managing Board.

Dear shareholders, partners in business, co-workers!

Intereuropa can be satisfied with the operations in the reporting year. Intensified activities addressing the recovery of Intereuropa over the past few years were upgraded by the conclusion of financial restructuring for the Company. In the year 2012 we reduced the indebtedness considerably: by € 80.5 million on the Group level and by € 74.2 million in the Company Intereuropa d.d., and we also agreed on re-scheduling of the remaining debt. The creditor banks perceived the long-term competitiveness of our approach to business and, with the consent of our shareholders, converted a portion of debts into equity. That also changed the ownership structure of Intereuropa thoroughly, in which the creditor banks are prevailing at present. The prerequisite for a debt rescheduling agreement, which was based on the projections for the next seven years, was the disposal of the logistics centre in Russia. We succeeded to close that deal after more than two years of effort.

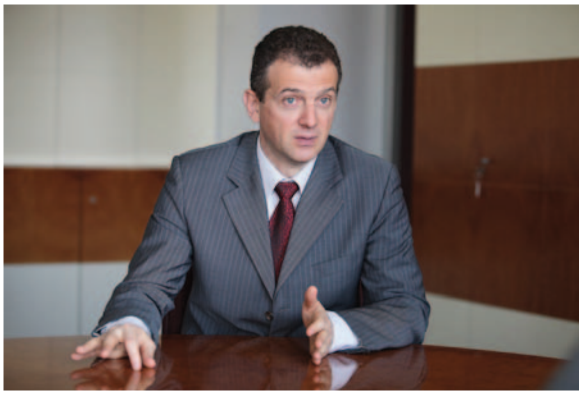
In the year 2012 we completed the financial restructuring of the Company, slashed the indebtedness by € 80.5 million on the Group level, and agreed on long-term re-scheduling of the remaining debts.

In 2012, the Group recorded an operating loss of € 7.2 million and a net loss of € 13.4 million. Excluding other operating revenue, impairment of fixed assets and other expenses related to the sale of the logistics centre in Russia, the Intereuropa Group would have recorded an operating profit at EUR 10.6 million, and the share thereof in the sales revenue structure would have come to remarkable 5.6 percent.

The situation on the markets is extremely complex and demanding. Negative economic growth in our key markets is adverse to the goods flows, and in turn, gives rise to responding by cutting the cost of logistics, both by pressures on the rates and by streamlining the logistics activities in the supply chain. As a result, the size of the logistics cake has been shrinking and reflects in an even fiercer competitive struggle. On the other hand, the soaring prices of energy sources only add fuel to pressures on input costs, which the logistics providers are reluctant to shift on the customers. Additional risk lies in the expanding ill-payment practices that call for particular caution in doing business with customers: our business involves ample outlays of financial funds.

We respond to the extremely complex and demanding situation on the markets by intensified marketing activities and on-going optimisation of business processes.

The present tough situation demands intensified, though rational marketing activities along with on-going optimisation of business processes. Despite such an adverse market profile we generated € 188.4 million of sales revenue in the reporting year, only slightly below the planned sales turnover. That was 11 percent less than in the year 2011, which was an expected drop attributable to the liquidation process of the subsidiary Intereuropa Transport d.o.o., Koper, and closing-down of the subsidiaries



in France and Germany. In April 2012 our major customer Top Shop informed us of intended relocation of its logistics activities to Poland. That brought about a loss of the planned revenues in the Parent Company in the second half-year. We started promptly with a range of activities addressing the new situation. Our marketing activities were focused on the acquisition of new customers, or upgrading the cooperation with our current customers, respectively. Among our major achievements was entering into a contract for warehousing and distribution services for the goods of a renowned manufacturer of white goods. The completed investment in cold-store facilities (1,600 m²) has upgraded our cooperation with a foodstuff retailer chain. Concurrently with marketing activities we dedicate much effort to streamlining and automation of our business processes and to develop a competitive approach to business.

Noteworthy is also the successful completion of restructuring of our road transport product. A relevant part thereof is the liquidation proceedings of the subsidiary Intereuropa Transport d.o.o., Koper, whose core business was the provision of transportation by a company-owned fleet of vehicles. The course of procedures and outcome of liquidation have turned out to our great satisfaction, as the Company in liquidation already sold all the vehicles and equipment, paid out the termination benefits to all employees, and settled the financial liabilities to suppliers. On the other hand, we have succeeded in retaining some major customers of the liquidated subsidiary in the Group and continue servicing them through a number of our contractor carriers who have established a long-term business relationship with us; some of them are even using our brand on their vehicles, which further maintains the recognisability of Intereuropa. The financial effects and higher satisfaction of our customers due to reliable execution of services prove that our decision for restructuring was the right one.

We have addressed the new situation in the coming year by a leaner organizational structure and intensified marketing.

Efficient Information technology support to business processes contributes to the vital competitiveness of logistic procedures. After lengthy activities the implementation of the new IT system to support the products of land transport was successfully completed. That allowed a further centralization of services, which was best achieved in our Express product. We were able to reduce not only the number of vehicles employed in our operational network, but also the number of re-loading points and thereby the number of handling operations, along with the exposure of consignments to damages. This solution also enables a better supervision over the operational execution of our processes and a rise in the quality of service: that will be most rewarding for our customers, in addition to tracing options. Developmental activities are carried out towards establishing an integrated IT solution to support warehouse operations, the beginning of implementation is planned for this year. After a successful introduction of the electronic documentary system based on digitalisation of incoming invoices for overheads, we plan to upgrade the document management system with the digitalization of incoming invoices for operational needs.

Intereuropa entered the year 2013 with a new ownership structure in which the lending banks prevail. Given that banks are not considered to be strategic shareholders of Intereuropa, we may expect further activities on ownership consolidation of the Company.

The coming year 2013 will be a very demanding year for the Intereuropa Group. The already adverse economic environment will be rendered even more difficult by the expected accession of Croatia to the EU. That will cut the demand for profitable customs services in both key markets of Intereuropa – in Slovenia and Croatia. We have already addressed the new situation, adapting to it by a leaner organizational structure and intensified marketing. I believe that the measures taken will bring about even better achievements and overcome the challenges awaiting us in the year 2013.

Ernest Gortan, M.Sc.,
President of the Managing Board

1.4 The Report of the Supervisory Board for the year 2012

Dear Shareholders,

The Supervisory Board attentively and responsibly monitored the operations of the Intereuropa Group in ten sessions of the Supervisory Board, thereof three were held by correspondence, and in five sessions of the Audit Committee. The work of the Managing Board was evaluated on a current basis, and the Supervisory Board performed other tasks prescribed by the relevant legislation and internal acts.

The profile of the Supervisory Board is heterogeneous in terms of educational profile, gender and age structure. In 2012 it consisted of the following members representing the shareholders: Bruno Korelič – Chairman, Tadej Tufek, M.Sc., Vinko Može, Maša Čertalič, M.Sc., and of the members representing the employees: Maksimiljan Babič – Deputy Chairman, Nevija Pečar and Ljubo Kobale. Sessions are attended by the members of the Supervisory Board and of the Managing Board, a legal advisor and the Secretary. In the reporting year, the sessions were regularly attended by all members who were present in all the sessions.

The Supervisory Board was committed to a good organization of its sessions. The materials were delivered to the members of Supervisory Board in due time, so they were able, thanks to well-prepared materials, to express their opinions and critical remarks, and actively take part in discussions before adopting the resolutions.

Work of the Supervisory Board during 2012

Further to regular supervision of the operations, the Supervisory Board dedicated particular attention to:

Quarterly Reports: Interim (quarterly) reports on current operations of the Intereuropa Group and individual subsidiaries were dealt with and approved on a quarterly basis; the Supervisory Board also monitored the achievement the business and developmental goals. In addition, the Supervisory Board always acquired the opinion of the audit committee before addressing the interim reports.

Annual Report: The Supervisory Board approved the Annual Report of the Intereuropa Group for the year 2011, incl. Report by the external Auditor, and got acquainted with the findings of the audit.

Intereuropa Group Planning Document: The Supervisory Board got informed on the amended planning documents 2013 for the Intereuropa d.d. and the subsidiaries.

General Meetings of the Company: The Supervisory Board issued its consent to the convocation of the 24th and 25th General Meeting of Intereuropa d.d., held on 28 August and 25 October 2012, also approving the Agenda and Proposal of Resolutions with substantiation.

Concern for long-term financial stability: The Supervisory Board requested regular reporting on the financial exposure of Intereuropa d.d. and subsidiaries, dedicating particular attention to the course of negotiations with the consortium of banks regarding the financial restructuring programme. The Supervisory Board also monitored the activities aimed at assuring the liquidity and on a current basis supervised the measures addressing the restructuring of the Company. The procedures involving the sale of the Chekhov logistic terminal were in the very focus of the Supervisory Board, given that the disposal of that facility was one of the basic elements underlying for financial restructuring. After the procedures for the sale thereof were completed the Supervisory Board consented to entering into the Contract of Sale of the Logistics Centre Chekhov, to be conducted by the Managing Board.

Other relevant reports and projects: The Supervisory Board paid great attention to the performance of subsidiaries, in particular to the operations of the subsidiary Intereuropa-East Ltd., Moscow. The Supervisory Board got informed on the business analysis of subsidiaries in the Balkans and the measures to improve their performance. It got acquainted with the course of liquidation of the subsidiary Intereuropa Transport d.o.o. and with the impact analysis of the cancellation by the key customer Top Shop. The annual and interim reports on risk management were presented to the Supervisory Board, and the adopted Intereuropa Code of Ethics. It further adopted the Declaration on Compliance of the Company with the Corporate Governance Code of Public Limited Companies for the financial year 2011: The Supervisory Board requested, on a regular basis, the reports on all major projects of the Managing Board in the reporting year.

The Managing Board reported to the Supervisory Board on current operations and financial position of the Company and of the Group. The Supervisory Board promptly responded to such information and demanded immediate action from the Managing Board and further monitored the realization of the resolutions, as the Managing Board was implementing the activities and duties proposed. They also tracked the achievement of the strategic objectives that were included in the Strategic business plan of the Group for the term 2010 – 2014.

Assessment of work of the Supervisory Board and of Audit Committee

The operation of the Supervisory Board was compliant with the provisions of relevant laws, the Statute, internal acts of Intereuropa d.d., with the Corporate Governance Policy of Intereuropa d.d., and the Corporate Governance Code of Public Limited Companies. The Supervisory Board and Managing Board committed themselves to respect the independence of members of both bodies, and to take the appropriate action in any circumstances that would significantly affect the status of a member of the Managing or Supervisory Board in relation to the Company. It was established that all the Supervisory Board members satisfied the criteria of independence and signed the statement on meeting the criteria of independence. In their activity and decision-making the Supervisory Board members have observed the goals of the Company, making them superior to any other personal interests of their own or of third party, the Managing Board, shareholders, the public or the government.

Interaction between the Supervisory Board and the Managing Board was appropriate throughout the year. The Chairman of the Supervisory Board and the President of the Managing Board maintained regular communications also in the periods between the sessions.

Work of the Audit Committee also contributed to efficient operation of the Supervisory Board. The Audit Committee currently examined the operational reports and those of the internal audit. The Audit Committee also adopted the interim and annual report on the work of the Internal Audit Department. After each meeting, the minutes and resolutions of the Audit Committee were submitted to the Supervisory Board for discussion and further action. The Audit Committee assumed a constructive role in its cooperation with the Supervisory and Managing Board, with internal and external auditors.

Opinion on the Auditor’s report

The Supervisory Board studied the Auditor’s Report on the audit of financial statements for the Intereuropa Group and the Parent Company Intereuropa d.d. that was prepared by the certified audit firm Ernst&Young, Revizija, poslovno svetovanje d.o.o., Dunajska 111, 1000 Ljubljana.

Having found that the certified auditors gave in their report an unqualified opinion (a positive opinion) to the financial statements of Intereuropa d.d. and of the Group, assuring that the financial statements truly and fairly presented the financial position, income and cash flow statement in the year 2012, or as at 31 December 2012 resp., and were compliant with the International Financial Reporting Standards of the EU, the Supervisory Board adopted pursuant to Article 298 paragraph 2 of the Companies Act (ZGD-1) and Section 7.4 paragraph 3 of the Statute of Intereuropa d.d. the following position: The Supervisory Board has no objection or remark to the Auditor’s Report submitted by the audit firm Ernst & Young, Revizija, poslovno svetovanje, d.o.o., Ljubljana.

Approval of the Annual Report for 2012

Having thoroughly studied the Annual Report incl. the Auditor’s Report, financial statements and the Notes thereto, and other elements in the Annual Report, the Supervisory Board found that the Annual Report, as prepared by the Managing Board, to be a true and authentic reflection of the position and operations of the Company, providing comprehensive information on the financial year 2012.

Upon examining the Audited Annual Report, the Supervisory Board ascertained that the Group closed the year 2012 with a negative net operating result at –13.4 million €. The Supervisory Board shares the view that the overall performance of Intereuropa was successful in the exacting business environment 2012, and achieved good operating results. The drop in income was expected and has to be interpreted in the light of business restructuring of the Company. The negative operating result is attributable to disposal of the logistic terminal Chekhov as an essential part in the Company’s financial restructuring. In the eyes of the Supervisory Board, the financial restructuring accomplished in the reporting year was a remarkable success in the given economic situation.

Having examined the operation of the Company, the business report and the Auditor’s unqualified opinion report, and analysed the loss incurred by Intereuropa d.d. in the financial year 2012, the Supervisory Board found that the net loss for the year 2012 amounted to –6,619,104.90 € and was to be covered from capital reserves.

Pursuant to Article 282 of the Companies Act (ZGD-1) and Sections 7.4 and 7.5 of the Statute of Intereuropa Global Logistics Service Ltd. Co., the Supervisory Board approved and adopted the Annual Report of the Intereuropa Group for the financial year 2012. This report was adopted in the Supervisory Board session held on 9 April 2013.

Bruno Korelič,
Chairman of the Supervisory Board

1.5 Statement of management responsibility

The Managing Board of Intereuropa d.d., Koper, is responsible for drawing up the Annual Report and financial statements of the Company and of the Intereuropa Group, and also accountable for the authenticity and fair presentation thereof to all interest groups.

The Managing Board hereby declares that:

- the financial statements have been drawn up under the assumption of going concern both for the Parent Company and its subsidiaries, and on the accrual basis of accounting;
- the accounting policies selected have been consistently applied and any changes thereto appropriately disclosed;
- the accounting estimates have been prepared with due consideration, in line with the prudence and due diligence principles;
- the financial statements are compliant with the applicable legislation and the IFRS as adopted by the EU.

The Managing Board is further responsible for implementing the measures underlying for value preservation of the assets of the Company and Group, as well as for prevention and detection of fraud and malpractices.

Tax authority may, at any time within five years after the financial year in which the corporate income tax is due for assessment and payment, inspect the Company's operations and, in case of any incompliance, impose additional tax payment, default interest or penalty arising from corporate income tax or other taxes or duties, respectively. The Managing Board is not aware of any facts of circumstances that might result in potential material liability arising therefrom.

Koper, 9 April 2013

The Managing Board of Intereuropa d.d.

Tatjana Vošinek Pucer,
Deputy President of the Managing Board

Ernest Gortan, M.Sc.,
President of the Managing Board

1.6 Major events in 2012

January–June

- In January, the initiation of voluntary winding-up of the subsidiary Intereuropa Transport d.o.o., Koper, was published in the Court Register of Companies, along with the changed firm: Intereuropa Transport d.o.o., in liquidation.
- In February, creditor banks 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.
- In April, the Managing Board of Intereuropa d.d. informed the Supervisory Board on the impact analysis of reduced business with the key customer Top Shop; Intereuropa was going to address the resulting situation both by focused marketing activities and cost adjustment.
- In April, Intereuropa had a presentation in the Slovenian Capital Market Event, organised by the Ljubljana Stock Exchange.

July–December

- 28 August was the 24th ordinary General Meeting of Intereuropa d.d., in which the shareholders resolved on decreasing the share capital owing to transfer to capital reserves and the Resolution on increase of capital by contributions-in-kind.
- Intereuropa exhibited on the International Small Crafts Fair (MOS 2012), held between 12 and 18 September in Celje.
- To implement the resolutions of the 24th Annual General Meeting of Intereuropa d.d., the General Meeting held another session on 25 October 2012 and adopted amendments to the Statute and extended the time allowed for the increase of share capital by contributions-in-kind.
- In October Intereuropa d.d. entered into the Contract on Financial Restructuring with creditor banks, in which the terms for financial restructuring of the Company were agreed, as follows: decrease of share capital owing to transfer to capital reserves, capital increase by contributions in kind subscribed by creditor banks, and loan rescheduling up to 2019.
- On 15 November 2012, Intereuropa d.d. concluded the contract of sale of the Chekhov Terminal with the Russian company UCTAM LLC RU. In accordance with that contract, the full purchase money € 45 million was remitted to the banks – mortgage creditors.
- In December the Company published the Prospectus for admission of shares to trading on regulated market.

Among the events that marked the year 2012 were: the disposal of Chekhov logistic centre, closing the financial restructuring of Intereuropa d.d., and positive outcome of liquidation of the subsidiary Intereuropa Transport, d.o.o., Koper.

Major events after the year-end

- In January, Intereuropa organized an open-door day for our employees' children; the aim was, in addition to presenting them the work environment of their parents, also to provide for day-care of the children on the day announced for public servants' strike.
- In February, Intereuropa was chosen as the leading partner for the project »Competence Centre for HR Development in Logistics«, aiming to include the employees from partner organizations into programmes to develop knowledge, skills, and business practices.

Announcements on important events are published on the web at www.intereuropa.si.

1.7 Corporate governance statement

Corporate governance of Intereuropa d.d. is based on the applicable laws, the Corporate Governance Code of Public Limited Companies, and on the Corporate Governance Policy of Intereuropa, Global Logistics Service, Ltd. Co. The underlying corporate guidelines of Intereuropa d.d. and of the Intereuropa Group are: transparent acting, a clear division of responsibilities and tasks among corporate bodies, on-going care for independence and loyalty of members of governing and controlling bodies, and constant monitoring and introducing improvements to enhance the efficiency of corporate governance.

The duties and competences of individual corporate governance bodies of Intereuropa d.d. are laid down in the applicable laws, the Statute of the Company and Rules of Procedures for individual corporate bodies which are available along with the Corporate Governance Policy on the corporate websites in sections Corporate Governance.

1.7.1 Annual General Meeting

General Meeting in 2012

There were two General Meetings of shareholders of Intereuropa d.d.: the 24th regular meeting on 28 August 2012 was followed by the 25th on 25 October 2012.

The quorum of the 24th General Meeting was 61.99 percent of shares with voting right, and adopted the following important resolutions:

- acknowledging the Annual Report of the Intereuropa Group for 2011, the Auditor's Opinion and the Supervisory Board Report on examination of consolidated Annual Report 2011 and on the method and scope of verification of the Company's management in the year 2011 submitted by the Supervisory Board;
- resolving on awarding the note of discharge to the Supervisory Board and Managing Board of Intereuropa d.d. for their work in the financial year 2011;
- appointing the audit firm Ernst & Young, Revizija, poslovno svetovanje d.o.o., Ljubljana as the auditor for the year 2012;
- resolved on a decrease of share capital from € 32,976,185.11 to € 7,902,413 by simplified procedure;
- further adopted the resolution to increase the decreased share capital by € 19,586,390 by contributions in kind which stand for the claims receivable of creditor banks. The increase in share capital shall be made by issuing new shares, thereof 8,928,425 ordinary and 10,657,965 preference shares. The latter entitle their holders to priority participation in profit at € 0.01 per share in addition to participation in profit and in the proportional part of residual assets after liquidation. Preferential amounts shall be first payable in the pay-out of profit (dividend) for the year 2013;
- the General Meeting closed after acknowledging the information on the prospects and procedures of selling the investment in Russia and the estimated sales proceeds, however, the shareholders refused to vote on their consent to the disposal of that investment.

The 25th General Meeting was attended by shareholders representing 44.88 percent of shares with voting rights, and adopted the following important resolutions:

- amending the Statute with section 3.7., stipulating that the Company shall form reserves (legal reserves and capital surplus reserves from Article 64, paragraph one, sections 1 to 3, of the Companies Act/ ZGD-1) amounting to 15 percent of the Company's share capital;
- amending the resolution on capital increase adopted by the 24th General Meeting, by extending the deadline for subscription and prepayment of shares by one month, from 30 November to 31 December 2012.

Resolutions adopted by both General Meetings are in full text available on the website www.intereuropa.si, page For Investors, section General Meeting.

Function, scope and method of convening

The Annual General Meeting as the supreme decision-making body of the Company provides a platform for shareholders to exercise their rights in corporate affairs. The function and operation of the General Meeting is regulated by the Companies Act (ZGD-1), Statute of the Company and the Rules of Procedure for the General Meeting published on the website of the Company, page For Investors.

The General Meeting has to be convened annually, either by the Managing Board at its own initiative or upon request by the Supervisory Board or a number of shareholders. The shareholders of Intereuropa d.d. are in due time informed about the convocation of General Meeting, which is published in daily newspapers, on the corporate website of Intereuropa, the intranet and the via SEOnet system (publications by the Ljubljana Stock Exchange).

The material for the General Meeting with resolution proposals for all agenda items is available to shareholders for viewing from the convocation date to the General Meeting date at the Company's head office in Koper, on the SEOnet system and on the corporate 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 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 controlling bodies.

Requirements for attendance and communication with shareholders

In both General Meetings the shareholders of Intereuropa d.d. supported and paved the way for the financial restructuring of the Company.

Entitled to attend the General Meeting and exercise their voting rights are the shareholders who are registered in the Share Register of the Company, kept at the Central Register of the Central Securities Clearing Corporation (KDD: Centralno klirinško depotna družba d.d.), Ljubljana and their proxies or authorised persons who announce their participation in writing in due time. A shareholder's proxy is required to enclose the proxy template when registering. Each share gives a shareholder one vote.

Intereuropa d.d. encourages active participation at the General Meeting of as many minor shareholders as possible: the registration and proxy templates are included in the material published upon convocation of the General Meeting. For minor shareholders and investors, the corporate website contains on page For Investors topical information on the Company's governance, the annual and interim reports, in addition to the information on the General Meeting.

After the General Meeting closes, the shareholders and the public are promptly informed on the adopted resolutions via the corporate website, the intranet and SEOnet publications of the Ljubljana Stock Exchange.

1.7.2 Supervisory Board

Structure of the Supervisory Board

The Supervisory Board of Intereuropa d.d. consists of seven members, of which four represent the shareholders and three represent the employees. Their term of office is four years, with the possibility for re-election. The Supervisory Board members representing interests of the shareholders are elected by the General Meeting. The members representing the employees are elected by the Works Council, and the General Meeting is only informed on their election.

Members of the Supervisory Board of Intereuropa d.d. in 2012

Curr. No.	Ime in priimek	Year of birth	Function or office in the Supervisory Board	Educational profile	Employment	Other important offices held	Term of office	
1.	Bruno Korelič	1944	Chairman of the Supervisory Board – shareholders's representative	University graduate in Economics	Retired	Member of the Supervisory Board of Petrol d.d., Ljubljana	11 Apr 2009	10 Apr 2013
2.	Tadej Tufek, M.Sc.	1975	Member of the Supervisory Board – shareholders's representative	Master of Sc. in Economics and Business	Financial Consultant		10 Sep 2009	10 Sep 2013
3.	Vinko Može	1948	Member of the Supervisory Board – shareholders's representative	University Graduate in Civil Engineering	Retired	Chairman of Council of the Public Agency for Traffic Safety	30 Jul 2009	30 Jul 2013
4.	Maša Čertalič, M.Sc.	1976	Member of the Supervisory Board – shareholders's representative	Master of Science in transport and logistics management	Luka Koper d.d. (Port of Koper Corp.)		10 Sep 2009	10 Sep 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 the ŠAK–KS 90 Trade Union	19 Nov 2009	19 Nov 2013
6.	Maksimilijan Babič	1950	Deputy Chairman of the Supervisory Board – employees' representative	Graduate of Gymnasium	Intereuropa d.d. - Border Clearance Branch Office*	Chairman of the Workers' Council of Intereuropa d.d.	19 Nov 2009	19 Nov 2013
7.	Ljubo Kobale	1962	Member of the Supervisory Board – employees' representative	Sales executive	Intereuropa d.d. – Celje Branch Office BU Maribor		19 Nov 2009	19 Nov 2013

* Employed in Intereuropa d.d. up to 27 December 2012.

Activities in 2012

The Supervisory Board of Intereuropa d.d. remained in the same composition for the entire year. There were seven ordinary sessions and three held by correspondence. In line with its core function of supervising the course of business in the Company and corporate governance of the Group, the Supervisory Board currently supervised and tracked the operations of the Company, taking into consideration the Audit Committee reports. It dealt with the Annual Report and the quarterly reports of the Managing Board addressing the performance on the Company and Group level, and monitored their compliance with the adopted strategic and development plans.

The Supervisory Board was currently informed on the progress of negotiations with banks towards achieving financial stability for the Company. Particular attention was dedicated to the course of business and financial restructuring of the Parent Company throughout the year, scrutinizing individual activities until the entire process was closed. The Supervisory Board discussed the reports on major projects implemented by the Managing Board. The Report of the Supervisory Board presents its work in further detail.

In line with its core function of supervising the course of business in the Company and corporate governance on the Group level, the Supervisory Board scrupulously supervised the operations of the Company.

Audit Commission

The Audit Committee met in five sessions, addressing the topical issues on financial operation and corporate reporting on the financial position. They reported currently to the Supervisory Board and provided their expert assistance in the most complex decisions involved in supervising the business operations, and implementing the corporate vision, mission and strategic objectives.

The Audit Committee remained unchanged, as follows:
- Tadej Tufek, M.Sc. – president;
- Nevija Pečar;
- Bruno Korelič;
- Alfio Kocjančič – external specialist.

The Audit Committee acted in line with its powers and competences, in the usual practice and compliant with the Companies Act, the Corporate Governance Policy of Intereuropa d.d., and with the Charter and Rules of Procedure for the Audit Committee. Activities of the Audit Committee are also included in the Supervisory Board Report.

Competence and powers, work and remuneration

The Supervisory Board operates within its powers and competences, in the manner prescribed by the Companies Act, the Statute of Intereuropa d.d., and by the Rules of Procedure for the Supervisory Board. The commitments of the Supervisory Board to the Company's corporate governance are defined in the Corporate Governance Policy of Intereuropa d.d. and also include a system for detecting conflict of interest and providing for independence to its members. In February 2012 all members of the Supervisory Board signed a statement underlining their position on the independence criteria under section C.3 of Annex C to the Corporate Governance Code of Public Limited Companies. They also gave a statement on their qualifications for the office of a Supervisory Board member. It is published on the website of www.intereuropa.si, page About Us, section Managing Board.

An ordinary session of the Supervisory Board must be held each quarter. An annual plan is prepared for each year, listing the topics and dates for meetings. The Supervisory Board reports on its work to shareholders in the General Meeting.

The remuneration of the Supervisory Board in 2012 is specified in the Financial Report of the Parent Company Intereuropa d.d. According to the Statute, the members of the Supervisory Board do not participate in the profit.

1.7.3 Managing Board

The Managing Board of the Parent Company Intereuropa d.d.

Intereuropa d.d. is led by a two-member Managing Board consisting of the President Ernest Gortan, M.Sc, and Deputy President Tatjana Vošinek Pucer. The term of office of the Managing Board is five years.

Ernest Gortan, M.Sc., President
- born in 1968;
- University graduate in Electrical Engineering and Master of Science in Management (Bled School of Management);
- executive and senior positions in marketing and logistics in the companies Luka Koper d.d. (the Port of Koper corporation), and Secom, d.o.o.; Management Board president of the company BTC Terminal Sežana, d.d.;
- term of office from 10 June 2009 to 10 June 2014;
- accountable for the Forwarding and Logistics areas in the Parent Company and subsidiaries; for the Departments of Quality Management, Legal Department, Human Resources and General Issues, and for Internal Audit and Public Relations Office.

Tatjana Vošinek Pucer, Deputy President

- born in 1964;
- University graduate in Economics (from the Faculty of Economics, Ljubljana);
- executive and senior positions in the sales and investment management in the companies Iplas, n.sol.o., R&P Express d.o.o., and Vipta d.o.o.; and crisis manager in Preskrba, d.d., Sežana, and Emona Obala, d.d., Koper;
- term of office from 24 May 2010 to 24 May 2014;
- accountable for the areas of Finance, Investment, Real estate, and Information support.

Ernest Gortan, M.Sc., President of the Managing Board and Tatjana Vošinek Pucer, Deputy President of the Managing Board.

Activities of the Managing Board in 2012

The Managing Board managed the Company Intereuropa d.d. and the Intereuropa Group in accordance with the strategic goals and guidelines set. They focused their efforts on completing the financial restructuring and concurrently paid particular attention to process reorganization, streamlining the organizational structure of the Group to market situation and restructuring the range of services.

The Managing Board focused on completing the financial restructuring and concurrently to process reorganization, streamlining the organizational structure of the Group to market situation and restructuring the range of services.

While implementing their tasks and responsibilities, the Managing Board observed the corporate governance principles and relied on the Corporate Governance Policy of Intereuropa d.d., complying with the provisions of the Corporate Governance Code of Public Limited Companies.

Terms of Operation of the Managing Board, and remuneration

The office of Managing Board and scope of responsibilities are defined in the Corporate Governance Policy, the mode of operation is presented in detail in the Rules of Procedure for the Managing Board and in the Statute of the Company. According to the Statute, the Managing Board comprises maximum four members; the concrete number of members is set by the Supervisory Board in accordance with the principles of efficiency and economy. The Supervisory Board set the number of the Managing Board members at two; the latter is autonomous in the management, assuming full responsibility for running the Company.

The remuneration received by the Managing Board members consists of a fixed and a variable part, corresponding to the terms of reference assigned to each member and to the financial standing of the Company. The variable part is linked to the performance of the Company, determined as meeting or exceeding the targets set in the annual business plan. The Managing Board is also entitled to participate in the Company's profit, at the discretion of the Supervisory Board. The income received by the Managing Board is presented in the Financial Report of Intereuropa d.d.

1.7.4 Corporate Governance in the Group

The Intereuropa Group consists of the Parent Company Intereuropa d.d. and its subsidiaries, centrally managed by the Managing Board of Intereuropa d.d. The relations between the parent and its subsidiaries, and among the subsidiaries are laid down in the Corporate Governance Policy of Intereuropa d.d. An efficient system of corporate governance and management of related companies is an important factor for successfully meeting the business goals and achieving transparency of operation of Group members.

Governance principles for subsidiaries

The Parent Company governs the subsidiaries as a multinational group, striving for global efficiency while responding to the needs of local markets. Management of subsidiaries places cooperation, transfer of know-how and good practices among the branches/units and companies to the forefront.

The Managing Board of Intereuropa d.d. actively guides the management of subsidiaries towards harmonisation in the following areas of governance:

- formulation of the corporate vision, mission statement and development strategies;
- internal organization of business areas and segments;
- coordinated action on the sales and purchasing markets;
- business planning, investments and financing;
- uniform accounting guidelines and policies;
- supervision of operations (controlling, auditing) and quality;
- staffing and payroll policies, knowledge development and transfer;
- strategic marketing and public communications;
- harmonised development of information technologies;
- other areas of management or leadership, specified in development programs of the Group.

Operations of members of the Intereuropa Group are compliant with local legislation, the resolutions adopted by the governance bodies of the Parent Company and subsidiaries, contracts on business cooperation entered into between the Parent and individual subsidiaries, and the applicable internal rules of procedure and other regulations as adopted by the Managing Board of the Parent.

Proactive monitoring and supervision of operations

The involvement of Managing Board members and senior 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 supervision over operations of subsidiaries and an improved flow or information.

Active guidance for the management of subsidiaries contributes to the coordination of development, marketing and provision of service products in a way achieving efficiency of the Group as a whole.

The operations and achievement of planned objectives on the part of subsidiaries are currently monitored through monthly reporting and quarterly business projections that allow for faster responding to any fluctuations in demand with proactive measures. There was on-going communication between the Managing Board of the Parent Company and the management teams of subsidiaries, either by electronic means or in person. The executives and senior managers of all group members met in the autumn at the Intereuropa annual conference to review the current operations of the Group and the plan baselines for the year 2013.

1.7.5 Code of Ethics

The staff employed in the companies of the Intereuropa Group are required to make decisions that have a bearing on the operations and reputation of the Company. In the course of their work, circumstances may occur, giving rise to doubts and uncertainty regarding the right decision to be made. The Managing Board of Intereuropa d.d. adopted in 2012 the Code of Ethics of the Intereuropa Group, which prescribes ethical rules for employees to guide them in certain situations.

The Managing Board adopted in the year 2012 the Code of Ethics of the Intereuropa Group, which prescribes ethical rules for employees to guide them in certain situations.

All employees of the companies in the Intereuropa Group have to abide by the rules of the Code of Ethics. If any conduct or omission that breaches the provisions of this Code is perceived, it has to be reported to the Ethical Board. After adoption of the Code of Ethics, there was no report addressed to the Ethical Board in the reporting year and no meeting was held since adopted.

1.7.6 Auditing

External audit

The General Meeting of Intereuropa d.d. appointed the audit firm Ernst & Young Revizija, poslovno svetovanje, d.o.o., Ljubljana, to audit the financial statements of the Company Intereuropa d.d. and of the Intereuropa Group for the reporting year.

The transactions of Intereuropa d.d. and its subsidiaries with audit firms are presented in the Financial Report of the Company, under the Notes to Financial Statements of the Company and Group.

Internal Audit

The core assignment of the Internal Audit Department is adding value to the Intereuropa Group by contributing to performance and efficiency of corporate governance of group members, to risk management and control procedures.

In 2012, the Internal Audit Department carried out eleven ordinary internal audit assignments and one extraordinary audit assignment in the Parent Company and in five subsidiaries in the Group.

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, laws and regulations, as well as the Rules of Procedure for the Internal Audit Department.

Annual action plans and periodical reports on the work of the Internal Audit Department are dealt with and adopted by the Managing Board of Intereuropa d.d. and the Audit Committee of the Supervisory Board of Intereuropa d.d. At the beginning of 2012 the Managing Board adopted the action plan of the Internal Audit Department for the reporting year and also informed the Audit Committee of the Supervisory Board on the substance thereof. The periodical reports of the Internal Audit Department were submitted to the Managing Board and the Supervisory Board Audit Committee, who dealt with these operational reports.

Twelve internal audit tasks were scheduled in the action plan for 2012, thereof eleven ordinary internal audit assignments and one extraordinary assignment were carried out. Internal audits were conducted in the Parent Company and in five subsidiaries of the Intereuropa Group. The assignments involved auditing the operations of internal controls for business and supporting processes, and auditing the process management. The reports specified assurances on operation and efficiency of the existing internal process controls and recommendations for their improvement.

Internal Audit currently monitors the implementation of recommendations issued, finding that the recommendations were addressed to and successfully accomplished by the end of the reporting year. Implementation of recommendations issued under the respective audits will continue to be monitored in the year 2013.

The Internal Audit Department also provided consultancy services in the reporting year. Beside its work, it dedicated some time to dissemination of expert knowledge to employees and to improve the quality of auditing through upgrading the internal audit methodology in line with the International Standards for the Professional Practice of Internal Auditing.

1.7.7 Description of main features of internal controls and risk management in the Company in respect of financial reporting

Intereuropa d.d. and the Intereuropa Group compile the financial Statements in accordance with the International Financial Reporting Standards which lay down the requirements for recognition, measurement, presentation and disclosure of transactions in financial statements.

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

Accounting controls are used to manage the risks involved in:

- authenticity of financial statements – vital are bookkeeping documents as a record of existence of transactions or events in which the content and value of such transactions are clearly presented;
- completeness of financial data – relying on precisely determined recording and posting procedures, as required by Intereuropa corporate regulations, and exercising control of the function/application of such procedures;
- accuracy of financial data – checking data in the IT system against those in the underlying bookkeeping document;
- delineation of responsibilities in business processes and authorisations for work in the information system – exactly and strictly determined assignments and responsibilities in relation to a business transaction/event are of vital importance;
- professional work – providing for regular professional training of staff, who contribute correct, timely and relevant financial information in their work and affect the quality and speed of the reporting process.

Underlying for quality financial information is the central IT system (SAP) which daily captures data from logistics and operational information sub-systems of Intereuropa, e-document management system for collection of incoming invoices and the subsystems for working time recording.

The embedded controls prevent entries and posting of incorrect business events/transactions from information sub-systems. SAP rejects incorrect data with an error comment, forwarding an alert thereof to the sub-system which then eliminates or corrects such error. The authorization system ensures that the users perform only those business processes for which they are authorized. The embedded control system enables a real-time activity analysis in the system.

1.7.8 Information on direct and indirect holdings of shares with regard to achieving a qualifying shareholding, special rights of control and restricted voting rights

Major direct and indirect holdings of the Company's securities (shares) with regard to achieving a qualifying holding

The major holdings of shares with regard to achieving a qualifying holding under the Takovers Act /ZPre/ are currently published in the SEOnet system of the Ljubljana Stock Exchange and forwarded to the Securities Market Agency.

Direct holders of significant shareholdings in the Issuer, pursuant to Article 105 of the Financial Instruments Market Act /ZTFI/ as of 31 December 2012 were:

Gorenjska banka d.d., Kranj	18.2% of voting shares (3,068,990 IEKG shares)
Raiffeisen banka d.d.	16.9% of voting shares (2,850,752 IEKG shares)
SKB d.d.	13.4% of voting shares (2,254,980 IEKG shares)
Luka Koper d.d. (Port of Koper Corp.)	11.6% of voting shares (1,960,513 IEKG shares)

Note on each shareholder entitled to special rights of control

Individual shareholders holding ordinary shares do not have special rights of control on the basis of their holding of shares of the Company. There is no restriction of voting rights.

Notes on all voting rights restrictions and treasury shares

The Company's share capital is divided into 27,488,803 shares, thereof 16,830,838 ordinary and 10,657,965 preference freely transferable no-par value shares.

The shareholders of Intereuropa d.d. holding ordinary shares are not subject to any restriction of voting rights. The Company has no voting rights arising from its treasury shares, in accordance with Article 249 of Companies Act /ZGD-1/. As of 31 December 2012, Intereuropa was holding 18,135 treasury shares (bearing the ticker symbol IEKG) in total value of € 180,000 thousand, representing 0.1077 percent of all ordinary shares, or 0.0660 percent of all shares respectively. The number of shares with voting rights is 16,812,703 or 61.1620 percent of the total. Intereuropa d.d. neither bought nor sold any treasury shares in the year 2012.

Shareholders of Intereuropa d.d. holding ordinary shares can freely exercise their voting rights.

1.7.9 Statement on compliance with the Corporate Governance Code for Public Limited Companies

The Managing Board and the Supervisory Board of Intereuropa, Global Logistics Service, Ltd. Co., Koper, hereby state that the Company complies in its operations with the recommendations of the Corporate Governance Code of Public Limited Companies, with some variations disclosed and explained below.

Section: Supervisory Board

Recommendation 8.4:
The Company did not use any dedicated information technology for distribution of materials to members of the Supervisory Board and for convening the meetings in the past. The materials were delivered to Supervisory Board members in paper form. At present a new IT solution to support the operation of the Supervisory Board has been developed.

Recommendation 13.1:
The Supervisory Board set up a four-member Audit Committee consisting of three Supervisory Board members and one external member. The Appointment and Staff Committees are not appointed yet. If an Appointment Committee and/or a Staff Committee is required, the Supervisory Board will act in accordance with said Recommendation.

Section: Transparency of operations

Recommendation 20.3:
The Company does not see any need for an internal regulation that would additionally restrict trade in shares of the Company and the shares of its subsidiaries or related parties. The provisions of the Financial Instruments Market Act (ZTFI) are assessed as sufficiently precise and binding, so no duplication of such provisions by another regulation is necessary.

Certain recommendations from the Corporate Governance Code of Public Limited Companies are not relevant for Intereuropa, so they are not specifically mentioned. Recommendations put forward for specific cases will be complied with by the Company or its bodies if such a case should arise.

The Statement applies to the term from the publication of the preceding Statement, i.e. 19 April 2012, until the publication date of the present statement.

On 8 December 2009 the Ljubljana Stock Exchange, the Slovenian Directors' Association and the Managers' Association adopted the revised Corporate Governance Code for Public Limited Companies, effective with 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 the Company's corporate governance with the Corporate Governance Code of Public Limited Companies is an integral part of the Annual Report 2012 and published on the website of Intereuropa d.d. at www.intereuropa.si.

Intereuropa d.d., Koper

Ernest Gortan, M.Sc.,
President of the Managing Board

Bruno Korelič,
Chairman of the Supervisory Board

BUSINESS REPORT

2 BUSINESS REPORT

2.1 Development Strategy of the Intereuropa Group 2010 – 2014

The long-term corporate development of the Intereuropa Group is outlined by the corporate mission, vision and values. We focus on development and specialization in logistic products, and strengthen our own corporate network on current markets. Process optimization helps us achieving synergy effects of coordinated action. We implement comprehensive logistics projects tailored to the demand of our customers. With our financial performance improved, we are laying new foundations for further development of the Group.

Development strategy for our core business incorporates development and specialization of logistic products, process optimization and comprehensive logistics projects tailored to the needs of our customers.

2.1.1 Mission, Vision, Values

Mission

The mission of the Intereuropa Group is to meet the needs for logistics services and offer optimal operation of supply chains to achieve complete customer satisfaction while generating value for shareholders, employees and other stakeholders in a socially responsible manner.

Corporate vision

Become a top-notch provider of integral logistics solutions.

Values

A professional approach to customers. Our activities seek to offer the best solutions to the logistical needs of any customer on the basis of our advanced logistics know-how.

Adaptability and flexibility. Our services are fast and tailored to our customers' needs. They are based on inventive, adaptable business solutions and good organization.

Responsibility. We are distinguished by a high level of responsibility for the obligations we undertake, our agreements as well as the social and natural environments.

Teamwork and appreciation of employees. The quality of our services is the result of the work of individuals and expert teams. We appreciate knowledge, experience and different views of our colleagues.

2.1.2 Strategic Goals and Guidelines

The situation in the internal and external business environment of the Group and the prospects for global markets were underlying for strategic planning and guidelines for 2010 – 2014.

The strategic goals for the five-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 process optimisation in all business segments at the Group level and within subsidiaries;
- providing for financial stability through disinvestment, de-leverage, debt rescheduling 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 our core business.

The Group will accomplish the corporate vision of becoming a top-notch provider of integral logistic services by:

- strengthening our position on the markets where a branch network has already been set up;
- development and specialisation of logistic products;
- focusing on the sales and closer cooperation with customers by entering into partnerships;
- an orientation into sale of comprehensive logistic services;
- on-going 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 goals.

Focus on the markets in which we have the highest market shares (countries of the former Yugoslavia). Other markets will be subject to an assessment regarding the type of presence and their potential for growth. Where the foreseen growth levels or strategic goals are not achieved, the Company may consider to withdraw by disinvesting the subsidiary or branch.

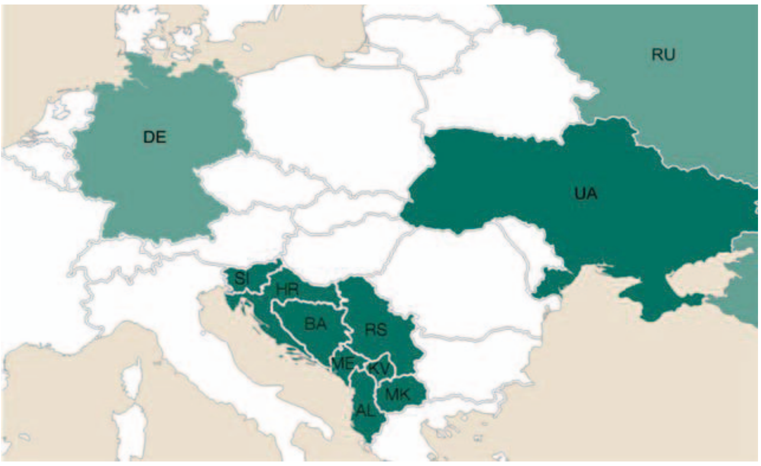
Retaining focus on the development of the three core business areas (Land Transport, Intercontinental Transport, and Logistics Solutions), with the pertaining products. In the products of Land and Intercontinental Transport, synergy will be sought for solutions in the sale of logistic services like warehousing 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 in the management of goods flows and organisation of supply chains. We will set up a systematic organisation, customized to enhance marketing and sales activities. In-house training will raise the reliability of services throughout the chain, while the new IT platform, currently in implementation, will provide timely and quality information.

Marketing activities will be aimed primarily at establishing partnerships and promoting long-term relations with customers who are focused on their core business and willing to outsource logistics to specialised service providers. Besides, such customers operate on similar markets as the Intereuropa Group. Also small-scale customers fit into such corporate strategy, in particular in the land transport business to fill up the available capacities.

Intereuropa d.d. will manage the subsidiaries in the Group as a multinational group, aiming at global efficiency while at the same time responding to the needs of local markets as much as possible. We will use the advantages and synergies arising from the network of our subsidiaries and that of our partners.

Picture 1: Intereuropa Group subsidiary network – subsidiaries in Slovenia, Croatia, Bosnia & Herzegovina, Serbia, Montenegro, Kosovo, Macedonia, Albania and the Ukraine.



* The subsidiary Intereuropa Transport & Spedition, GmbH, Troisdorf (Germany) was in liquidation proceedings from 1 to 30 September 2012.

** Subsidiary Intereuropa-East Ltd, Moscow (Russian Fed.) was sold on 15 November 2012.

2.1.3 Implementation of strategic development goals and plans for 2012

Achieving strategic development goals

In the third year of implementation the Group achieved important strategic goals that were laid down in the Strategic business plan of the Intereuropa Group 2010 – 2014.

Goal 1: Consolidating and strengthening the position of a leading market provider of comprehensive logistic services in Slovenia and countries of the former Yugoslavia.

We have retained the position of the leading service provider of comprehensive logistic solutions in Slovenia and countries of the former Yugoslavia: taking into account the revenues of the year ago, the available data on turnover reveals that we are the market leader in comprehensive logistic solutions in Slovenia, Croatia, Bosnia and Herzegovina, Montenegro and Kosovo. We achieve high market shares also in Serbia and Macedonia.

We continue to focus on the areas with highest market shares, such as those of the former Yugoslavia.

Goal 2: Ongoing process optimization in all business areas of the Group and within the consolidated companies.

Business processes were further optimised during the reporting year, too. Excluding the impact of the disposal of our logistics centre in Russia, our profitability (EBIT margin) increased to 6.6 percent and was higher than the levels achieved by comparable international competitors (source: public data). An important step towards higher efficiency was the renewal of our approach to business in Land Transport where we essentially reduced the share of hauls with company-owned fleet due to the liquidation proceedings on the subsidiary Intereuropa Transport, d.o.o., Koper. A major project completed in the reporting year was the implementation of new IT solution to support the operations in land transport products. The benefit of that solution was a lower number of vehicles employed and fewer throughput points in the operational network, along with better efficiency of the Express product. Also online connection established with several customers brought favourable effects. We continued with information support renewal in other two core business areas aiming at optimal utilisation of synergies resulting from interweaving logistical processes. A step forward in supporting process optimisation was made by digitalisation of incoming invoices in electronic documentary system. For the coming year we plan to introduce electronic data capture of incoming invoices on operational level.

We further enhanced the optimisation of business process and improved income profitability (EBIT margin) to 6.6 percent, under exclusion of the impact of disposal of our logistics centre in Russia.

Goal 3: Providing for financial stability through disinvestment, de-leverage, debt rescheduling and efficient management of working capital.

Notable progress was achieved in the scope of achieving financial stability of the Group: that issue demanded much of our time and energy in the reporting year too. At the year-end we closed the lengthy negotiations with creditor banks and concluded the process of financial restructuring of the Parent Company and entire Group. Successful completion of that project was an important step towards further development of the Group, given that financial stability and liquidity of logistics providers are of key importance for the efficiency of supply chain. That principle applies to both ends – in relation to customers and suppliers, primarily the suppliers of transport services. With these achievements we have laid sound foundations for further development of the Group.

Goal 4: Setting up strategic partnership in the company Intereuropa-East, Ltd., Moscow.

The disposal of logistics centre in Russia was the essential part in financial restructuring. Our efforts of several years were rewarded by closing the deal and selling procedures, and this strategic goal from our Strategic Plan was achieved.

At the year-end we closed the lengthy negotiations with creditor banks and concluded the process of financial restructuring of the Parent Company and entire Group.

Goal 5: 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 our core business.

The completed financial restructuring and the new ownership structure have set up the prerequisites for our last strategic goal: finding a strategic partner. We can expect the activities will be started from the part of banks in the coming period.

Implementation of the business

Under the strategic development plan, the following major goals were set for the year 2012 which were implemented to the extent:

Goal 1: Matching corporate structure of subsidiaries and of the Group to current volume of operations.

We continued with streamlining of corporate structure of group members to strategic goals and volume of operations. The major impact on the Group's corporate structure was achieved by disposing the subsidiary Intereuropa-East Ltd., Moscow, and by instituting the liquidation proceedings on the subsidiary Intereuropa Transport d.o.o., Koper. Decrease in the volume of business with our major customer Top Shop demanded some measures to streamline the corporate structure in Slovenia. In Croatia, the accession of Croatia to the NCTS-system brought about a decline in the demand for customs broking services. Our decision to use more flexible forms of providing for labour, such as engaging employment agencies and students' job centres, proved to be helpful and contributed essentially to match the organizational structure to volume of operations.

Goal 2: Focus on the markets with a high market share.

In line with this goal we are focused on the markets of Slovenia and of countries emerging from the former Yugoslavia, in which we have significant competitive advantages from the common corporate history: leading market position and good prospects for further development of the Group. Having sold the subsidiary in Russia in the last quarter of the year 2012 and completed the voluntary liquidation of the subsidiary in Germany, we can dedicate more energy to develop our key markets.

Goal 3: Using synergies of the corporate 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 companies of the Group. We acquired several major businesses comprising services of two or more business areas in one or in several countries. In addition, we used synergies in knowledge transfer among companies of our Group and harmonised our operational standards.

Goal 4: Restructuring our range of services.

The activities to achieve the strategic goals in the area of logistics solutions included improving the share of customers who are offered a wider range of services with higher value added in addition to warehousing. In the road transport segment we greatly reduced the transport services by our own trucks and started developing the approach to business based on outsourcing, by establishing long-term relationships with contracted carriers operating under the Intereuropa trademark: that resulted in improved quality of service and customer satisfaction. After revising our pricing policy, we kept on improving the structure of shipments carried in Express Transport towards increasing the share of heavier shipments. In the area of Intercontinental Transport, we got included in the business of used car transports, aiming to mitigate the declining volume of new car transport.

We have improved the financial profile of the Group and laid sound foundations for further growth.

Goal 5: Providing for adequate financial stability for unhindered operations of the Group.

Throughout the year 2012 we managed to keep liquidity and financial stability of the Parent Company, by extending grace periods for repayment of principal amounts under loans, at the level enabling normal operations. After a long search for potential buyers for our subsidiary in Russia, we closed the year 2012 with a successful sale.

On account of disposal of logistics centre in Russia and following the conversion of a portion of debt into equity by creditor banks, the debt of Intereuropa was reduced to € 64.6 million. After successfully arranging for debt rescheduling, the remaining liabilities to banks were restructured for a term of seven years. We will be able to settle our future liabilities to banks mainly from sufficiently high cash flow from operating activities, and only to a minor extent by disposal of property.

Goal 6: Achieving financial goals.

Index/Ratio	Target value*	Achieved value
Sales revenues (€ million)	191.8	188.4
EBITDA (€ million)	22.0	12.7
Operating profit or Loss (€ million)	11.8	-7.2
Investments (€ million)	2.5	2.0
No. of employees at the year-end	1,894.0	1,702.0

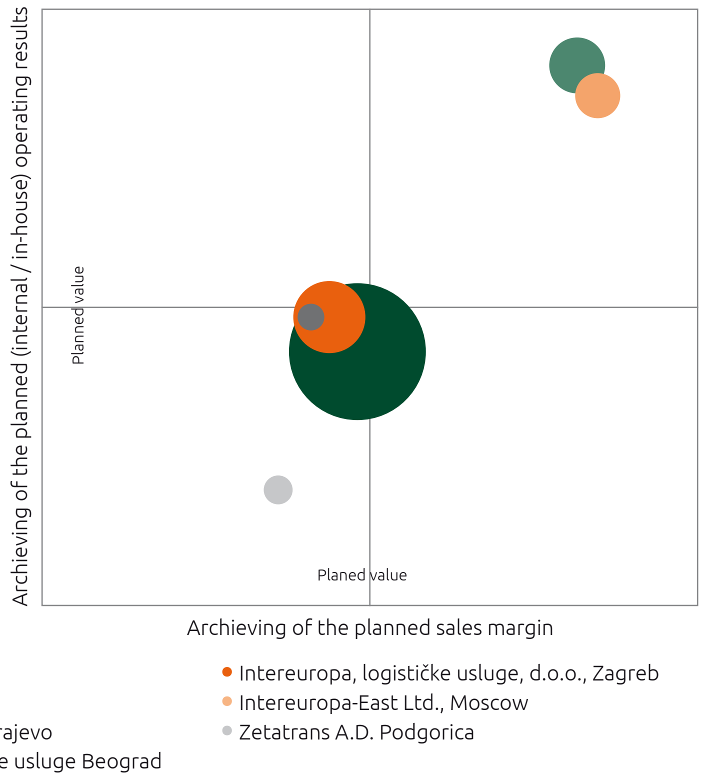
* The EBITDA ratio and the Operating Profit/Loss are prepared in accordance with required change in presentation of the Income Statement items; details are presented in the Financial part of the Annual Report.

Non-achievement of the planned EBITDA and Operating profit/loss was strongly affected by the disposal of Russian subsidiary in November 2012 and the resulting expenses therefrom. If these expenses were excluded, the results would be as follows:

- EBITDA (€ million): 22.5;
- Operating Profit or Loss (€ million): 12.4.

The performance of individual subsidiaries in achieving the target results varied. The graph shows the level of achievement of target sales margin and the (internally determined) operating result.

Chart 3: Achievement of financial operating goals by major companies of the Group in 2012



Note: the size of circles corresponds to the size of assets owned by the Company.

2.1.4 Goals and Plans for 2013

Baselines of the business plan

The business plan for 2013 is designed on the starting position of the Intereuropa Group at the end of 2012:

- before the financial restructuring was implemented, the Group was unable to generate sufficient cash flows to service the interest expenses and repayment of principal amounts borrowed;
- the central bearer of the bulk of debt was the parent company Intereuropa d.d., Koper, servicing any unpaid liabilities on the part of subsidiaries directly or indirectly;
- the Parent Company Intereuropa d.d. achieved significant improvement in the operating result, which is attributable to corporate restructuring, enhanced efficiency and operational reorganization in the road transport segment;
- in the last quarter 2012 Intereuropa more acutely felt the impact of reduced business volume with our key customer Top Shop due to relocation of logistics outside Slovenia;
- activities for the disposal of logistics centre Chekhov (Russia) were closed mid November 2012;
- in December 2012 we concluded the process of financial restructuring of Intereuropa d.d., Koper in which the indebtedness was reduced, and increased the share capital of the Company increased.

The underlying focus remains on generating sufficient cash flow for unhindered operation of the Parent Company in the first place, and of the Group.

The planning was made on the present-day size of the corporation, in which the company Intereuropa-East Ltd., Moscow is no longer part of the Group, and considering also the following essential socio-economic factors:
- accession of Croatia to the EU with 1 July 2013;
- stagnation, or minimal economic growth only, is expected in most of countries of the Group;
- poor liquidity and downward price pressures continue on the market.

Business and financial goals

Accordingly, we set the following business and financial goals of the Intereuropa Group for 2013:
- continued optimisation of business processes;
- continued focus on markets with a high market share;
- using synergies of the corporate network;
- continued restructuring of our current range of services;
- increasing the share of customers who use comprehensive logistic services;
- directing marketing activities towards partnership development, i.e. customer relations management in the long run;
- outsourcing the transport services continues to be our strategy;
- aligning our operations to the EU-accession of Croatia;
- upgrading and modernization of information systems;
- efficient management with working capital, ensuring adequate liquidity for effective operation of the Group.

We will maintain the leading market position on our key markets and continue with business process streamlining in 2013, adapting the operations of Intereuropa to the EU-accession of Croatia will be of major importance.

Core financial goals:
- Sales: € 156.0 million;
- EBITDA: € 15.9 million*;
- Operating Profit / Loss: € 8.3 million*;
- Investments: € 3.8 million;
- Number of employees at the year-end: 1,485.

* Owing to reclassification of financial items in the Consolidated Income Statement of the Intereuropa Group, the amount now differs from the amount quoted in the Intereuropa Group Plan for the year 2013, which was published on the Seonet website on 14 December 2012. The reclassification of financial items is also explained under Introductory Notes to Compilation of Financial Statements in the Financial Report of the Intereuropa Group for the financial year 2012.

2.2 Economic situation in 2012 and impact on performance of Intereuropa Group

The role of logistics in the frame of globalisation has been increasing over the last few decades and become interdependent with global operations: the stronger or shrunken goods flows were reflecting the needs of manufacturers and their concern in managing their purchase and sales channels as effectively as possible.

A return of recession in 2012 slashed the goods flows on the European market of logistics solutions. Logistics as a business function is a powerful took for strengthening competitive advantages of enterprises in a downward economic situation, and helps streamlining business processes at numerous intersections. In the last few years, the development of logistics has relied not only on streamlining and cost efficiency, but rather on the increasing role of modern information technologies and specialised logistic solutions for individual branches of industry.

According to the estimates by the International Monetary Fund, the world economic output in 2012 grew by 3.2 percent. Developed countries achieved a growth of 1.3 percent, while the remaining economies were able to record a faster growth, at 5.1 percent on average.

For providers of logistic services on European markets, the return of recession in 2012 reduced the goods flows.

In the Euro Zone, on the other hand, the economic situation aggravated throughout the year. Recession spread from the peripheral Member States to the core European Union. France was stricken by recession, Germany faced a return of declining economic growth primarily due to slow-down in China and shrunken economic growth in the South of Europe. The year closed with a modest domestic demand in the Euro Zone. The situation on financial markets levelled off, but that has not brought to a higher volume of lending to corporate customers yet. Despite major fluctuations during the year oil prices were rising and exceeded those of the preceding year by 8.7 percent, closing at € 86.5 per barrel.

Similarly as in the wider region, the spring 2012 brought signs of abating also to Slovenia, after two years of weak economic recovery. The decline was lower than in 2009, however, it was expected to last considerably longer. On domestic markets the expected revenues of enterprises were declining over the whole year 2012, while the external markets were losing the current positive trends. The pressures to reduce the export sales prices intensified, but the corporate sphere expected the prices of primary materials to keep on rising. Also the pressures on costs were increasing, in particular those related to the costs of labour, energy and services, which all affected the added value that was generated. Facing the global trends and stronger demand for imports on the part of EU Member States and neighbouring countries, it is presently estimated that the economic activity might be fuelled by exports much less than it was during the recovery after the year 2009.

Low or even negative economic growth, weak government revenues and persistent borrowing were in the recent years characteristic also for other countries of Western Balkans that were overcome by the recession again. The impacts of global financial crisis unveiled the vulnerability of small economies, and the recovery was still slowed-down by a critically low industrial output in the region.

Table 5: Economic trends in geographic markets of the Intereuropa Group in 2012

in %

	GDP growth (estimates)	Inflation	Export of goods growth	Import of goods growth
EU 27	**-0.20**	**2.20**	**2,5***	**-0,4***
CEE	**1.80**	**4.80**	**2.30**	**3.90**
Slovenia	-2.00	3.30	-0.30	-5.10
Croatia	-1.10	3.70	1.00	-4.80
BiH	0.00	2.20	1.10	-3.60
Serbia	-0.50	8.60	-2.70	-1.70
Kosovo	3.80	1.00	-0.30	-4.60
Montenegro	0.20	3.80	-2.90	-0.20
Macedonia	1.00	2.00	5.00	4.80
Albania	0.50	3.00	1.80	-4.60
Russia	3.70	6.70	2.80	8.60
Ukraine	3.00	6.00	5.70	6.90

* Data for the Euro Zone.

Economic risks for the year 2013 are expected to escalate in particular as a result of adverse effects of austerity measures to be introduced in most of the developed countries. Fiscal measures were so far introduced only in peripheral EU Member States and in Great Britain; they are now expected to strike the core Euro Zone, too.

Despite slightly higher growth forecast for the global economy, the risks involved are likely to escalate in the year 2013.

The International Monetary Fund forecasts a slightly higher growth of the global economy (3.5 percent) for 2013, provided that the measures adopted in the Euro Zone get implemented and enable economic recovery to continue.

Table 6: Expected GDP growth 2013 – 2014 on geographical markets of the Group

in %

GDP growth forecast	2013	2014
EU 27	**0.20**	**1.40**
CEE	**2.40**	**3.10**
Slovenia	-1.40	0.90
Croatia	1.00	1.50
BiH	1.00	2.50
Serbia	2.00	2.50
Kosovo	4.10	3.20
Montenegro	1.50	2.00
Macedonia	1.00	3.50
Albaia	1.70	2.50
Ukraine	3.50	3.50

Sources: The Institute of the Republic of Slovenia for Macroeconomic Analyses and Development (UMAR), the Economic Mirror – January 2013, February 2013.
The Institute of the Republic of Slovenia for Macroeconomic Analyses and Development (UMAR), the Autumn Forecast of Economic Trends for 2012, September 2012.
International Monetary Fund, World Economic Outlook, »Coping with High Debt and Sluggish Growth«, October 2012.
International Monetary Fund, World Economic Outlook Update, »Gradual upturn in Global Growth During 2013«, January, 2013.
SKEP, Estimates and forecasts of macroeconomic indices/ratios for Slovenia, 2012 – 2013 - SKEP GZS, October 2012.

2.3 Marketing and sales

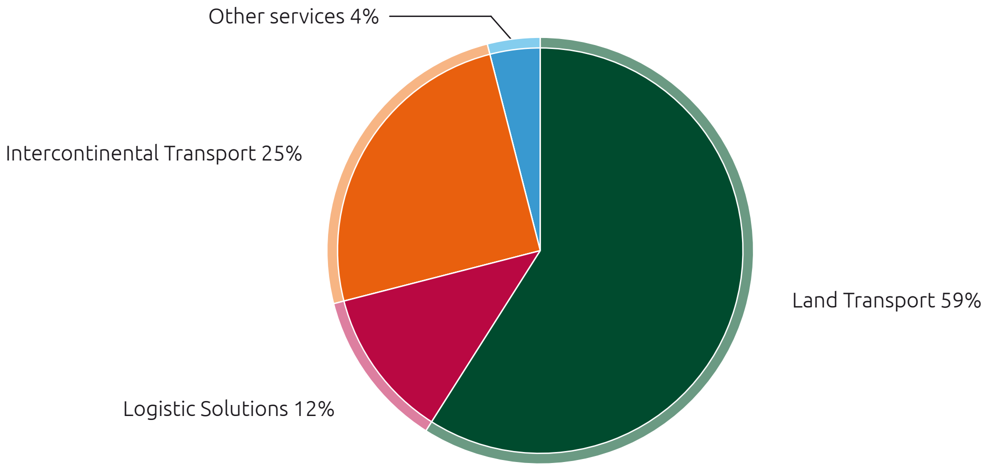
Total sales of the Group in 2012

The movements of goods flows reflected adverse economic conditions on the markets of the Group also in 2012. We endeavoured to mitigate the downward pressures on production costs on the one hand – and the growth of primary materials and oil on the other hand – by streamlining the business processes, which reflected on the sales results of logistic services.

In the year 2012 we achieved € 188.4 million of sales revenue on the Group level.

In the reporting year the Intereuropa Group generated sales revenues of € 188.4 million, and remained two percent behind the planned sales turnover. The sales results were planned and tracked by industry segments belonging to the following business areas: Land Transport, Intercontinental Transport, and Logistics Solutions.

Chart 4: Sales revenue structure by business areas in 2012



The business area Land Transport exceeded the planned sales result (by 4 percent), of which the products Road Transport, Customs Services, and Railway Transport achieved the best results. The overachievement of the plan in the Customs Service segment was largely attributable to deferral of the estimated decline in the sale of services due to accession of Croatia to the NCTS-system. In the area of Intercontinental Transport, variances from the plan were shown primarily in the sea-freight segment. Due to declining freight rates and falling demand for container services to hinterland markets, this segment recorded a fall in the sale of services; better sales were achieved in conventional cargo. The turnover of such cargo via the Koper Port was increased by 27 percent and reached 3.3 million tons, which represented 19 percent in the entire Port's turnover in the reporting year. The achieved level of sales in the services of Intercontinental Transport was in part connected with the disposal of logistics centre Chekhov in Russia (mid November 2012), where car logistics represented a significant share in the total sales structure of that business area. The business area of Logistics Solutions did not achieve the target sales turnover due to lower volume of warehousing services for a major customer, company Top Shop.

Table 7: Sales revenue of the Intereuropa Group in 2012 by business area

in € thousand

	Business area	Jan - Dec 2012	Structure	Index 2012/plan	Index 2012/2011
1	Land Transport	111,493	59%	104	86
2	Logistics Solutions	22,569	12%	80	86
3	Intercontinental Transport	47,688	25%	98	94
4	Other services	6,658	4%	95	132
	Total Sales Revenue	**188,409**	**100%**	**98**	**89**

The sales result achieved was 11 percent lower than in the comparable year 2011. The worst fall in the sales compared with 2011 was recorded in the Land Transport area; after an in-depth analysis we decided for certain optimisation activities that resulted in lower sales revenues in the short run, but lead to improvement of profitability of operations on the other hand. These activities comprise the initiation of voluntary liquidation on the subsidiary Intereuropa Transport d.o.o., Koper, closing down of the subsidiary in Germany and disposal of the subsidiary in France.

The streamlining activities had a direct short-term impact on lower sales revenue in particular in Land Transport area; on the other hand they brought about an improvement in profitability of operations.

In the sales revenue structure and according to the countries of establishment of our Group members we generated the highest sales revenue in Slovenia and Croatia (standing for 72 percent of the sales on the Group level), despite less favourable economic position. Along with the growth of the Russian automotive market, we recorded a rise in the sales in Russia, but also some growth in Serbia, Kosovo, Macedonia, and Albania.

Table 8: Sales revenue of the Intereuropa Group in 2012 by country*

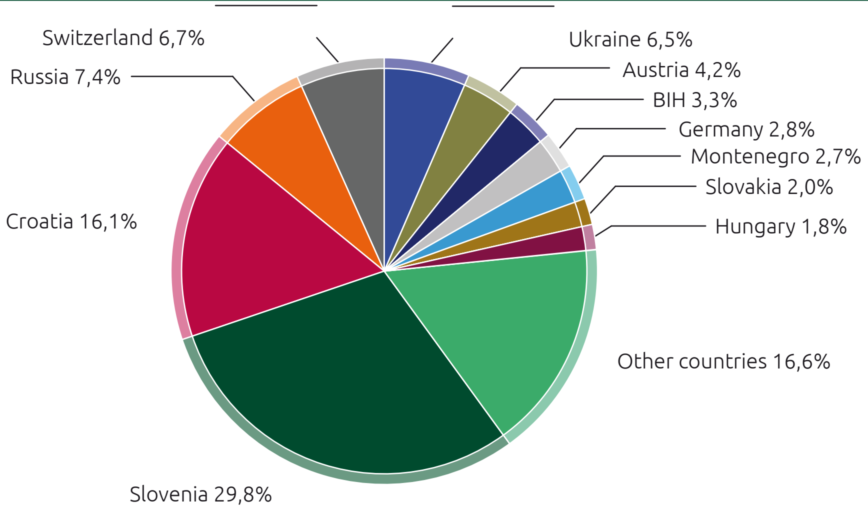
in € thousand

		Jan - Dec 2012	Structure	Index 2012/plan	Index 2012/2011
1	Slovenia	105,513	56%	97	87
2	Croatia	30,897	16%	95	95
3	Russia	13,513	7%	99	118
4	Bosnia & Herzegovina	5,990	3%	94	88
5	Montenegro	5,434	3%	91	97
6	Serbia	3,539	2%	100	102
7	Kosovo	1,750	1%	106	106
8	Macedonia	1,585	1%	105	113
9	Albania	594	0%	134	115
10	Ukraine	19,593	10%	114	82
	EU countries	106,107	56%	97	87
	Total	82,302	44%	100	92
	Non-EU countries	**188,409**	**100%**	**98**	**89**

* Sales Revenue is presented by the country of establishment of the Group member.

Due to the nature of integral logistics services, numerous entities involved in the entire transport route of the goods may be included, which can be geographically quite dispersed. The customer portfolio of Intereuropa contains buyers from any country of the world. Nearly 30 percent of them are domestic customers; in 2012 we also recorded a rising number of customers from the Ukraine, Russia and Croatia.

Chart 5: Sales revenue structure by countries in 2012 by the customer's country of establishment



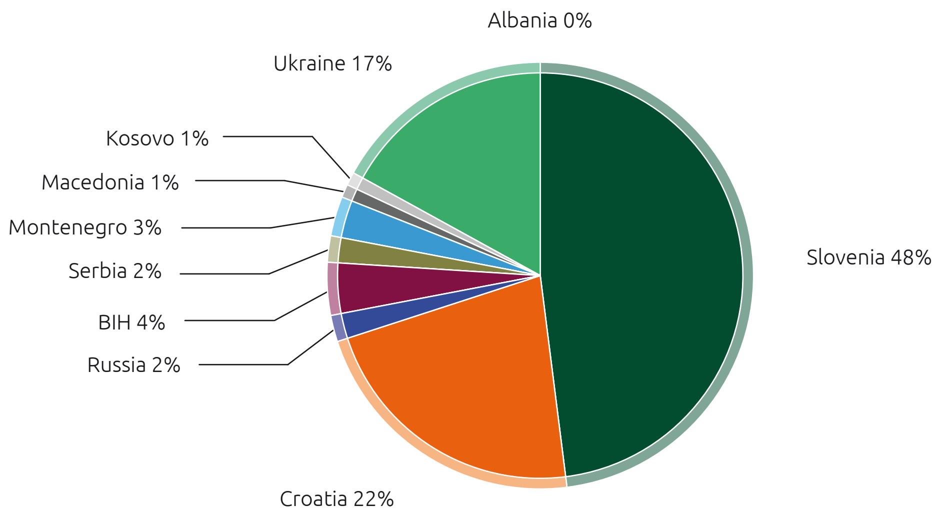
2.3.1 Land Transport

The sales revenues achieved in 2012 amounted to € 47.7 million. Land Transport has the highest share in the Group's sales structure. Land Transport generated 59 percent of all sales revenues in the Intereuropa Group. The share of revenues earned in Slovenia stands for more than one half of total sales revenues.

Compared with a year ago (2011) the sales revenue was 14 percent lower. More than one half of the setback behind the preceding year's result was attributable to lower income from the Road Transport product. The setback is primarily attributable to closing down of operation in the subsidiary Intereuropa Transport d.o.o., Koper, which is in liquidation process. The lower sales turnover has further resulted from the stoppage of operation of the German subsidiary (in May 2011) and the disposal of the subsidiary in France (June 2011). The second major setback was recorded in the Railway Transport product due to a lower sales turnover in our Ukrainian company TOV TEK ZTS, Uzhgorod.

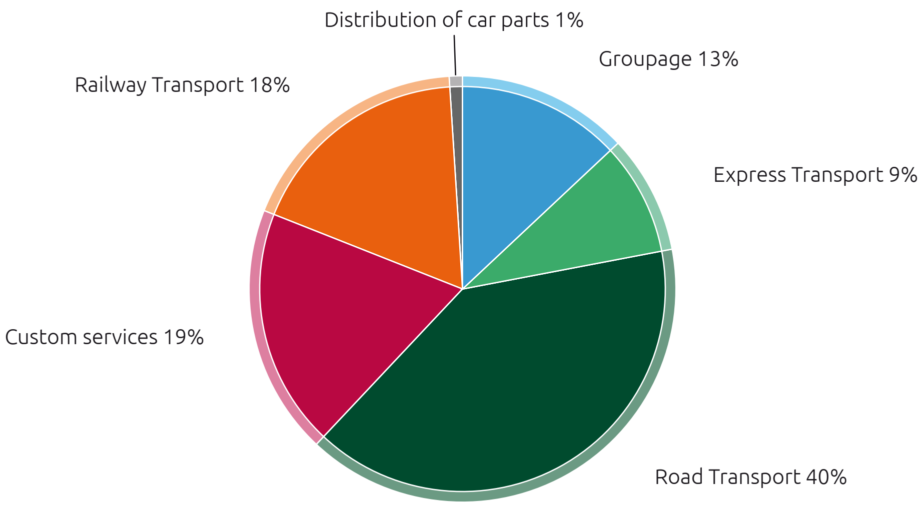
The targets set were exceeded by 4 percent. The strongest surplus over the plan was achieved by the Parent Intereuropa d.d., Koper, the subsidiaries TOV TEK ZTS, Uzhgorod (the Ukraine), and Intereuropa, logističke usluge, d.o.o., Zagreb (Croatia). On the other hand, the Russian subsidiary Intereuropa-East Ltd., Moscow recorded the highest underachievement of its targets due to unrealized plans in the organization of railway transport.

Chart 6: Sales revenue structure in Land transport by country in 2012



Much effort was dedicated to cost-effective operations and streamlining during the year 2012. Numerous activities were directed to reorganize road transport. After a thorough analysis of the operations we decided for certain rationalization with a direct impact on decreased sales revenue in the short run. These measures were mainly introduced in the road transport segment, in our subsidiary Intereuropa Transport d.o.o., Koper, which is involved in the process of liquidation. We were preparing for the accession of Croatia to the NCTS–system, to be followed by the accession to the European Union.

Chart 7: Sales revenues structure by product



Among the key factors contributing to better optimization of operations was the launch of new information system supporting the products of land transport that was finally introduced in Intereuropa d.d. by the end of the year 2012. That IT solution allows for a better supervision over the implementation of services, and combined with enhanced traceability of consignments it further improves the quality of our service. Gradually, we will use this information solution in other companies of our Group in the coming years. In Croatia, the analysis preceding the introduction of the new IT solution to our subsidiary is being conducted.

Road Transport

Road Transport has the highest share in sales revenue structure among the products provided by the Intereuropa Group. As much as 40 percent of the sales turnover within our Land Transport area was earned from this product. In 2012, that share dropped by 4 percent. The highest share (69 percent) of total sales revenue was generated in the Company Intereuropa d.d.

The sales plan for the Group was surpassed by 17 percent, however, our sales revenue was 19 percent lower than in 2011: that loss resulted from closing down the subsidiaries – primarily Intereuropa Transport d.o.o., Koper and the German subsidiary, as well as from the disposal of the subsidiary in France in 2011.

Due to the situation on the market we were faced with a declining number of road transport contractors in Slovenia, which resulted in rising costs of services and consequently, the reduction of our sales margins.

Key goals for the year 2013:
- improving the coordination of commercial activities in international road transport in the Slovenian part of the Group;
- retaining our key customers and acquiring new business by providing a high quality service;
- supporting the role of centralized purchasing and building up a centralized supplier management.

Customs Services

Customs services are regarded as an important support service in the Group. The highest share in the sales revenue of this product is presently generated in the Slovenian company, followed by the subsidiary in Croatia. Both these companies combined achieve more than 80 percent of total revenues from customs broking in the Group. In 2012 our Customs Service products achieved very good results again, both on account of a higher volume of Customs broking and of border transit procedures. In Slovenia we exceeded the figure achieved a year ago and the target sales revenue. All the remaining companies recorded a setback behind the plans.

Key goals for the year 2013:
- aligning our Croatian subsidiary to the EU-accession of Croatia;
- aligning the Parent Company Intereuropa d.d. to the EU-accession of Croatia;
- permanent concern for retaining a high level of know-how: scheduled training forms, current monitoring of legislation, transfer of know-how among employees.

Groupage Services

In the reporting year, the sales revenue from groupage services fell 7 percent below the preceding year. Slovenia generates as much as 78 percent of all revenue in the Group. Growing operating revenues were recorded in the subsidiaries based in Croatia, Serbia, Montenegro, Macedonia, and Kosovo, on account of increased volume of shipments carried.

Key goals for 2013:
- retaining the leading position as a provider of groupage services in Slovenia, Croatia, Bosnia and Herzegovina and Serbia, and increasing the market shares in all countries in which Intereuropa is present with own subsidiaries;
- additionally increase the dynamics of services by concentration of groupage consignments;
- using the advantages of new IT solution in view of process optimization and improved traceability of shipments for our customers.

Express transport

The sales revenue was 3 percent lower than a year ago. The setback is attributable to falling sales revenues in Slovenia. The highest share of sales turnover is still earned by the subsidiary in Croatia (60 percent), followed by those in Slovenia (26 percent), Bosnia and Herzegovina (10 percent) and Serbia (4 percent). In Croatia the activities aiming at reduction of the vehicle fleet employed for these services were brought to an end; instead, an increased number of contractors will be engaged (outsourcing). The companies in Slovenia and Croatia dedicated much effort to restructure sales segments and streamline the operations. The new IT solution introduced in the Slovenian part of the Group offers our customers an independent input of orders and the traceability of consignments. The subsidiaries in Serbia and Montenegro also achieved the planned performance, whereas the results of the Bosnian company were not so good, despite numerous recovery activities undertaken.

Key goals for 2013:
- comprehensive use of the advantages of the new IT support in Slovenia and impact analysis of transfer thereof to Croatia;
- development of distribution services in countries in which Intereuropa is established;
- on-going process optimization, cost management and optimum implementation solutions that will retain the quality of service on the highest level.

Railway Transport

We exceeded the planned result for the railway transport product; however, we remained behind the achievement of 2011: the biggest contributor was the subsidiary TOV TEK ZTS, Uzhgorod. The company in the Ukraine made as much as 18 percent of total sales revenues in Land Transport.

The company Intereuropa-FLG, d.o.o., Ljubljana, in which Intereuropa holds a 50%-share, jointly with the Austrian company Express-Interfracht International Spedition GmbH, which owns the remaining 50 percent in the capital of Intereuropa-FLG, is specialised in organizing railway transport. The subsidiary was slightly behind the target and the figure achieved a year ago. Growth in sales revenue was recorded by the Croatian subsidiary, while all other subsidiaries in the Group remained behind their targets. The worst setback was recorded by Intereuropa-East, Ltd., Moscow.

Among Land Transport products, the highest overachievement of targets in 2012 was recorded by road transport and railway transport.

Key goals for 2013:
- using the synergies of joint ownership of Intereuropa-FLG;
- assuring high level of knowledge and experience to all employees involved in Railway transport;
- taking advantage of favourable geographical position at an intersection of the Fifth and the Tenth European Corridor.

The recession in Europe and adverse economic climate in the countries of the Intereuropa Group call for a prudent planning of future activities. The forecasts for the year 2013 foresee recession in most countries in which the Group is present. For Slovenia, in which Intereuropa generates the highest share of operating revenues, the GDP is expected to decline again. Considering the level of our integration to the markets of West Europe, which also show only a minimal or even negative economic growth, our Land Transport is facing a falling volume of goods flows and consequently stiffer competition in these markets.

We will continue with streamlining in 2013. The restructuring process on the Express product has continued both in Slovenia and Croatia. The trend of falling margins prevails in the transport services. Economic recession is felt in our target markets, resulting in a lower volume of trading in goods and further affected by aggravating ill payment practices, which calls for much caution in acquiring new business. Within our Group we will address the adverse impacts of these factors by intensified sales activities on domestic and foreign markets.

For 2013 we expect 17.5 percent lower sales revenues; the highest loss is expected in the product Customs Services, attributable to the accession of Croatia to the EU. Also the volume of road transport is expected to shrink. The lower operating revenues from these two products are also attributable to reduced volume of business with our major customer Top Shop that began in the middle of 2012. Furthermore, the disposal of our subsidiary in Russia will also affect the volume of road transport business.

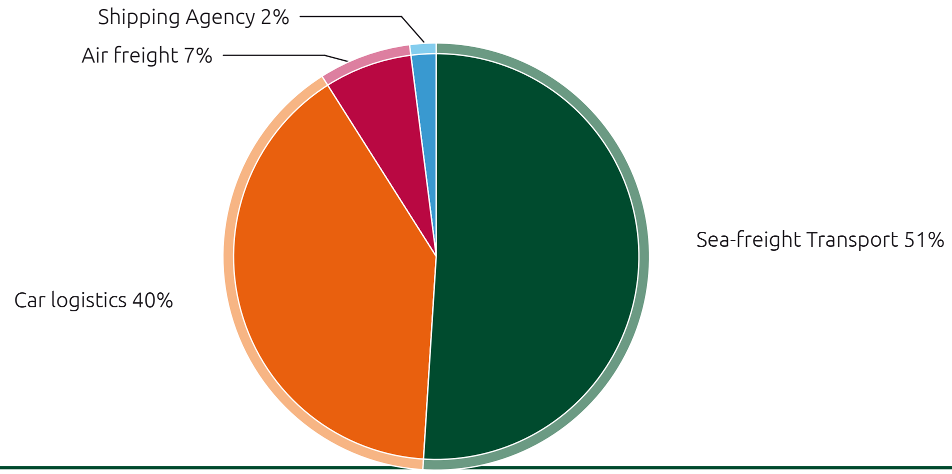
2.3.2 Intercontinental Transport

The sales turnover of the Intercontinental Transport area amounted to € 47.7 million in the reporting year. It was 6 percent lower than a year ago and 2 percent behind the plan, primarily due to a fall of sea-freight rates and the disposal of logistics centre Chekhov.

Sea-freight products, including the shipping agency, represented well over one half, or 53 percent of the sales in Intercontinental Transport. Better than expected were our products Sea-freight Conventional Cargo, Shipping Agency, and Car Logistics.

In the second half-year we perceived a decline in demand for overseas freight and air-freight transports. A change in logistics process of our key customer in automotive business slashed the throughput volume at Chekhov car terminal: the customer found an additional temporary solution for vehicle storage. Nevertheless, the share of revenue of Car Logistics in the revenue structure of this area has grown in 2012.

Chart 8: Structure of sales revenues in Intercontinental Transport area



Sea-freight

The Sea-freight segment includes conventional cargo, full container loads and consolidated container loads (FCL, LCL), RO-RO and Ferry services (transport of trucks by ferry). The business of Shipping agency, in Slovenia pursued by the subsidiary Interagent d.o.o., Koper, also belongs to sea-freight products.

In 2012 the Sea-freight segment represented 13 percent of the Group's total sales revenue and grew by one percentage point. However, the turnover achieved was still 2 percent behind the plan and 8 percent lower than a year ago. A decline in sales volume was recorded in Slovenia, while the markets of Croatia, Bosnia and Herzegovina, and Macedonia achieved growth.

On the Group level, conventional cargo represented over one half of the sales in the sea-freight turnover. This segment grew by 9 percent and exceeded the target by 8 percent. Unlike conventional cargo, container transport saw a fall of 19 percent, largely attributable to declining sea-freight rates and lower demand for container transportation to hinterland markets. The RO-RO operations were affected by high freight rates on the Slovenia-Albania line which brought about a shift of shipments from sea to road transport, or to the LTL line for Albania resp., and further by a decline in demand for transport of construction mechanization to the markets of North Africa.

Significant growth was recorded in conventional cargo. Also our Shipping Agency outstripped the sales targets.

Further development of the sea-freight product in our subsidiaries is still viewed as a key element to enhance the performance of the Intercontinental Transport area and of the Intereuropa Group. Such infrastructure enables us to provide comprehensive logistic services to our partner networks and key customers. Significant revenue growth was achieved in Croatia, Bosnia and Herzegovina, and Macedonia. Also Montenegro can show a favourable progress of this product, despite increasing competition and discontinued service to the port of Bar by some container operators.

The Shipping Agency product closed the year 2 percent above the plan. We represented 6 percent more ships than in 2011 and maintained the leading position in the number of ships represented in the Port of Koper. In the second half-year we entered into an agency agreement with a container ship operator, the business is expected to develop the coming year (2013).

We achieved a higher number of containers handled via the Koper Port, however, we recorded lower sales revenue due to the fall in freight rates.

Car logistics

In 2012, the car logistics became one of major products of the Group. The sales revenues of this segment represented 10 percent of the total sales turnover of the Group. Slovenia and Russia were the most relevant markets.

The Parent Company handled more than 110,000 vehicles shipped via the Port of Koper. Unlike in the first half-year when our car terminals in Slovenia were performing well, the volume declined in the second half-year.

Our car terminal in Russia also had a significant role in the distribution of cars to our terminal. If we consider the adjusted results upon the disposal of that terminal in November, we have surpassed the targets for the reporting year and the results of 2011 in the segment of car logistics by 2 or 4 percent resp.

In 2012 we achieved a significant development of the business, representing one half of total sales in our car logistics segment, which will shrink in the coming year due to our withdrawal from the Russian market.

Air-freight

In the Air-freight product we remained slightly below the sales targets, although we exceeded the result of the preceding year (2011) by 6 percent. Nevertheless, we retained significant market shares in our key markets and strengthened cooperation with the partner networks. That involvement was rewarding and brought us newly acquired business. Significant growth was achieved on the markets of Serbia and Croatia; in Slovenia we recorded a decline in the number of air-freight consignments. We have to tackle with tougher competition from international logistics providers: that additionally fragments the relatively closed range of clientele and cargo available. Freight rates and airport charges were subject to high pressure, too. As a result, competitors carry more consignments directly to European hubs by road.

We are faced with increasing competition in the Air-freight segment. Cooperation with networks of major partners in business indirectly opens to us new business with a number of customers on the Balkans.

In the reporting year we organized charter flights for our regular and important customers. Such kind of business is also expected for the year 2013, which places us along major organizers of airfreight transport. Although the freight rates remain relatively low, we expect the struggle to persist with more competitive transport modalities, of which the consolidation container service is gaining ground. Further development of this product depends on a more aggressive marketing approach that will be additionally strengthened in 2013.

Plans for 2013

The plans for 2013 upgrade the activities that were implemented in 2012, lying within the scope of our corporate guidelines for the future development of this segment. The following activities will be relevant:

- intensifying the sales activities for Sea-freight products in the Group, and inclusion in organization of an integral logistics chain, with particular emphasis on Croatia and its accession to the EU in July 2013;
- focusing on development of Car logistics in Central and South-eastern Europe;
- strengthening the cargo agency representation with the national airline and closer cooperation with air carriers in the region;
- coordinated marketing activities in Slovenia and Croatia, upon accession of Croatia to the EU;
- integrating the acquired agency representation of container ship operator into integral supply chains;
- carrying on the negotiations to acquire the agency for a container ship operator in other ports on the Eastern Adriatic Coast;
- development of IT support for Air-freight in the companies of the Group;
- development of IT support for the needs of Sea-freight service in Slovenia and in our subsidiaries;
- development of cooperation in the partner networks in the Sea-freight and Air-freight segments, and thorough integration of Group members in a single partner network.

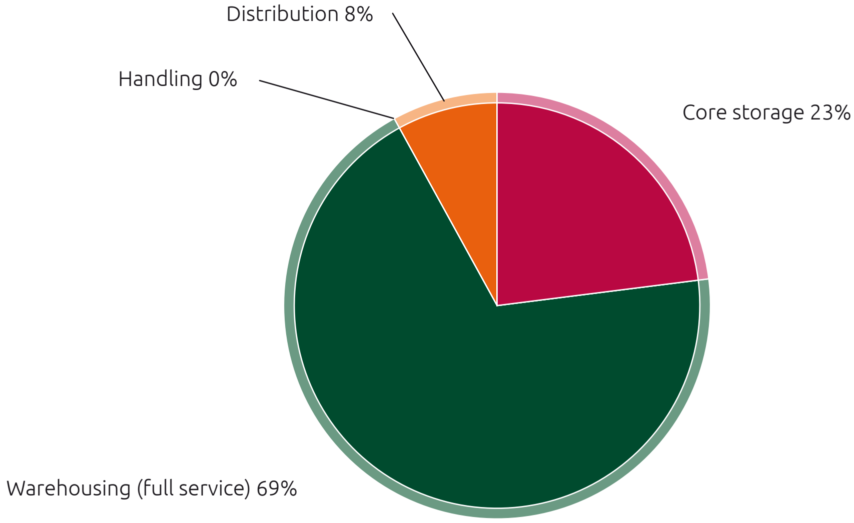
2.3.3 Logistics Solutions

The Logistics Solutions area was facing tough economic situation that resulted in a decline in goods flows. After relatively good sales in the first half-year, when the targets were achieved, the sales of our products were gradually declining in the second half-year. Our customers adapted to adverse market situation by increasing downward pressures on prices, some of them even changed their logistics concepts; that has resulted in essentially reduced volumes of cooperation with us. Consequently, we recorded a fall in the sales volume lying 20 percent behind the targets and 14 percent below the last year's results. The sales turnover amounted to € 22.6 million.

Such a result can be mainly attributed to lower sales in two key markets, i.e. Slovenia and Croatia, which stand for 73 percent in the sales structure of Logistics Solutions and are most exposed by unfavourable economic trends of global recession and financial crisis.

The highest rise in the sales revenue was recorded by our subsidiary in Russia, which then stood for 13 percent in the sales structure of this business segment. With fully occupied warehouse capacities, the Russian subsidiary surpassed the plan by 8 percent and outstripped the achievement of 2011 by 38 percent.

Chart 9: Sales revenues structure by product

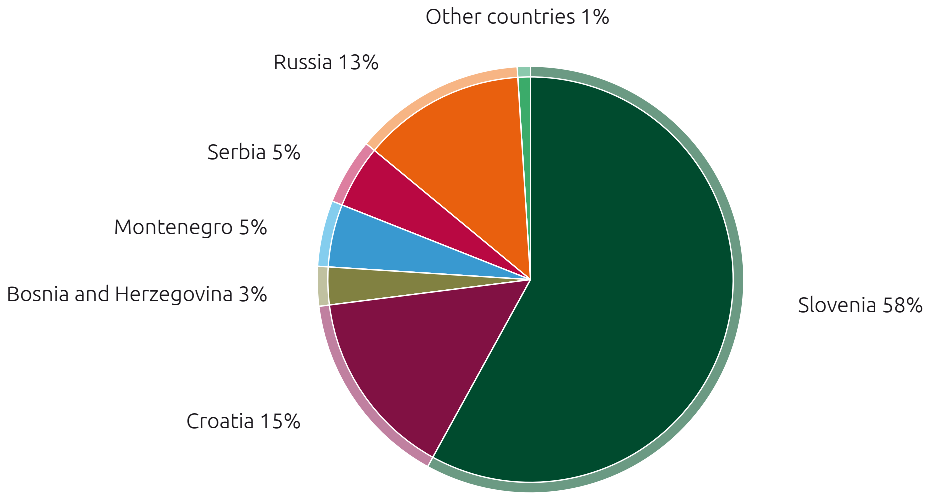


Also in other countries of the Balkans in which our Company operates warehouses we could still perceive a considerable fall in the demand for logistics solutions. Recession and financial crisis slashed the demand in these markets, and stronger competition emerged in the face of unoccupied storage and industrial capacities. As a result, sales revenues fell below the level of the preceding year in the markets of Bosnia and Herzegovina, Montenegro, Serbia, Macedonia and Kosovo that in total represent 14 percent in the sales structure of this business area.

In accordance with the corporate guidelines of the Group we dedicated much effort to target-based sales of logistics solutions and optimization.

In accordance with the corporate baselines and guidelines we dedicated much effort to target-based sales of logistics solutions and optimization.

Chart 10: Sales revenue structure in Logistics Solutions by country



Products of Logistics Solutions area

The products of Logistics Solutions were redefined in 2012 as follows:

- warehousing comprising storage, handling, and additional works performed in warehouse;
- core storage service comprising the hire of warehouse capacities;
- distribution comprising the distribution of goods from Distribution Centres to consignee;
- handling comprising handling manipulations from/to vehicle.

Core storage services are gradually being replaced by the complex logistics offer which brings 69 percent of total sales turnover in this segment.

The best sales result is achieved in the Warehousing product, representing 69 percent of the sales revenue structure in the segment. Core storage services (23 percent), occupying the storage space for a fixed term, is gradually being replaced by the complex logistics offer handling the goods under way from the manufacturer to the buyer.

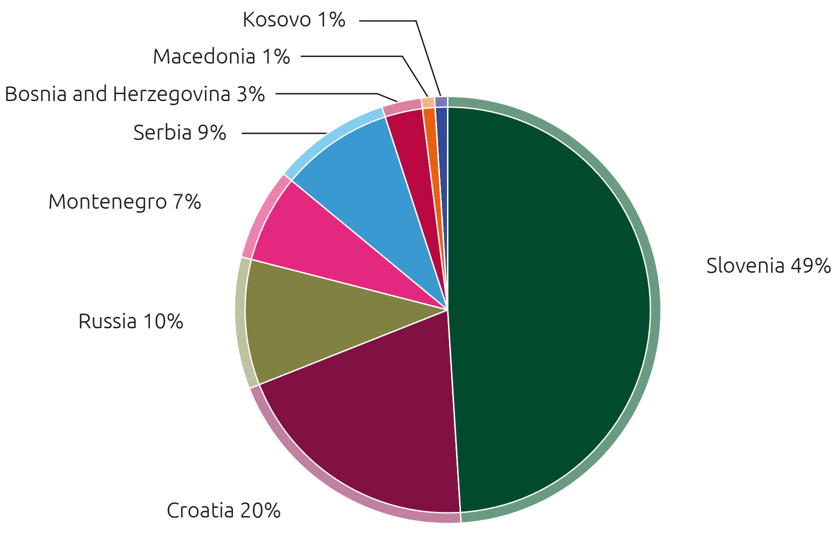
Storage capacities

As of 31 December 2012 the Group was using 241,569 m² of storage facilities, thereof 234,934 m² own and 6,662 m² hired capacities.

Relevant changes to storage capacities in 2012:

- in November 2012 we sold the storage capacities in Russia, within the disposal of logistics centre Chekhov;
- in Celje our warehouse was reconstructed in a cold store facility for fruit and vegetables, measuring 1,700 m².

Chart 11: Share of the area of logistics terminals by country of the Intereuropa Group (comprising the capacities in Russia)



Logistics projects

Comprehensive logistics solutions are tailor-made to our customers and include other products of the Group (storage, groupage, distribution, sea-freight, air-freight, etc.). Such offers are always made in the frame of logistics projects that are very complex and demand much expertise. We establish a partner relationship with such customers, and the project team usually includes the specialists on the part of the customer as well as ours.

Plans for 2013

Key activities for the Logistics Solutions area in 2013 comprise:
- development of partner-like customer relations and enhanced cooperation with current customers;
- winning new logistics projects, primarily aiming to fill the unoccupied storage capacities;
- development and introduction of IT support to logistics solutions in Slovenia, to be followed by other subsidiaries of the Group;
- continued specialisation and optimisation of logistic processes by commodity category.

2.4 Performance analysis

2.4.1 Operating efficiency of the Group

The 2012 sales results of the Intereuropa Group reflected the dynamics of economic activity in its key markets. In most of our markets – except Russia – the adverse economic environment and tough market situation pushed the enterprises to streamline their operations, which led to increasing downward pressures on prices in logistics as well. Declining goods flows and aggravated ill payment practices were perceived in most of our key markets. The outcome of streamlining and optimising measures taken in the past few years was visible in full scale in the reporting year. In figures the effect is expressed as a very high EBIT margin at 5.6 percent, if the calculation is based on the adjusted EBIT[1]. Another indicator of successful adapting to the market situation was the sales efficiency that remained on the same level in 2012 despite ample fall in the sales turnover.

Intensified activities addressing the recovery of the Group and the Parent Company were upgraded by the conclusion of financial restructuring for the Parent Company. In 2012 we reduced the leverage of the Group by € 80.5 million, increased the share capital and agreed on sustainable long-term re-scheduling of the remaining debt. Despite difficult financial position before the agreement on rescheduling was concluded, the Group managed to assure unhindered performance of all its liabilities. The prerequisite for the debt rescheduling agreement was the disposal of the logistics centre in Russia. After more than two years of efforts we succeeded in selling the logistics centre in November 2012, but that transaction essentially impaired the annual financial statements of both the Parent and the Group.

Sales revenues

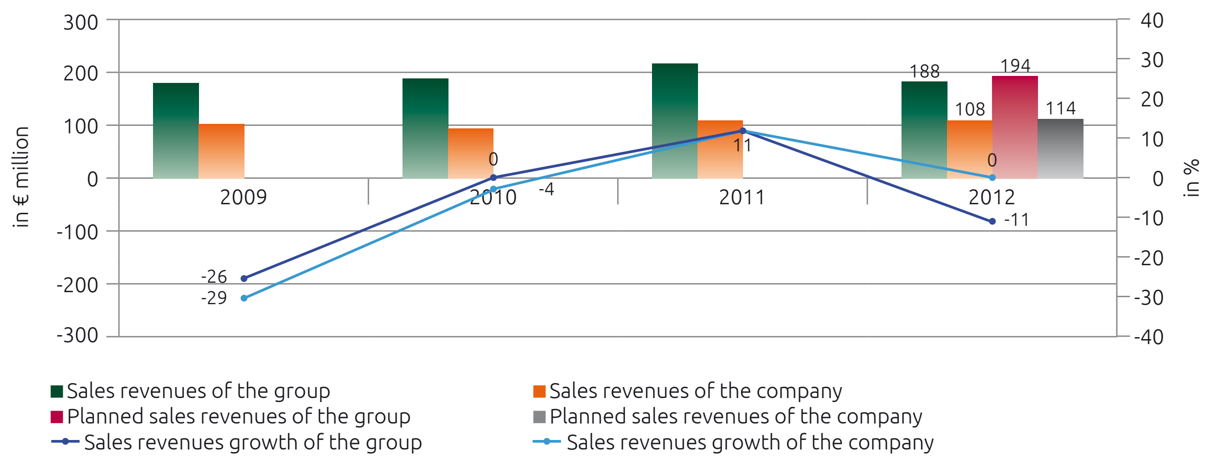
After an 11-percent rise in sales revenue a year ago, we recorded in 2012 a fall in the sales revenue by the same percent, or € 23.5 million resp. Almost 58 percent, or € 13.6 million, of that loss in sales turnover has resulted from portfolio restructuring in the Group; the sale of services discontinued in four of our subsidiaries: Intereuropa S.A.S., Saint Priest (France), Intereuropa Transport & Spedition GmbH, Troisdorf (Germany), Intereuropa Transport, d.o.o., Koper (Slovenia), and Intereuropa-East Ltd., Moscow (Russia).

The remaining loss of sales revenue is attributable to declining trends in most of the bigger group members (i.e. subsidiaries with a sales turnover exceeding € 3 million), except in Intereuropa-East Ltd., Moscow, and AD Intereuropa-logističke usluge Belgrade (Serbia). In particular the subsidiary Intereuropa-East Ltd., Moscow was performing notably well. During the 11 months and a half, that subsidiary outstripped the preceding year's turnover by 18 percent or € 2 million, resp. Also the Parent Company achieved one percent growth of sales revenues: that growth is fully attributable to very good performance of our organizational unit which has taken over servicing some major customers who were formerly working with Intereuropa Transport d.o.o., Koper. Excluding the sales growth achieved by this org. unit, the sales of the Parent would have fallen by 7 percent or € 6.8 million.

[1] Excluding other operating revenues, operating expenses from revaluation of Intangible assets and Property, Plant and Equipment, and operating expenses arising from the disposal of Intereuropa-East Ltd., Moscow.

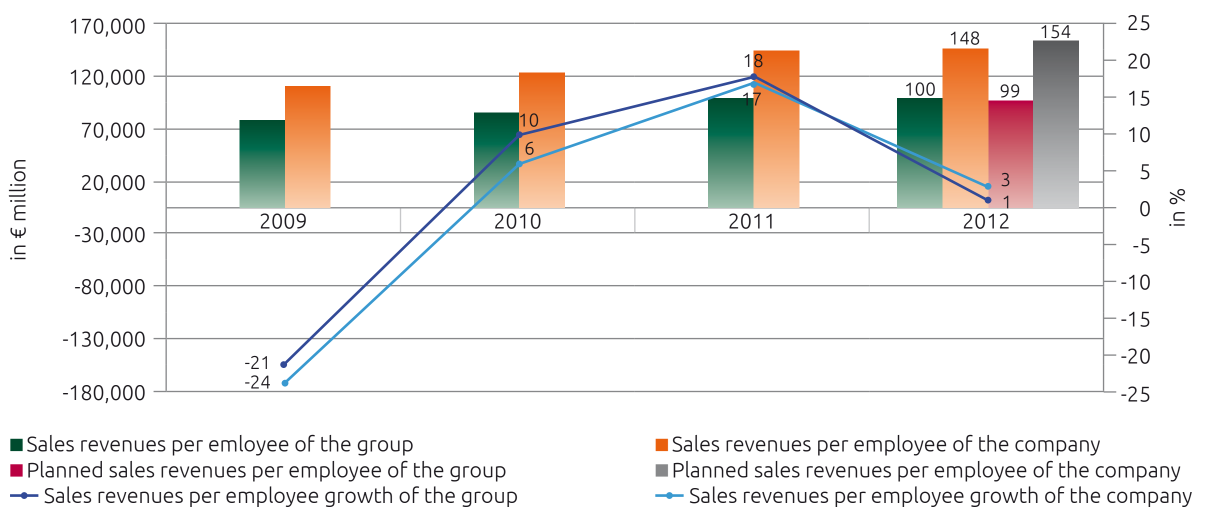
Looking at the sales trends by business areas, we find to have been lagging behind the results of 2011 in all the three core areas. The worst setback was recorded in Land Transport (despite surpassing the targets) as a result of the a.m. portfolio restructuring in the Group. In addition to that, the adverse economic environment and complex market situation had a bearing on the fall in sales turnover. Please refer to the chapter Marketing and Sales for more detailed overview and analysis of sales results by business area and service groups, and also by the market of the Intereuropa Group.

Chart 12: Sales revenues of the Group and Parent Company, 2009 – 2012



Despite the fall in sales revenues we managed to improve the sales efficiency, which points to successful response on our part, by downsizing.

Chart 13: Sales revenues per employee of the Group and the Parent Company, 2009 – 2012

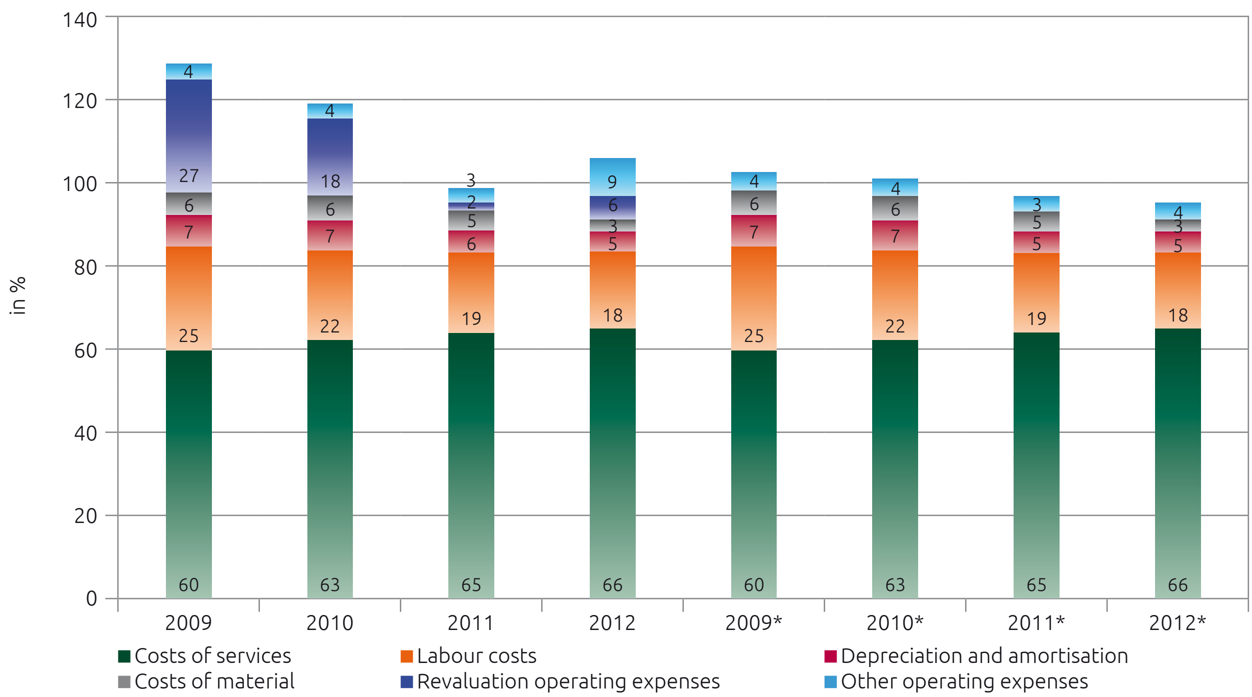


Operating expenses, EBITDA, and Operating Profit or Loss

The structure of operating expenses was relatively stable in the reporting period, showing the biggest amounts in costs of services and labour costs. That was expected since the bulk of the Group's income is generated in freight forwarding. In the cost group for services, the highest share (86 percent) fell to direct cost of services.

The current trends were a rise in the costs of services and a fall in the labour costs and depreciation in the cost structure. On the one hand, the rise in the share of costs of services resulted from the changed structure of sales which improved strongly in railway transport – where margins are very low – and on the other hand, from market pressures to reduce margins for other products, too. The fall in labour costs resulted from portfolio restructuring in the Group and from downsizing of staff in other subsidiaries – primarily in Slovenia and Croatia. On the other hand, lower cost of materials was attributable to successful restructuring of Road Transport product and shifting towards outsourcing of transport services. Low investing activity in the last few years brought about decreased depreciation costs in the cost structure.

Chart 14: The structure of operating expenses as a share in the sales revenues of the Group, 2009 – 2012



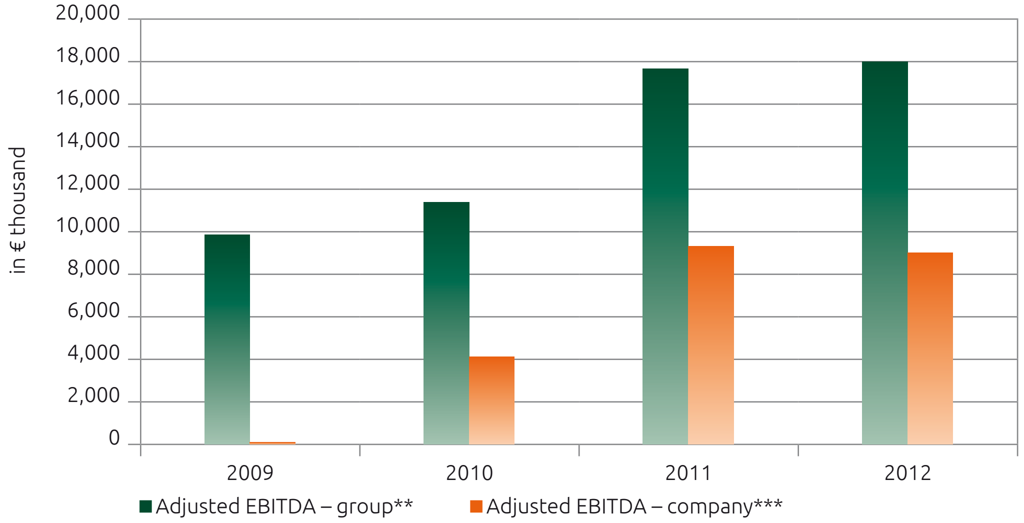
* Excluding operating expenses from revaluation, other operating expenses arising from disposal of Intereuropa-East Ltd., Moscow.

High amounts of revaluation expenses from impairment of fixed assets were posted in 2009 and 2010 due to disclosure of assets at fair value. In 2012 we recorded again high expenses from revaluation owing to impairment of fixed assets (€ 9.8 million) on account of disposal of the subsidiary Intereuropa-East Ltd., Moscow, and other operating expenses (€ 9.8 million). To facilitate comparison with the preceding years, Chart 14 presents the structure of costs exclusive of operating expenses from revaluation and operating expenses involved in the sale of Intereuropa-East Ltd., Moscow.

The results of 2012 were strongly influenced by adverse economic climate and by our activities aiming at the restructuring of portfolio of companies and of operations in individual Group members, which have been conducted for several years.

Taking into account all the exclusions, Chart 14 also shows the decreased share of operating expenses in sales revenues, or increase of EBIT margin respectively. That achievement has resulted from successful optimisation and streamlining of operations on the level of the Group. Due to increased EBIT margin, or as an outcome of operational streamlining respectively, despite lower sales volume, the adjusted operating profit or loss[2], and the adjusted EBITDA of the Group[3], have risen by € 3.9 million and 0.2 million respectively.

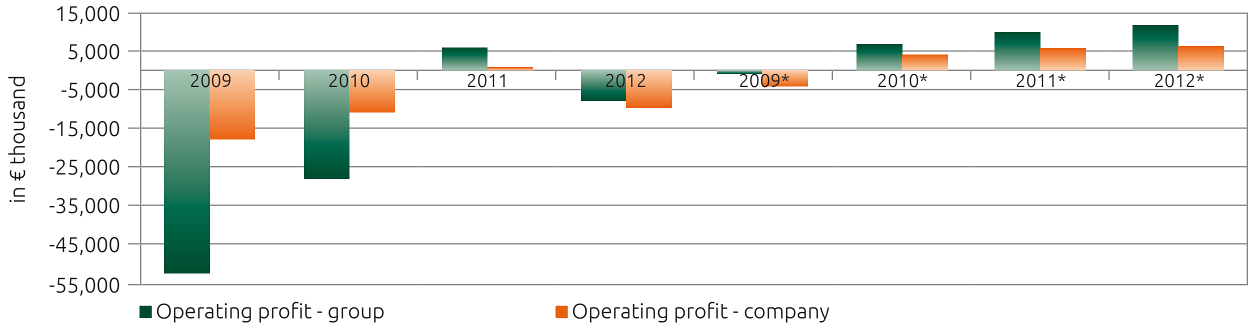
Chart 15: Movement of adjusted EBITDA of the Group and Parent Company, 2009 – 2012



** Excluding other operating revenues and other operating expenses arising from disposal of Intereuropa-East Ltd., Moscow.
*** Excluding other operating revenues and impairment/ write-offs of receivables, and other operating expenses relating to subsidiaries and arising from disposal of Intereuropa-East Ltd., Moscow.

As presented in Chart 15, the adjusted EBITDA of the Parent Company was € 0.4 million lower than the figure achieved in 2011: that is attributable to provisions at € 1.1 million made for the liability of customs duty arising from an incomplete transit procedure. If that transaction were excluded, the Parent Company would have achieved a higher adjusted EBITDA than in 2011.

Chart 16: Movement of Operating Profit/Loss of the Group and Parent Company, 2009 – 2012



* Group: excluding the operating expenses from revaluation of Intangible assets and Property, Plant and Equipment, other operating expenses arising from the disposal of Intereuropa-East Ltd., Moscow; the Company: excluding the operating expenses from revaluation of Intangible assets and Property, Plant and Equipment, the expenses for allowances for and write-offs of receivables arising from operations with subsidiaries, and other operating expenses arising from operations with subsidiaries.

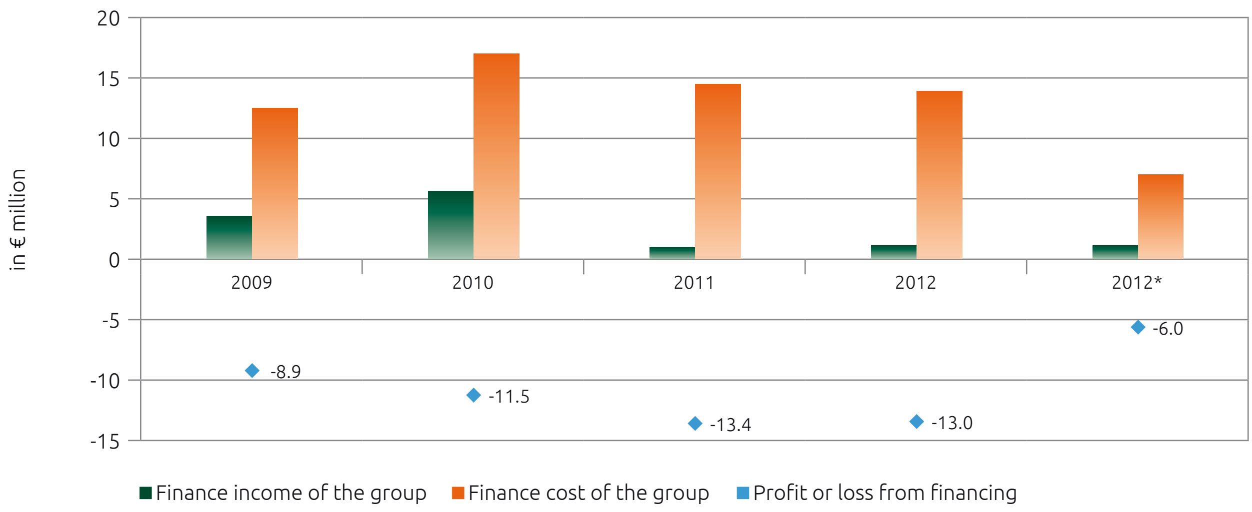
[2] Excluding the operating expenses from revaluation of Intangible assets and Property, Plant and Equipment, other operating expenses arising from the disposal of Intereuropa-East Ltd., Moscow.
[3] Excluding other operating revenues and other operating expenses from revaluation arising from the disposal of Intereuropa-East Ltd., Moscow.

Financial revenues and expenses

Financial management of the Group is to the greatest extent possible concentrated in the Parent Company. Financing Profit or Loss for the entire period in consideration was negative.

At first sight, the Financing Profit /Loss of the Group for 2012 was very similar to that of the year 2011: However, a closer look reveals quite a different expense structure. Interest expenses were lower by € 4 million, but the expenses for foreign exchange differences were higher. The cause for that was the disposal of Intereuropa-East Ltd., Moscow, which triggered a transfer from capital to profit or loss of the amount € 7.1 million of foreign exchange differences arising from the translation. The Chart below presents the financing profit or loss of the Group, net of this effect.

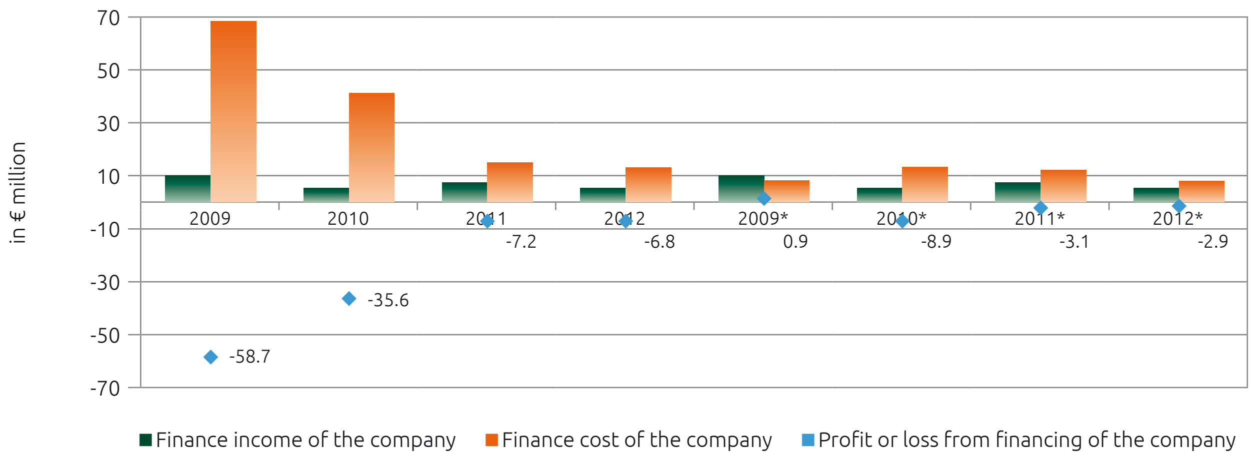
Chart 17: Financing Profit or Loss of the Group, 2009 – 2012



* Excluding financial expenses arising from disposal of Intereuropa-East Ltd., Moscow.

In the Parent Company, financial expenses were under a strong impact of impaired investments in and receivables due from subsidiaries, and of financial expenses arising from disposal of Intereuropa-East Ltd., Moscow. To facilitate comparison, the financing profit or loss, net of the a.m. expenses, is presented in the Chart below.

Chart 18: Financing Profit or Loss of the Company, 2009 – 2012



* Excluding the expenses from revaluation/revenues owing to impairment/elimination of impairment of investments in, and receivables due from subsidiaries, and of financial expenses arising from disposal of Intereuropa-East Ltd., Moscow.

If we exclude the expenses from revaluation/revenues owing to impairment/elimination of impairment of investments in, and receivables due from subsidiaries, and of financial expenses arising from disposal of Intereuropa-East Ltd., Moscow, it is evident that the profit or loss from financing of the Parent Company was € 0.1 million better than in 2011. Similarly as in the Group, we can see a notable decrease in interest expenses (€ 3.6 million) resulting from the lower effective interest rates; expenses owing to impairment of financial investments were higher (such as the investment in the Company Cimos d.d.). On the revenues side we recorded a considerable drop in revenues from shares in group members than a year ago. It is important that we succeeded in reducing the interest expenses; they will be even lower in the year 2013, on account of successfully implemented financial restructuring of the Company at the year-end 2012.

Structure of consolidated Statement of Financial Position

In 2012 the Balance Sheet Total was visibly reduced on the level of the Group. The biggest decrease in assets was in the item Property, Plant and Equipment: these assets were falling in the last few years due to disposal of assets and very low investing activity. Our subsidiary Intereuropa-East d.o.o., Moscow was sold towards the end of 2012. That has strongly reduced the item Property, Plant and Equipment on the assets' side, and the item Financial Liabilities on the liabilities side. The disposal of our subsidiary in Russia was a part of financial restructuring of the Parent Company. For more information on the outcome of financial restructuring see section Structure of the Statement of Financial Position of the Parent Company.

Table 9: Structure of Consolidated Statement of Financial Position (Group) 2009 – 2012, in absolute terms

in € thousand

	2009	2010	2011	2012
ASSETS	**489,270**	**425,428**	**407,207**	**322,969**
A. NON-CURRENT ASSETS, of which	**406,821**	**351,801**	**331,390**	**267,212**
Property, plant and equipment	377,910	322,865	300,849	234,727
Long-term investments	4,034	3,896	3,767	3,295
B. CURRENT ASSETS, of which	**82,449**	**73,627**	**75,817**	**55,757**
Short-term operating receivables	63,080	56,303	46,053	35,630
Cash	5,318	12,216	17,651	8,390
EQUITY AND LIABILITIES	**489,271**	**425,428**	**407,207**	**322,969**
A. EQUITY	**188,805**	**148,163**	**140,988**	**154,893**
B. NON-CURRENT LIABILITIES, of which	**132,141**	**196,506**	**51,033**	**132,347**
Non-current financial liabilities	109,215	175,765	30,122	111,663
C. CURRENT LIABILITIES, of which	**168,326**	**80,759**	**215,186**	**35,729**
Current financial liabilities	115,946	31,098	172,688	7,680
Short-term operating liabilities	52,380	49,660	42,498	28,048

Chart 19: Asset Structure of the Group, 2009 – 2012

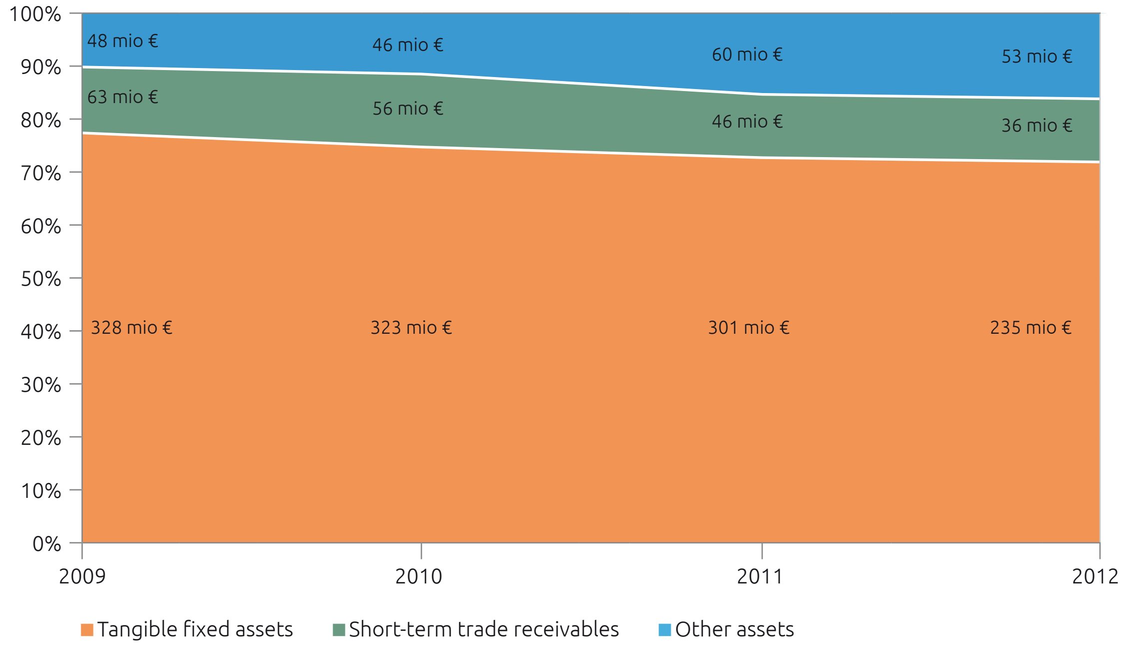
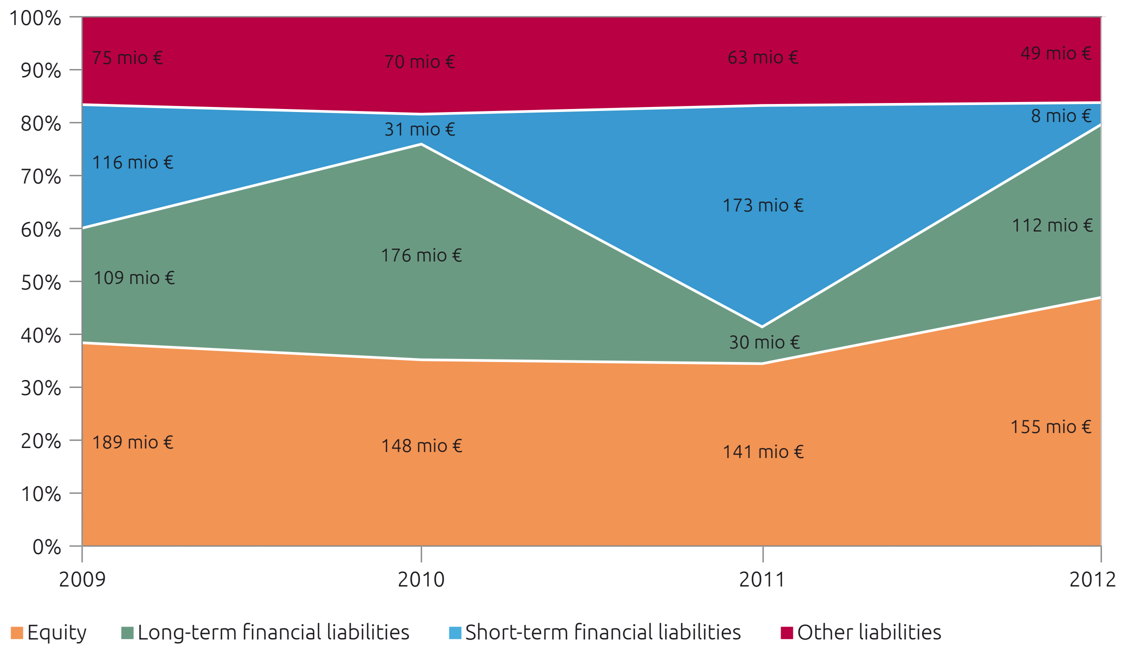


Chart 20: Structure of Equity and Liabilities of the Group, 2009 – 2012

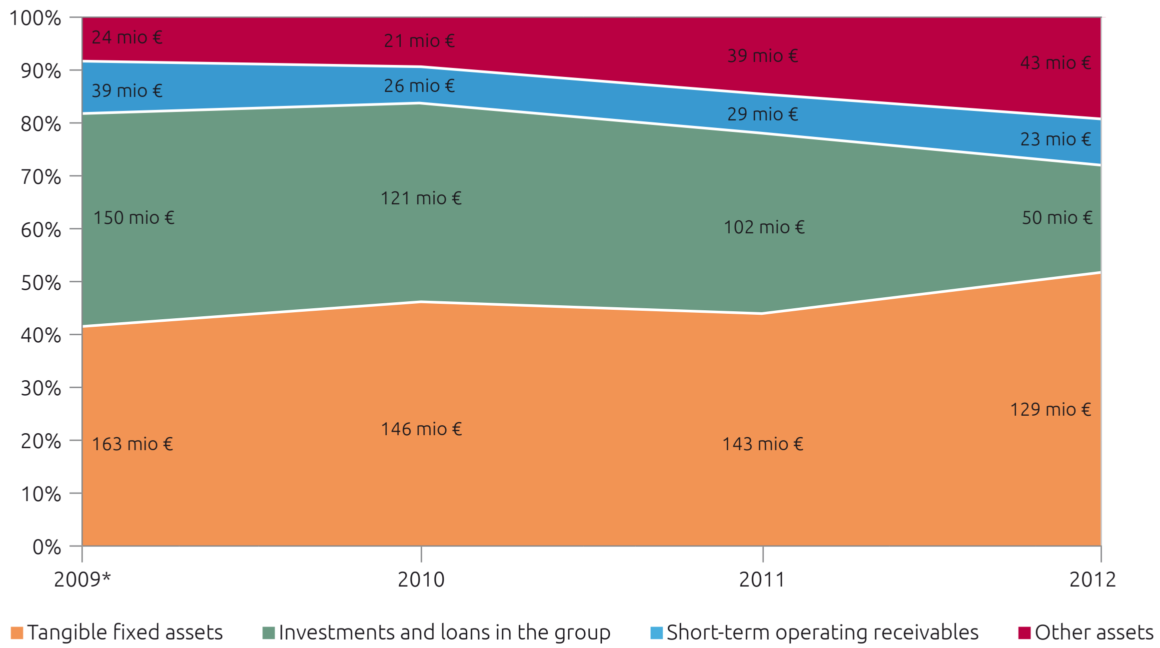


Structure of Statement of Financial Position (Parent)

In 2012, the structure of the Statement of Financial Position of the Parent Company was most strongly influenced by financial restructuring. Financial restructuring comprised:
- decrease of share capital of the Parent Company and transfer to capital reserves in the amount of € 25 million;
- disposal of subsidiary in Russia, incl. land owned by the Parent Company, for a purchase price of € 45 million; the purchase money was used to reduce the liabilities to creditor banks;
- conversion of debt owed to creditor banks into equity of the Parent Company, in the amount of € 19.6 million;
- rescheduling the remaining debt balance.

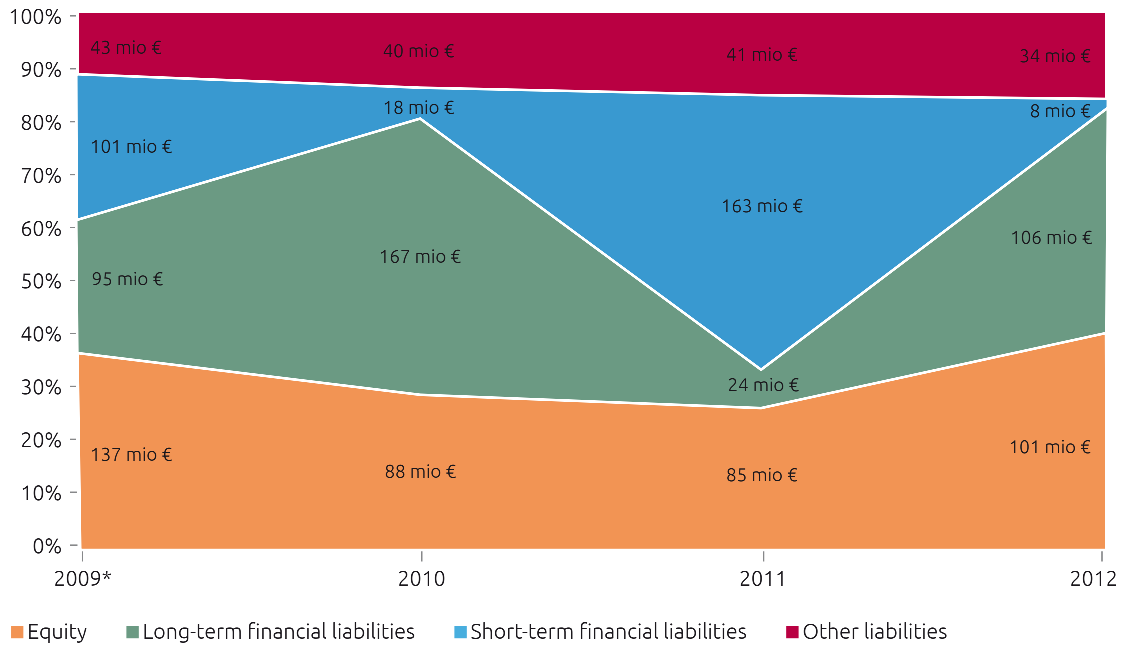
The structure of Statement of Financial Position of the Parent Company, as well as of the Group, was considerably changed owing to activities listed above. Major changes are:
- decrease of fixed assets, more visible on the Group level;
- reduction of liabilities to creditor banks;
- increase of capital;
- improved maturity of loans raised.

Chart 21: Asset Structure of the Parent Company, 2009 – 2012



* Eliminated investments and loans in the Group in the amount of € 33.8 million, relating to the procedure of capital increase in the subsidiary Intereuropa-East Ltd., Moscow.

Chart 22: Structure of Equity and Liabilities of the Parent Company, 2009 – 2012



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

Table 10: Structure of Statement of Financial Position of Parent Company, 2009 – 2012, in absolute terms

in € thousand

	2009	2010	2011	2012
ASSETS	**410,132**	**313,950**	**312,409**	**244,758**
A. NON-CURRENT ASSETS, of which	**284,564**	**254,628**	**244,600**	**206,020**
Tangible fixed assets	162,893	146,353	142,629	128,804
Long-term financial investments, of which	106,623	90,934	83,293	50,656
Investments in subsidiaries	82,032	50,797	49,842	47,481
B. CURRENT ASSETS, of which	**125,568**	**59,322**	**67,809**	**38,738**
Short-term operating receivables	38,806	25,795	29,149	23,209
Current financial investments	82,332	33,337	29,250	11,870
LIABILITIES IN BROADER SENSE	**410,132**	**313,950**	**312,409**	**244,758**
A. EQUITY, of which	**136,674**	**88,398**	**84,645**	**100,887**
Share capital	32,976	32,976	32,976	27,489
Equity reserves	36,040	0	0	18,455
Revaluation surplus	56,562	50,848	50,793	54,068
B. NON-CURRENT LIABILITIES, of which	**111,682**	**181,549**	**39,478**	**122,502**
Long-term financial liabilities	95,343	166,862	23,633	106,279
C. CURRENT LIABILITIES, of which	**161,776**	**44,003**	**188,286**	**21,369**
Short-term financial liabilities	101,237	18,460	163,054	3,194
Short-term operating liabilities	60,539	25,543	25,233	18,175

Highlights of operations, 2009 – 2012

Table 11: Information on Performance, 2009 – 2012

in € thousand

	Group				Company			
	2009	2010	2011	2012	2009	2010	2011	2012
Sales revenues	191,117	190,624	211,880	188,409	99,986	96,427	107,406	108,222
EBITDA	13,363	20,415	21,382	12,693	735	-4,111	6,299	5,960
Share in sales (in %)	7.0	10.7	10.1	6.7	0.7	-4.3	5.9	5.5
adjusted EBITDA*	9,834	11,448	17,732	17,969	89	4,211	9,380	8,984
share in sales (in %)	5.1	6.0	8.4	9.5	0.1	4.4	8.7	8.3
EBIT	-52,411	-28,334	5,510	-7,226	-18,046	-11,618	1,253	-8,558
share in sales (in %)	-27.4	-14.9	2.6	-3.8	-18.0	-12.0	1.2	-7.9
adjusted EBIT**	-1,514	137	8,516	10,555	-2,981	18	5,326	5,320
share in sales (in %)	-0.8	0.1	4.0	5.6	-3.0	0.0	5.0	4.9
Net profit or loss	-53,907	-39,193	-5,410	-13,430	-71,352	-46,398	-3,712	-6,619
share in sales (in %)	-28.2	-20.6	-2.6	-7.1	-71.4	-48.1	-3.5	-6.1
Assets	489,270	425,428	407,207	322,969	410,132	313,950	312,409	244,758
ROA (in %)	-11.5	-8.6	-1.3	-3.7	-18.5	-12.8	-1.2	-2.4
Equity	188,805	148,163	140,988	154,893	136,674	88,398	84,645	100,887
ROE (in %)	-26.2	-20.8	-3.7	-8.7	-39.6	-34.2	-4.2	-6.9
Investment in fixed assets	25,301	2,008	2,648	2,009	860	549	659	843
No. of employees at the end of the year	2,496	2,232	2,114	1,702	829	773	768	720

* Group: excluding other operating revenues, other operating expenses arising from disposal of Intereuropa-East Ltd., Moscow; Company: excluding other operating revenues and impairment of receivables and other operating expenses, both relating to subsidiaries and arising from disposal of Intereuropa-East Ltd., Moscow.
** Group: excluding other operating revenues, operating expenses from revaluation of Intangible assets and Property, Plant and Equipment, and operating expenses arising from the disposal of Intereuropa-East Ltd., Moscow); Company: excluding other operating revenues, operating expenses from revaluation of Intangible assets and Property, Plant and Equipment, the expenses for allowances for and write-offs of receivables, and other operating revenues arising from operations with subsidiaries.

Cash Flow Analysis

The Group generated € 19.3 million of cash flow from operating activities, which was 18 percent less than in the preceding year. Cash flow from financing activities came to € 43.9 million, primarily on account of the sale of our investment in Russia. After covering the negative cash flow from financing activities of € 72.5 million, the companies in the Group were still left with € 8.4 million in cash at the year-end, or € 9.3 million less than a year earlier.

Table 12: Cash flow, 2009 – 2012

in € thousand

	Group				Parent Company			
	2009	2010	2011	2012	2009	2010	2011	2012
Cash flow from operating activities	17,770	26,950	23,425	19,282	5,741	5,959	6,846	8,819
Cash flow from investing activities	-14,702	13,069	-3,059	43,942	-18,124	18,434	10,107	50,450
Casf flow from financing activities	-9,537	-33,114	-14,925	-72,465	10,068	-24,863	-7,737	-65,191
Cash flow from discontinued operations	2,861	0	0	0	2,861	0	0	0
Exchange differences in cash assets	418	-7	-6	-20	0	0	0	0
Cash flow in the period	-3,190	6,898	5,435	-9,261	546	-470	9,216	-5,922

In the Parent Company, the upward trend of cash flow from operating activities has continued. In 2012, the Parent Company achieved € 8.8 million of cash flow from operating activities, which was nearly € 2.0 million, or 29 percent more than the same item generated in the preceding year. Disinvestment prevailed in investing activities in 2012, too, with € 50.5 million of positive cash flow achieved from investing activities. The cash flow from financing activities continued to be negative in 2012, by € 65.2 million, which has resulted from loan repayments and interest expenses for loans. At the year-end, the Parent Company had € 5.9 million less cash than at the end of 2011.

2.5 Shares and ownership structure

In 2012, the prices of shares traded on the Ljubljana Stock Exchange rose on average, and total market capitalization of all shares increased slightly. Nevertheless, the confidence of investors in capital market has not improved yet: the trading volume was even lower than in 2011. Despite low liquidity at the year-end the IEKG share recorded almost a 28 percent growth, closing the year at € 0.55.

Shares of Intereuropa d.d.

The share of Intereuropa d.d., Koper, designated IEKG, was listed in the Prime Market of the Ljubljana Stock Eschange in 2005; it has been traded since 1998.

The share capital of the Intereuropa d.d., Koper, was increased in the reporting year. Shareholders resolved in the General Meeting on a simplified decrease of share capital owing to transfer to capital reserves and on an increase of capital by conversion into equity of a portion of claims receivable by creditor banks. After the completion of share capital decrease, the share price was reduced from € 4.17307 to 1 euro. On 28 November 2012 the claims receivable of seven creditor banks in the amount of € 19,586,390 were assigned to the Company Intereuropa d.d. as their contributions-in kind for the issue of 19,586,390 shares. In accordance with the Shareholders' Resolution, the Company Intereuropa d.d., Koper, issued 8,928,425 ordinary and 10,657,965 preference shares.

In December 2012 Intereuropa increased its share capital by issuing 19,586,390 new shares.

As of 11 December 2012, the share capital was entered in the Register of Companies with the Court in the amount of € 27,488,803 and consisted of 27,488,803 shares, thereof:

- 7,902,413 ordinary no-par-value, freely transferable shares with the ticker symbol IEKG, paid in by contributions in kind,
- 8,928,425 ordinary no-par-value, freely transferable shares with the ticker symbol IEKG, paid in by delivery of contributions in kind, and
- 10,657,965 no-par value, freely transferable preference shares, paid by delivery of contributions in kind.

The preference shares are not traded on the regulated securities market.

Table 13: Key Data on Shares

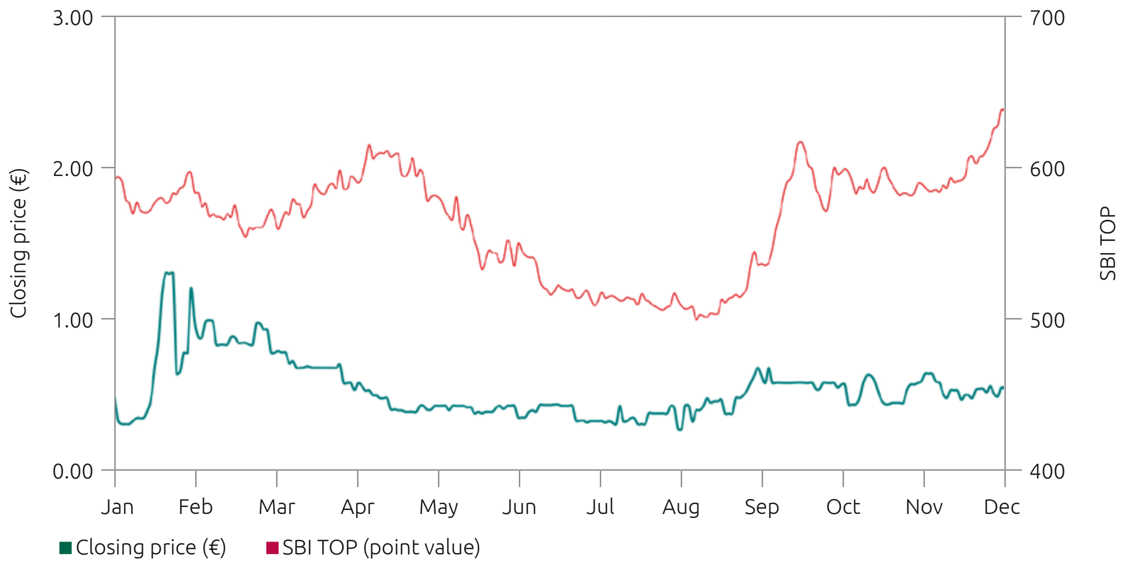
	2009	2010	2011	2012
Number of shares	7,902,413	7,902,413	7,902,413	27,488,803
Number of preference shares IEKN	0	0	0	10,657,965
Number of ordinary shares IEKG	7,902,413	7,902,413	7,902,413	16,830,838
- of which no. of treasury shares	18,135	18,135	18,135	18,135
Share book value in € (31. December)	17.34	11,21	10.74	3.67
Data on trading				
Closing price in € (31 December)	5.65	3.90	0.43	0.55
Weighted average price	6.85	4.49	2.62	0.64
Highest price in €	10.45	5.96	3.99	1.32
Lowest price in €	5.20	3.35	0.40	0.30
Market capitalisation in € thousand	44,649	30,819	3,398	9,257
Turnover in € thousand	6,621	1,774	433	223
Indicators				
Earnings per share in €	-9.05	-5,88	-0.47	-0.77
Cash flow per share in €	-8.48	-5,23	0.17	-0.07
Gross dividend per share in €	0.00	0.00	0.00	0.00
P/BV	0.33	0,35	0.04	0.15
P/CF	-0.67	-0,75	2.53	-7.44
P/E	-0.62	-0,66	-0.91	-0.71
Capital gain	-35.30%	-31.00%	-89.00%	27.9%
Dividend yield	0.00%	0.00%	0.00%	0.0%
Total return	-35.30%	-31.00%	-89.00%	27.9%

Explanatory Notes:
Book value = equity/ (number of ordinary shares – number of treasury shares)
Market capitalisation = closing price as at the year-end x 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 IEKG shares

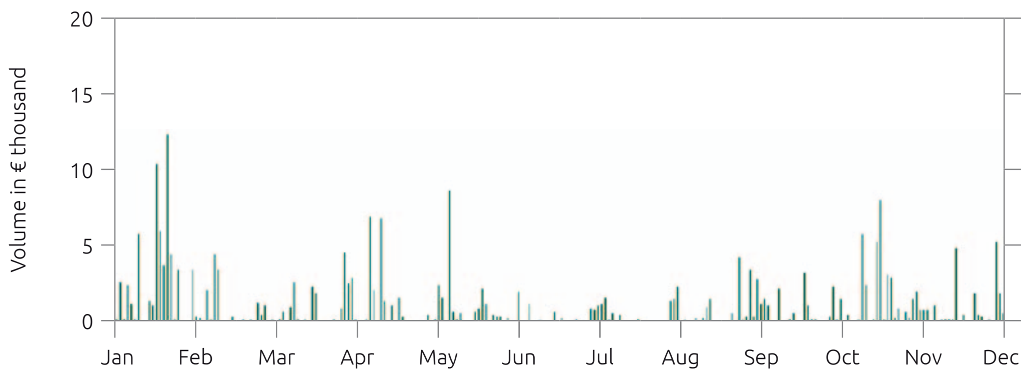
In the last few years, trading in shares of Intereuropa has been falling. In 2012 the trading volume was almost halved in comparison to the preceding year, although 50 percent more shares changed the holder. The market price of the IEKG share fluctuated between € 0.30 and € 1.32 per share. After hitting the bottom in August, it closed the year at € 0.55 on the last trading day. In one year it gained 27.9 percent of its value, while the Slovenian Stock Exchange Index (SBITOP Index) recorded a 7.8 percent rise in the same period. The market capitalization closed the year at € 9.3 million, which stands for 0.2 percentage points of the market capitalization of all shares on the Ljubljana Stock Exchange.

Chart 23: Movement of average price of Intereuropa Share and the SBITOP index in 2012



The number of shares changing owners in 2012 was 393,387 IEKG shares. The total turnover of trades with the share was € 233 thousand, and the average daily turnover € 0.9 thousand.

Chart 24: Trades with Intereuropa Share in 2012



Ownership structure of the Company

The list of Top Ten Shareholders of Intereuropa d.d., Koper, changed thoroughly by the entry of new shareholders following the capital increase. At the year-end 2012 the seven creditor banks, which entered the Company's ownership structure by conversion of a portion of their claims receivable into equity, joined the former top three shareholders (Luka Koper, KAD, d. d., SOD, d. d.). As of the last day in the reporting year, the top ten shareholders held 83.6 percent of all shares.

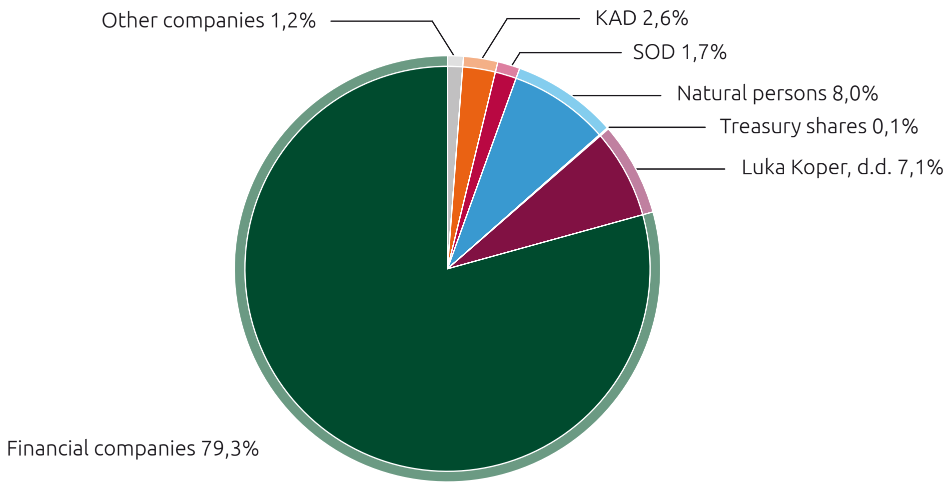
As of 31 December 2012, there were 5,477 shareholders entered in the Shareholders' Register of Intereuropa d.d., or 3 shareholders less a year ago. With the entry of new shareholders the shareholdings held by foreign investors fell by 1.7 percentage points and amounted to 0.6 percent.

Seven creditor banks who entered the Company's ownership structure by conversion of a portion of their claims receivable into equity, were among the top ten shareholders at the year-end 2012.

Table 14: Top ten major shareholders as of 31 December 2012

No.	Shareholder	No. of shares 31. 12. 2012	Share in % 31. 12. 2012
1.	SID banka, d.d.	4,942,072	18.0%
2.	NLB d.d.	4,770,601	17.4%
3.	Gorenjska banka d.d., Kranj	3,068,990	11.2%
4.	Raiffeisen banka d.d.	2,850,752	10.4%
5.	SKB d.d.	2,254,980	8.2%
6.	Luka Koper, d.d.	1,960,513	7.1%
7.	Nova KBM d.d.	1,185,292	4.3%
8.	Banka Koper d.d.	753,703	2.7%
9.	Kapitalska družba, d. d.	719,797	2.6%
10.	Slovenska odškodninska družba, d. d.	474,926	1.7%

Chart 25: Ownership structure of Intereuropa as at 31 December 2012



Share ownership by members of Managing Board and Supervisory Board

No changes occurred in the holdings of Intereuropa shares by the members of the Managing Board and the Supervisory Board. Managing Board President Ernest Gortan, M.Sc., and Deputy President Tatjana Vošinek Pucer did not hold any shares of Intereuropa d.d., Koper as at 31 December 2012.

Table 15: Number of IEKG shares held by Supervisory Board members as at 31 December 2012

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

Authorized capital

In accordance with the Statute of Intereuropa d.d., the Managing Board has the authority to increase share capital by issuing new shares in exchange for payment of up to a half of the share capital registered as at the date of entry of the Resolution amending the Statute adopted at the 22nd Annual General Meeting representing a nominal amount of € 16,488,092.56 (authorized capital) within five years after entry of the amendments to the Statute in the Court Register of Companies, with no resolution of the General Meeting required, however, subject to a consent of the Supervisory Board. The Company Intereuropa d.d. had € 16,488,092.56 of unused authorised capital as at 31 December 2012.

Dividend policy

In the last few years, the Company dedicated its top attention to maintain financial stability and reduce the leverage to a sustainable level. Unfavourable economic situation and increased exposure to liquidity risk were the reasons for not distributing any dividend in the year 2012, too. After the financial restructuring was completed at the year-end, the indebtedness of the Company decreased materially and the remainder of financial liabilities was rescheduled under such terms that allow for stable financial operations.

The Managing Board will re-assess the dividend policy depending on the level of implementation of strategic goals, and after the operating results 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. are published on our website www.intereuropa.si. Our aim is to achieve regular, honest and accurate communication with the current shareholders of Intereuropa d.d., which is underlying for building a successful business. Our emphasis is also on appropriate communication with analysts and prospective investors and correct and prompt informing of creditor banks.

In the interest of strengthening our relations with investors we held individual meetings with investors, analysts and bankers. Requirements under the information disclosure rules of the Ljubljana Stock Exchange have been strictly complied with and efforts were undertaken to improve corporate communications. The following communication tools and marketing activities were used for the purpose:

- ordinary General Meetings of Shareholders;
- presentations of the Company at conferences for investors in financial centres;
- publication of business results and other price-sensitive information;
- regular communication via the SEO-net electronic system;
- regular communication with the media;
- current release of information on operations on the corporate website.

Our shareholders are welcome to e-mail their remarks and proposals to us at info@intereuropa.si.

Financial Calendar of Publications for 2013

Date of publication	Publication of event
28 Feb 2013 Thursday	Publication of the unaudited business report of Intereuropa d.d. and the Intereuropa Group for 2012
18 Apr 2013 Thursday	Publication of the audited Annual Report for 2012
16 May 2013 Thursday	Publication of the unaudited business report of Intereuropa d.d. and the Intereuropa Group for the first quarter of 2013
21 May 2013 Tuesday	Convocation of the 26th Annual General Meeting
21 Jun 2013 Friday	Publication of resolutions of the 26th Annual General Meeting
29 Aug 2013 Thursday	Publication of the unaudited business report of Intereuropa d.d. and the Intereuropa Group for the first half of 2013
14 Nov 2013 Thursday	Publication of the unaudited business report of Intereuropa d.d. and the Intereuropa Group for the first three quarters of 2013
12 Dec 2013 Thursday	Presentation of plans of Intereuropa d.d. and the Intereuropa Group for 2014

These are the scheduled dates for publication and events. Any change will be published on the website http://www.intereuropa.si.

The scheduled periodic publications and other controlled information will be available on the website of the Ljubljana Stock Exchange, via the SEO-Net information system (http://seonet.ljse.si) and of the Company at http://www.intereuropa.si.

The Annual Report for 2012 is also published on the same website and available for viewing at the head-office of Intereuropa d.d., Vojkovo nabrežje 32, 6000 Koper, Slovenia.

2.6 Risk management

The central aim of risk management is to effectively address risk, with a modern approach, provide for higher operating performance and maintain the competitive edge of the Company. Twice a year (mid-year and at the year-end) we examined and reassessed the overall exposure to individual risk types; on the monthly or quarterly basis we monitored the implementation of measures aimed at reducing the exposure to risk. The key risks identified were: liquidity risk, sales risk, risks involved in staff (HR) and IT, and a part of strategic risks.

2.6.1 Risk management system

Intereuropa defined risk as any uncertainty concerning the expected future events/transactions which may inflict any damage or loss, or reduce the probability of achieving the envisaged goals, which might have an adverse impact on the operating performance.

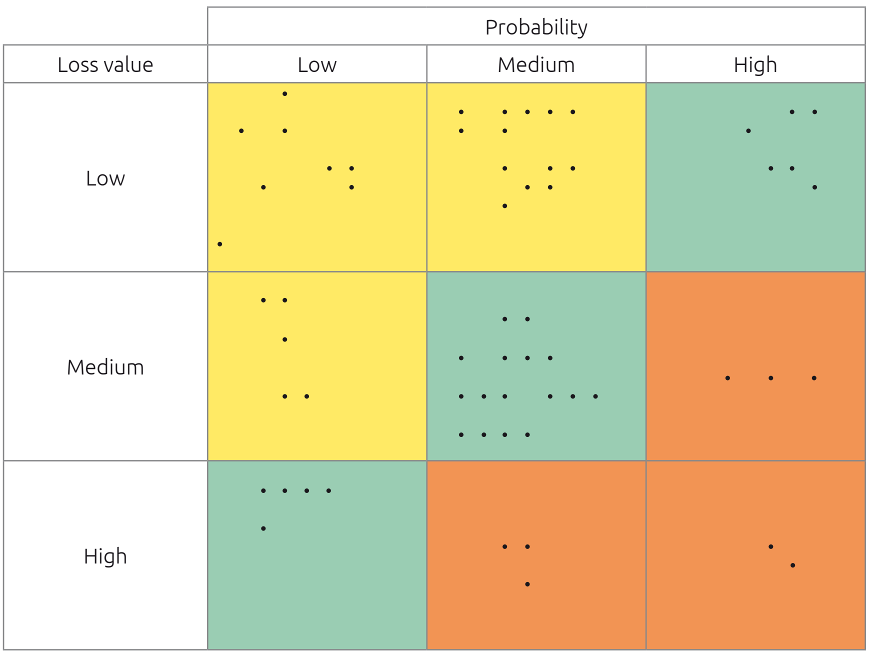
The risks to which the Company is exposed are grouped as follows:
- financial risks;
- business risks;
- operational risks.

There were 61 types of risk identified in 2012 in the company Intereuropa d.d., Koper, and their effect on the Company's operations were assessed. Thereof, we shortlisted 12 key risks with potential loss or damage in excess of € 250,000 p.a. for each individual risk. We defined the measures to reduce exposure to all types of risks, in particular to key risks, and regularly measured their implementation and effect.

In the risk management process we identified 61 types of risk on the level of the Parent Company, and adopted hedging measures and a method to control the monitoring of hedge effectiveness.

The most important risk, i.e. maintaining the financial stability, was appropriately reduced by long-term re-scheduling the bank loans, capital increase of the Company and disposal of the investment in Russia. Lately, the sales risk has been significantly increasing (pressures to reduce prices; declining demand for services) and we responded to it by intensified marketing activities, expanding our range of services and improving the efficiency.

Picture 2: Risk Distribution according to potential loss and probability of occurrence



Key risks in 2012

The key risks in 2012 comprised:
- liquidity risk;
- sales risk;
- personnel risk;
- risks involved in information-communication technologies (ICT);
- strategic risks.

In 2012 we greatly reduced the most significant risk by assuring financial stability of the Company.

Liquidity Risk: Overall financial and economic situation, and poor financial discipline are the main reasons for exposure to liquidity risk, which is one of key risks. Following the financial restructuring and establishing financial stability for the Parent Company, our exposure to liquidity risk has essentially reduced.

Sales risk is still found to be a key risk. We manage it by flexible, customer-sensitive and individual relations with all customers. Prices and other conditions on the logistics market remain volatile, therefore we are adapting to the new circumstances while providing a high lquality evel of service. Due to great dispersion of our customers, we assessed the sales risk as medium and the probability high.

Personnel risk was identified as a key risk on the ground of the key importance of staff in the logistics business. 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 performance-linked bonuses. The risk was assessed as medium and the probability medium.

Risks involved in information-communication technologies (ICT risk) was identified as a key risk due to close dependence of operations on the availability of information solutions and competitive edge that is assured by this technical segment, as well as due to extended application or transfer of the new IT solution supporting the Company's logistics processes. The risk was assessed as high and the probability medium.

Strategic risks. At the beginning of the year we included providing for financial stability of Intereuropa d.d. among key strategic risks. After the financial restructuring process was completed, the exposure to that risk was reduced. The risk is assessed as medium and the probability low.

Expected risks and future operations

In the coming year, we will twice a year examine and reassess the exposure to all risk types, both for the Parent Company and for the majority of Group members. The system of risk management will be transferred to bigger companies in our Group and applied to a level lower – to business units. Hedging measures for each risk type will continue to be applied with the aim of reducing individual risks to an acceptable level. The focus will remain on managing the key risks.

For 2013 we expect continued exposure of Intereuropa d.d., Koper to sales risk and liquidity risk.

Picture 3: Risks map

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

2.6.2 Financial Risks

Active management of financial risks, aiming to maintain the financial stability of companies and their cash flows, has remained our continual concern. Also in 2012 our aim was to maximally reduce our exposure to individual types of financial risks, with a number of activities carried out by the corporate financial function for that purpose.

Active management of financial risks remains our continual concern.

The key financial risks were identified as follows:

- credit risk, as a default by the counterparty;
- currency risk;
- interest rate risk;
- liquidity risk.

For more details on financial risks please refer to Financial Report herein.

Credit Risk

Credit risk involves primarily the risk for default on payment for the services rendered; the management thereof is a part of our day-to-day activities. In the tough market situation, the credit risk has become even more acute and our full attention is dedicated to it. We address that issue by current analyses of credit rating information on our customers' profiles, setting appropriate credit limits, securing risky receivables, and active monitoring our outstanding receivables.

Thanks to these activities and high dispersion of our receivables among a number of customers of a different profile and from different branches of industry and geographical regions, we assess the credit exposure of the Group to individual customers as low. Despite involving a high probability of materialising, credit risk has a low impact on our operations.

Currency Risk

In the Slovenian part of the Group, exposure to currency risk involving a change to exchange rate is low because almost the entire cash flow is in euros. Higher currency risk is perceived in our companies operating outside the Euro Zone, in particular the risk of changes in exchange rates of the Serbian dinar, Croatian kuna and Ukrainian hyvnia, and in 2012 also of the Russian rouble. The cash flows of those cases are relatively effectively hedged by alignment of inflows and outflows in individual currencies in terms of time and amounts, the so-called natural hedging. However, the open foreign-exchange positions in the balance sheets of subsidiaries which have raised loans in euros involve risk and we estimate that any major change in the national currency exchange rates would have a substantial impact on their operations.

Financial restructuring has contributed to reduced exposure to liquidity risk.

On account of different currency risks of Group members operating within or outside the Euro Zone, the currency risk of the entire Group is assessed as medium, with a medium impact on operations.

For more details on currency risk exposure please refer to Financial Report herein.

Interest Rate Risk

Interest rate risk denotes a risk that an increase in interest rates that would result in higher expenses from financing.

In a considerable portion of financial liabilities of the Intereuropa Group the costs of financing are linked to the variable interest rate EURIBOR; since no hedge has been taken to mitigate a change hereof, we are exposed to that risk. Considering the extremely low EURIOR values at the end of 2012 we can expect a gradual rise and our exposure to interest rate risk is assessed as high, with a medium impact on operations.

The effect of changes in the EURIBOR variable interest rate on the profit or loss statement is presented in the Financial Report.

Liquidity Risk

Liquidity risk, or solvency risk respectively, stands for a risk that any Group member would fail to provide for sufficient liquidity funds to settle all their liabilities due.

We manage that risk by planning and active management of cash flows in the Group. Following the financial restructuring and achieving financial stability for the Parent Company, our exposure to liquidity risk in 2012 was essentially reduced in the entire Group. The probability of liquidity problems is assessed as low; it would, however, have a high potential impact on our operations.

2.6.3 Business Risks

Major business risks are still associated with the outcome of recession and unforeseeable events or trends on the markets of logistic services.

In Land Transport, the impacts of declining international trade in goods are particularly shown in a fierce competition and downward price pressures, as well as in increasing transport costs; in Intercontinental Transport, the problem occurs in achieving the appropriate supply terms in our suppliers. In both these business areas, we have successfully adapted to market requirements by intensified marketing activities.

In the area of Logistics Solutions the impacts are reflected in downward price pressures due to excess warehousing capacities, which have been successfully managed by cost containment and additional marketing activities.

Land Transport

Risks arising from overall economic recession
The risks are associated with the global market in which we operate as a logistics provider. The bulk of our revenue in land transport is achieved in Slovenia, therefore a reduction of that risk largely depends on the recovery of Slovenian economy.

We can still perceive a mismatch between demand and supply of transport services on the market, which has driven transport prices up. On the other hand, price competition among providers of transport services has been increasing. The resulting risk arises from the inability to shift higher input costs on customers.

The highest risk in our Land Transport is associated with the impacts of economic recession and situations on markets that are difficult to foresee.

The key measures for managing the risk remain process optimisation and seeking synergies among the companies of the Intereuropa Group. Much attention is dedicated to situation on the markets of our presence and our major partners in foreign trade; we also monitor the development of our customers. The risk is managed at the product and organizational unit level. It is assessed as a high risk involving a critical impact on achieving the goals set.

The risk of rising fuel prices
Analysts forecast further growth of oil prices also for 2013. Any increase in fuel prices poses a high risk because the fuel costs stand for nearly one third of transport cost. Changes in market energy prices are beyond our control and the risk can only be mitigated by selecting the lowest contractor or changing our sale prices. The management of the business area assumes the risk control, assisted by heads of individual organizational units.

Risk related to unforeseen changes in the network of partners
Acquisitions and disposals of companies are common in logistics industry. Medium-sized family enterprises associate in alliances to survive. Intereuropa d.d. cannot join one of them because of the Company's ownership structure. As such companies are part of our partner network, there is a possibility that such a combination might result in a conflict of interest with the new owner, who has either a subsidiary or strong partnership in countries in which Intereuropa is present. On the other hand, any change in the shareholder structure of Intereuropa d.d. may lead to the same risks as well.

The impacts of this relatively high risk depend on the country, or number of countries in which a change of the partner takes place. We manage the risk of unforeseeable changes in the network of partners by linking with a larger number of partners in a particular territory, and by constantly and actively monitoring the segment concerned. Risk management is within the powers of the management of the business area.

Intercontinental Transport

The most important and most probable risks were still directly linked to the situation on the global market and the continuing outcomes of economic crisis, affecting the business of our suppliers and meeting their supply terms, and affecting the business and solvency of customers. The probability of business risks in Intercontinental Transport is assessed as moderate.

Risk in operations with customers
We envision the poor payment discipline to further deteriorate in the coming year. On-going uncertainty on the markets fuels the customers to expect a longer payment terms (deferred payment) and even more flexibility in servicing, also providing for prompt information. Servicing companies can operate with lower inventories and financial burdens. The risk of operations with customers is regarded as a key business risk, involving our response to the customer's needs and monitoring their financial rating.

We assess this risk as moderate, and impact on operations as medium. The risk is managed by heads of individual organizational units and sales officers. Checking the balances of customers and outstanding receivables, as well as reporting is made monthly at regular meetings of the management of organisational units and of the Forwarding and Logistics division.

Risk in operations with suppliers and the network of partners and agents
The risk is assessed as moderate. Shipping companies, air carriers, ports and intermodal operators are under cost pressure of supply chains. When the market is low, the situation grows uncertain. Transport operators respond by discontinuing their service lines, or reducing departure frequency.

Essential risks in Intercontinental Transport are related to the operation of our suppliers and key customers. Relevant are the acquired terms of supply that support a wider range of customers.

Such a situation was acute in the Balkans in 2012. There are frequent changes in the rates of shipping companies and air carriers – occurring on a weekly basis. The situation on the market has a moderate impact on operations. The risk 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. Reporting on the action taken is made monthly, at managerial meetings of the resp. Company. The risk has a medium impact on operations.

Risk of competition in the logistical market
The growing competition in sea-freight, air-freight transport and car logistics segment is shown in frequent changing of the market shares held by individual logistics providers. Customers on the fairly limited market of the Balkans frequently change their logistics providers. The smallest changes in, or variances from the price or regularity of service lines or reliability of logistic service are decisive. These factors affect the growth of revenues and physical volume of operations, which are aggravated. Such trend is expected for the year 2013, too, and assessed as moderate.

The impact of risk on the operations of this business area is medium high. We monitor the development and operations of competitors to be able to mitigate the risk. These activities are carried out by heads of individual organizational units and product managers who report to the management of the company on a monthly basis.

Logistics Solutions

Sales Risks
These risks are related to the expectations and satisfaction of customers with our services, as well as with our cost efficiency or competitiveness – professional service, respectively. In the provision of services we respond to the expectations of customers who increasingly demand complex, integral and IT-supported logistics solutions. Warehouse facilities are often linked with the local industry which in turn increases dependency on individual providers.

Through mechanisms for continual internal quality control in rendering our services and checking the customer satisfaction we reduce the risk of losing a customer. The risks are controlled by the respective business area or segment and organizational unit which adopt appropriate measures. The effectiveness of measures addressing the sales risks is monitored by following the sales and financial results, customer satisfaction and complaints at the level of the business segment and organizational units. The impact of sales risks on operations is assessed as high and risk materialising is highly probable.

Risks related to economic crisis

These risks are associated with a possible decrease in the volume of operations due to negative effects of the economic crisis. Concurrently, there may be pressures coming from customers to reduce the prices for services, who are aware of the surplus storage capacities on the market. The risks related to economic crisis are managed by measures aimed at synergies and a search for internal reserves. The situation is discussed at regular monthly coordination meetings, preparing the measures to enhance sales promptly. The risks involved in economic crisis may have a high impact on operations and are highly probable.

The focus in Logistics Solutions area was on measures to reduce sales risks and the risks of available warehousing capacities, which are the most strategically important for the business area.

Risk of availability of warehousing capacities

The risk is associated with the possibility that enquiries for using an already occupied warehouse capacity are received from existing or potential new customers. We manage this risk by agreements with customers, internally directing demand to appropriate locations and by cost management of other products. Accordingly, customers do not feel any cost impact of warehouse in different locations.

The risk is controlled by the business area or segment which, supported by the company directors and heads of organizational units, monitors the customer's needs on the market. 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 (dangerous goods, food and animal feed)

Specialization for handling individual product groups brings additional risks from providing for technical requirements of facilities and means of transport, as well as the requirements in the technology of work.

We manage the risk by monitoring of legal regulations and technical requirements for the facilities, by establishing the relevant management systems (e.g. HACCP for foodstuffs and fodder) and by current monitoring of pick-up operations, storage, additional services in the warehouse, and release of goods (unwarehousing). The risks are controlled by the respective business area or segment and individual organizational unit.

The efficiency of the risk-reducing measures is measured by annual internal controls that are imposed by the persons in charge of internal control, by system audits and periodical external controls implemented 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 Operational Risks

The operational risks are associated with the design, implementation and supervision of business processes and activities. They are managed through internal controls, maintenance, insurance, organizations and processes. The key operational risks include:

- risks related to implementation of strategic business plan;
- risks involved in information-communication technologies (ICT);
- risks related to personnel management.

Strategic risks
The most important risks in the implementation of strategic business plan are those associated with financial stability of the Group. Factors affecting financial stability are:

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

In 2012 we concluded the agreement with banks on long-term re-scheduling of loans, undertook a capital increase of the Company by conversion of a portion of bank loans, sold the investment in Russia and extended all short-term loans for financing of working capital. Faced with an extreme fall in the real estate market, we did not undertake any other major disinvestment. With the successful financial restructuring and establishing financial stability for the Parent Company, our exposure to this strategic risk was reduced.

Risks involved in information-communication technologies (ICT)

ICT risks increased in the Parent Company due to downsizing of staff in IT Department and reducing the volume of outsourced maintenance and licence contracts with IT suppliers. The level of risks was further aggravated due to worn-out ICT equipment. The measures adopted in the ICT segment address the modernisation of ICT infrastructure and agreements with suppliers for timely delivery of IT services. Emphasis was laid on the implementation of ICT-projects and monitoring: delays incurred in the projects for informatisation of operations and deficient knowledge on information solutions involve a risk of delayed introduction of IT solutions and the resulting non-availability of support to operations.

Risks related to personnel management
Risk associated with hiring appropriate qualified staff, personal development of staff, their remuneration and motivation. Particular attention is dedicated to efficient development, building a success-driven culture and promoting on-going education and training of employees, as motivated and professionally qualified employees are the key element for the corporate development.

Personnel management runs through established systems, such as the HR planning system, the training and education system on all levels, the remuneration system and performance assessment, the system of identifying and managing the key personnel and promising human resources, the system of internal communications, and the system of workers' participation in management. Staff turnover, in particular of key and promising staff, is being currently monitored and ensures an optimum level of turnover.

2.7 Development and investments

2.7.1 Development of informatisation of operations

In the segment of computerisation (informatisation) of operations, the emphasis was laid on the stabilisation of the modernised TMS system (Transport Management System) for the business area of Land Transport. Specifications of requirements were implemented for the transfer (expansion) of integral information system to the business segment of Sea-freight the business area of Logistics Solutions. Further specifications of requirements were prepared to introduce digitalisation of incoming documentation in operational services.

The established Intereuropa platform for e-commerce enables a flexible input of new customers and links with our partners in business. It was designed for electronic capture of orders, exchange of status reports on consignments and catalogues. That solution supports an efficient, paperless execution of services.

The internet-based service represents added value for our customers, supporting online monitoring of consignment status and tracking of their shipments. In 2012, the online service of Intereuropa was upgraded so as to provide for additional information.

The strategic goal of the Group requires an optimisation of business processes and harmonisation of ITC systems in all business areas.

In the frame of financial and business goals of the Group, the IT structures were customised to match the current capacities and operational needs of the companies in the Group. The Department for Computerisation of Operations was reorganised accordingly.

In the IT area, the development for 2013 envisions the following segments:
- introduction and integration of the new computerisation system for Logistics Solutions (the ISPRO WMS module);
- testing of the new computerisation system for the Sea-freight (the ISPRO Sea-freight module);
- specification of requirements for the new computerisation system for Car logistics (ISPRO AMS module);
- introducing digitalisation for the entire operational documentation (EBA) and integration with the remaining systems (TMS and SAP);
- further development of online service supporting the customers in e-capture of orders.

In infrastructure, the focus in 2013 will be placed on:
- introduction of satellite-communication devices for the control and tracking of vehicles in delivery;
- upgrading the computer equipment and system infrastructure (servers);
- development the intranet platform – for internal use of employees.

In particular is noteworthy that we implemented the specification of requirements for launching the new TMS to the subsidiary in Croatia (Intereuropa, logističke usluge, d.o.o., Zagreb).

There was no major development IT projects in other companies in the Group: all activities were associated with the maintenance of existing systems.

2.7.2 Participation in European Projects

In May 2012 Intereuropa completed its work on the international project MOS4MOS (Monitoring and Operating Services for the Motorways of the Sea), in which we were involved with 28 partners from Greece, Spain, Italy, and Slovenia. The project was co-financed by the EU. The subject matter was finding concrete solutions, in terms of substance and IT design, for improving the flow of information and business processes among all the partners involved in a logistics chain.

In this project Intereuropa was working on five initiatives for improvement. The result of the project was a list of processes eligible for potential improvements in terms of substance and IT design or solutions. IT-solution prototypes for envisioned improvements were made for each task group separately.

2.7.3 Investments in Fixed Assets

The Intereuropa Group

Due to complex macroeconomic situation on the market and the financial position of the Group, investments in fixed assets covered mostly the completion of investment projects in progress and implementation of most urgent work and purchases.

On the Group level, we realized investments in fixed assets in the amount of € 2.009 million, thereof € 754,000 in real estate and € 1.165 million in equipment and intangible assets. The annual plan of investments was exhausted to the level of 51.4 percent.

Table 16: Overview of Investment Plan implementation in 2012*

in € thousand

	Real property		Plant & Equipmeent		Total investments		
	Plan	Realization	Plan	Realization	Plan	Realization	Realization in %
Intereuropa d.d.	1,047	506	1,128	338	2,175	844	38.8
Subsidiaries	424	248	1,312	917	1,736	1,165	67.1
Total Group	1,471	754	2,440	1,255	3,911	2,009	51.4

* Breakdown of items Property, Plant and Equipment, and Intangible assets: of total investments at € 2.009 million in the Group, € 1.968 million was invested in Property, Plant and Equipment, and € 41,000 in Intangible assets, respectively.

Investments in the Parent Company Intereuropa d.d.

Major investments in the Parent Company Intereuropa d.d. were as follows:
- completion of a new phase of the cold-store facility in Celje (Hall B);
- reconstruction of roof (Hall B), facility in Ljubljana;
- completion of repair work on the roof (Hall B), facility in Celje;
- redesign of business premises in Koper, as needed for the occupants;
- purchase and installation of loading platforms in warehouses;
- reconstruction of roof of the office building in Koper.

In 2012, the Intereuropa Group restricted investing to the most urgent projects.

Additional ISPRO-project management costs (€ 103,000) were accrued in the scope of Intangible Assets, recorded as long-term deferred development costs but not included in the spread-sheet.

Investment in subsidiaries

Major investments implemented in the subsidiaries of the Intereuropa Group:
- purchase of trucks in subsidiaries in Croatia and the Ukraine;
- renewal of transformer station in logistics centre Chekhov;
- finishing works in Chekhov terminal, and protective roofing construction for gas junction;
- roof reconstruction of the warehousing and office building in Zadar (Croatia);
- reconstruction of a part of roof of warehouse facility in Podgorica (Montenegro);
- purchase of vehicles (cars, delivery vans, motorcycles);
- purchase of computer equipment (PC, printers, bar-code readers, etc.);
- procurement of warehouse equipment (loading platforms, forklift trucks, racks);
- procurement and installation of fire-alarm system, conditioning, and video control in Sarajevo.

Plans for 2013

Investments on the level of the Group will amount to € 3.755 million. The investments will mostly comprise transport vehicles, IT (licences and computer equipment), warehouse equipment (forklift trucks, storage racks, ramps, gates), a warehouse superstructure in Maribor, and reconstruction of roofing coverings in Samobor (Croatia). The Parent Company Intereuropa d.d., has earmarked investments at approximately € 2.1 million.

As customary, we will prepare an additional economic feasibility analysis before starting each major investment.

SUSTAINABLE DEVELOPMENT

3 SUSTAINABLE DEVELOPMENT

The corporate responsibility is integrated in all aspects of operations of the Intereuropa Group. Our particular attention is paid to appreciation of our staff members – employee care, social and natural environment. Our dedication to sustainable development is perceived as a part of our competitive edge.

The principles guiding us in maintaining and further development of good relations with our immediate and wider environment:

- ethical conduct in respect of 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
- concern for consumers and meeting their requirements for better quality of service, also complying with the high social and environmental standards.

3.1 Employees

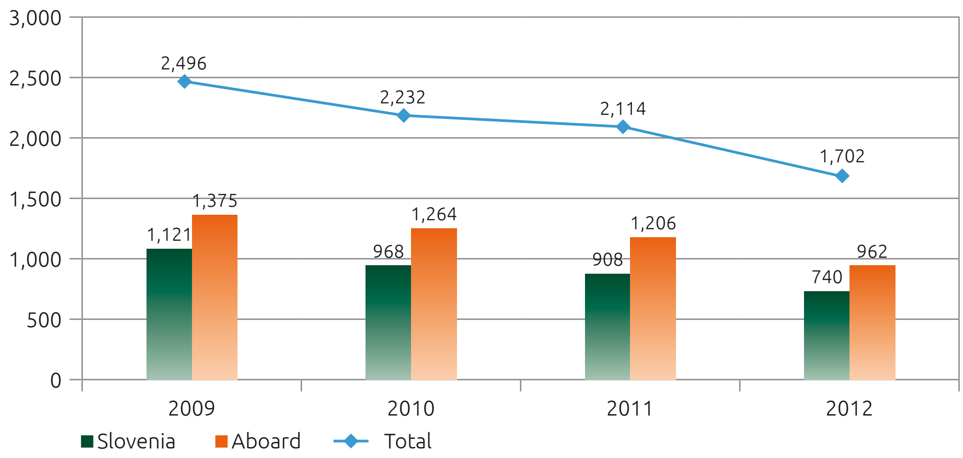
3.1.1 Number of employees

At the end of the year 2012 we had 1,702 employees in the Intereuropa Group. Thereof, 44 percent were employed in Slovenia and 56 percent in the subsidiaries abroad. Compared with the end of 2011, the number of personnel was 19 percent lower, or by 412 employees.

3.1.2 Changes in employee numbers

Following the global crisis, the number of employees of the Intereuropa Group has been decreasing all the time since 2009; the market situation demands continual optimisation of work processes and improvement of our productivity. The largest part of downsizing in 2012 was attributable to disposal of our Russian subsidiary (168 employees) and the liquidation of subsidiary Intereuropa Transport d.o.o., Koper (117 employees).

Chart 26: Changes in employee numbers, 2009 – 2012



In total, 529 employees left the Group during the year 2012. Newly recruited were 117 staff members, thereof 43 in our Croatian subsidiary. In most cases the new recruitments replaced the personnel who left the Company, and a certain number was taken on to engage in newly acquired business. The optimal HR structure was maintained by internal transfers: there were at least 124 employees transferred to another work area in the Slovenian part of the Group. The overall fluctuation rate in the bigger companies of the Group was 13 percent, or 1 per cent more than a year ago, (or 33 percent, if the subsidiaries Intereuropa-East Ltd, Moscow and Intereuropa Transport d.o.o. in liquidation are taken into account, which is 21 per cent more than in 2011).

The major impact on downsizing the workforce in the Intereuropa Group in 2012 resulted from the disposal of subsidiary Intereuropa-East Ltd., Moscow, and from the liquidation proceedings on the subsidiary Intereuropa Transport d.o.o., Koper.

As at 31 December 2012, the Group had 1,557 employees on a permanent and full time basis (91 percent) and 145 employees with temporary employment (9 percent).

In case of temporary needs for personnel and for the requirements of warehouse management we made use of more flexible employment forms, such as by engaging employment agencies and students' job centres. There was 7 percent of the workforce employed under such arrangements, which is one percent less than a year ago.

The utilisation of work time in the Parent Company was 79.4 percent, or slightly lower than in 2011 (80.6 percent).

Comparison of employee numbers by companies in the Group in the years 2012 and 2011 is presented in the table below:

Table 17: Number of employees in the Group by companies

	31. 12. 2011	Incoming	Outging	31. 12. 2012	Difference 12-11	I 12/11
Intereuropa d.d., Koper	768	16	64	**720**	-48	94
Intereuropa Transport d.o.o., Koper*	117	0	117	**0**	-117	0
Interagent d.o.o., Koper	19	0	2	**17**	-2	89
Interzav, d.o.o., Koper	4	0	1	**3**	-1	75
Slovenia	**908**	**16**	**184**	**740**	**-168**	**81**
Intereuropa, logističke usluge, d.o.o., Zagreb	498	43	95	**446**	-52	90
Intereuropa Sajam, d.o.o., Zagreb	16		1	**15**	-1	94
Intereuropa RTC d. d. Sarajevo	145	9	23	**131**	-14	90
AD Intereuropa-logističke usluge Beograd	108	9	9	**108**	0	100
Intereuropa Kosova L.C.C, Priština	25	2	2	**25**	0	100
Zetatrans A.D. Podgorica	162	2	11	**153**	-9	94
Intereuropa Skopje DOO, Skopje	33	2	2	**33**	0	100
Intereuropa-East Ltd., Moscow**	168	23	191	**0**	-168	0
TOV TEK ZTS, Uzhgorod	49	11	11	**49**	0	100
Intereuropa Global Logistics Service Albania, Durres	2	0	0	**2**	0	100
Other countries	1,206	101	345	**962**	-244	80
Total	**2,114**	**117**	**529**	**1,702**	**-412**	**81**

* Subsidiary Intereuropa Transport d.o.o., Koper, in liquidation process since 17 January 2012.
** Subsidiary Intereuropa-East Ltd., Moscow, sold on 15 November 2012.

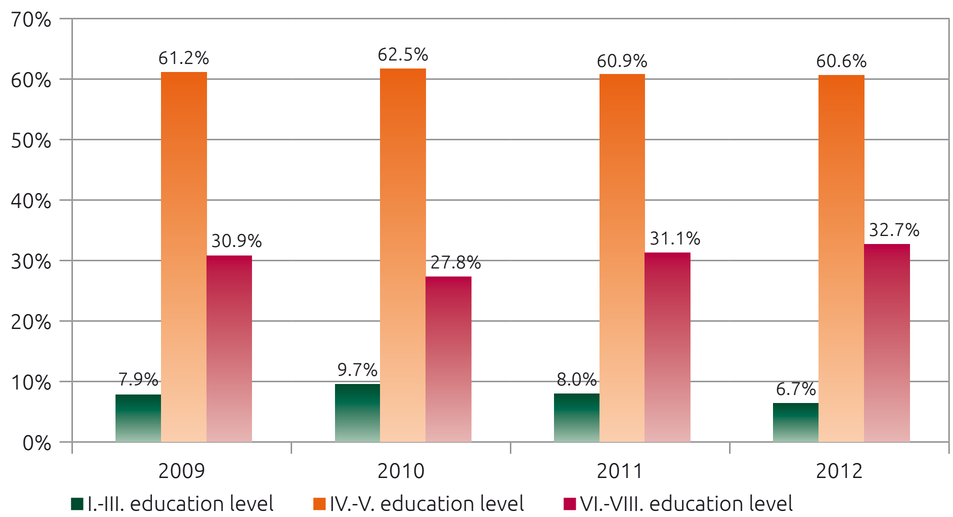
3.1.3 Employee Structure

Qualification structure of employees

The qualification structure of our employees changed only slightly from that of 2011: Operational staff with the fifth and fourth qualification levels (4-year secondary technical education, or 3-year vocational secondary education) has prevailed in the Group for several years, with slightly above 60 percent. The share of employees with post-secondary vocational education, or higher (university) education has been gradually increasing, on account of the share of employees with lowest educational qualifications. At present, we have contracts on training/education only with 3 employees in the entire Group. The strategy of the Group on education and training primarily focuses on acquiring functional knowledge and skills; we have abandoned the former practice to provide funding to individuals interested in acquiring higher level of formal education, as we had undertaken earlier in the past.

In personal development of our employees, we encourage them to acquire functional knowledge.

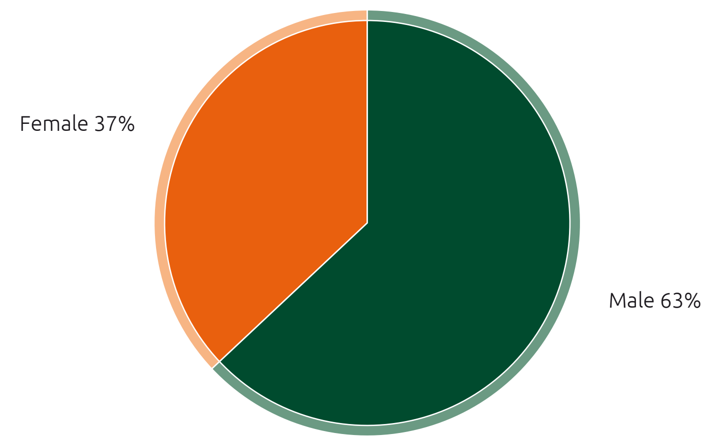
Chart 27: Qualification Structure in the Intereuropa Group, 2009 – 2012



Employee structure by age and gender

Female and male employees have almost an equal share in the Group. The parent company has got 55 percent male and 45 percent female employees. The management structure by gender has remained unchanged since 2011. Compared with the year ago, the number of employees under a service contract fell from 70 to 64, which resulted from the closure of some subsidiaries. The average age in the Slovenian part of the Group is 44 years.

Chart 28: The management structure (under service contract) by gender in the Intereuropa Group in 2012

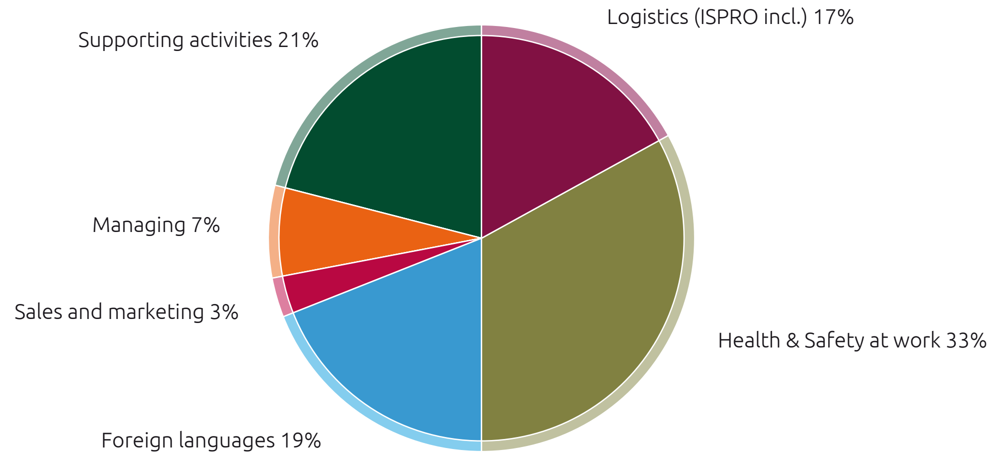


3.1.4 Training and development of employees

In accordance with the austerity measures that continued in the year 2012, we restricted the training forms involving external lecturers to the "strictly required" knowledge or skills for employees that are required by law. As a result, only one half of funds earmarked for training in the reporting period were spent.

With internal instructors we held 37 percent of education and training forms. These mainly comprised the training on occupational health and safety; in the Parent Company the focus was on the IT support to logistical processes.

Chart 29: Education & Training structure by content



According to contents, these training forms comprised mostly new knowledge on occupational health and safety (fire safety, transport and handling with dangerous goods, first aid, fire extinguishing and evacuation, etc.); logistical skills (IT support to logistical processes, customs broking); foreign language courses (primarily English and German); other technical knowledge from various fields: finance, auditing, accounting, law, etc.

In the Slovenian part of the Group, 42 staff members were included in leadership training forms, and 35 took part in training on marketing and sales.

Table 18: Education & Training of Intereuropa Group staff, comparison 2011 vs. 2012

	2011	2012
Hours of functional training (seminars, courses, technical meetings, etc.)	27,009	9,026
Number of hours of training per employee (internal education)	20,029	3,361
Number of participants	2,604	908
*Funds spent on education & training (total)	62,248.0	68,158.0
*Funds spent on education & training per employee	30.0	40.0

* This amount only includes tuition and participant fees (in €).

Compared with previous years, the volume of hours of training in 2012 was reduced; ISPRO Project, which required lengthy internal training, was brought to its concluding stage. In the Slovenian part of the Group, the employees were included in yearly training with 7 hours on average.

Our goal remains to include every employee in a training programme for at least 20 hours yearly, which also includes a systematic rotation and induction training for new types of work, the work on larger new projects, coaching, in-service training, training in another org. unit/company, aiming to enhance flexibility in our employees.

3.1.5 Care for Employees and the broader social environment

The concern for our employees remained on a comparable level as in the past, despite cost-containment in all areas. Activities promoting our concern are:

- on the occasion of a round anniversary of service we awarded 62 employees in the Slovenian part of the Group;
- we maintain the tradition of presenting gifts to children of our employees at Christmas. In the Slovenian part of the Group, 170 children received a gift coupon in the amount of € 30;
- our present and retired employees are offered to spend a holiday in our holiday accommodation facilities at favourable prices. The occupancy of these facilities was 36 percent, which was 2 percent higher than a year ago;
- financial aid in total amount of € 54,004.00 was granted to 82 our employees who were affected by difficult health condition or had to cope with inferior financial position, death of family members and similar;
- additional voluntary pension insurance is paid for 651 employees (88 percent) in the Slovenian part of the Group ((Intereuropa d.d., Koper, and Interagent d.o.o., Koper), amounting to € 39 per employee on average;
- 12 employees in the Slovenian part of the Group used the option for flexible work schedule to facilitate their coordination of work and family life;
- we cultivate our relations and connections with educational institutions in the local and broader environment: we provided obligatory work practice to 77 secondary school and tertiary level students; it can also be arranged that students select topics for seminar papers or diploma thesis, incl. technical assistance;
- we encourage recreational activities to maintain and promote health for our employees.

Our goals are focused on improving the level of employee commitment, which includes: open communication, encouragement to proactive thinking and dialogue at all levels, abandoning the hierarchical approach, mentoring development (annual interviews with employees by setting goals and initiatives), encouragement to self-learning, organization of team-building events (also informal) on the level of individual units, concern in psychical and physical health of employees, sick leave management, and other activities.

3.1.6 Occupational Safety and Health

The provision of a healthy and safe working environment is a major concern of the Group, given absolute priority on the ground that it links optimal efficiency, motivation and commitment of employees to work.

In addition to efforts for employees' general safety, preventing injury and health impairment in the workplace and outside, the employees need such a level of occupational safety and health that assures them the highest possible safety and integrity.

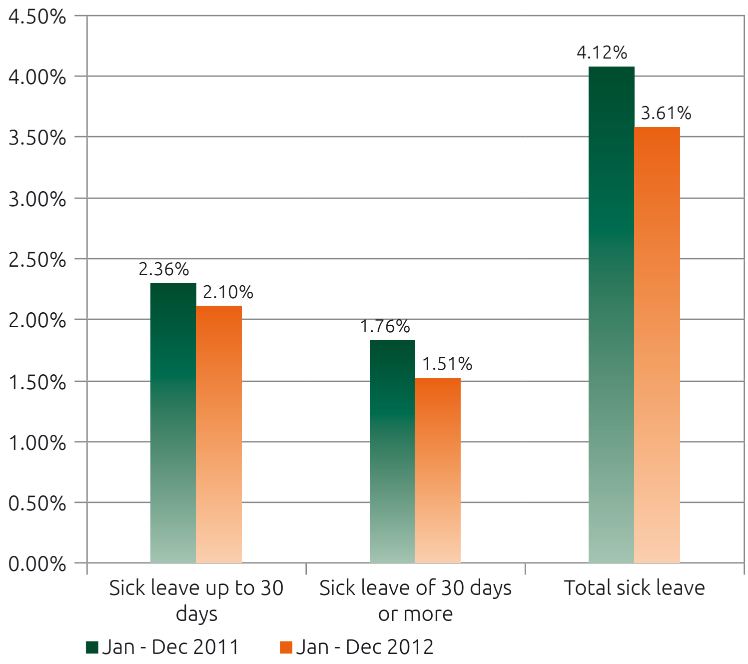
There were five inspections in the Parent Company in 2012. Some deficiencies were remedied.

Employee Healthcare

In cooperation with authorized physicians of occupational medicine, we referred 231 employees to dedicated preventive, preliminary, periodical control and target medical check-ups; on the Group level the total number was 502.

In the Slovenian part of the Group we organised vaccination against flue: 98 employees (or 9 less than a year earlier and 42 less than in 2010) took part.

Chart 30: Shares of sickness absenteeism in Intereuropa d.d., 2011 – 2012



The share of sickness-related absence in the Parent Company decreased in the reporting year by one percent on average.

Injuries at work

In the Slovenian part of the Group there were fewer accidents at work and injured employees (20, or 5 less than a year ago). Of the 20 injured persons was one student employee. There were no accidents with severe injuries.

On the Group level were 25 injured in accidents at work (2 with severe outcome), which was 17 accidents less than a year ago.

The analysis of injury sources, causes and factors revealed that the accidents were mostly attributable to an individual personal factor. This year there were more accidents on the way to/from work (9).

Work equipment examination and testing

Certain risks for injuries or health impairment are involved in handling with working assets and equipment (machinery, forklift, lifting equipment, elevators, gas, electrical and lightning conductor installations, etc.). In individual organizational units in Slovenia, 1,707 sets of different working equipment were examined and tested, or 1,828 in the whole Group.

The provision of a healthy and safe working environment has a bearing on optimal efficiency, motivation and commitment of employees to work, therefore it is a major concern of the Group.

Fire safety and protection

Our employees are involved in training on fire-safety measures. Particular attention was dedicated to providing sufficient control over fire safety and precautions. Regular inspections of facilities, work environment, active and passive fire-fighting equipment (fire extinguishers and hydrant network, fire detectors, domed smoke and heat vents/exhausts, automatic fire-proof doors, etc.) were conducted in the scope of fire safety and prevention.

In December 2012 we organised training for fire fighting at the early stage in business unit Dravograd.

3.2 Responsibility to natural environment

Intereuropa observes the national regulations and laws regulating the containment of dangerous emissions to environment and energy losses, and separate waste collection and recycling, and is also compliant with the European guidelines and environmental Directives.

Responsible attitude towards the environment is an integral element in all work processes and business decisions, in particular:
- efficient use of energy;
- waste management;
- management of waste computer equipment;
- procedures for handling dangerous goods;
- luminous pollution.

Efficient use of energy and separate waste collection/disposal

The following measures were applied to achieve energy efficiency:
- regular cleaning and servicing of furnaces, chimneys and air-conditioning appliances;
- regular checking and replacement of spent air-conditioning devices;
- regulation of heating installations and additional regulation of heating on non-work days;
- restoration and additional thermal insulation of roof on warehouse and office buildings.

In 2012, we restored 9,050 m² of roof areas in Koper and Ljubljana and improved the energy utilisation, or achieved savings in energy consumption for heating.

Separate waste collection and disposal support our long-term goals towards reducing the waste volume and achieve the expected outcomes. Special containers are used for separation of non-dangerous waste (cardboard, paper, wood, metals, glass, rubber, plastic foils). Dangerous chemicals and waste oils are collected in dedicated storage facilities, while the organic waste of animal origin is removed by specialized contractors.

Also waste monitors, printing toner cartridges, batteries and other waste computer equipment is collected separately and under an agreement with a certified waste collector removed to dumping ground at least once a year, as provided by the law.

Intereuropa lays emphasis on energy efficiency of warehouses and office buildings and supports alternative energy sources, as well as effective waste management.

In 2012, the rooftops of the Intereuropa buildings in Ljubljana were rented out for the installation of photovoltaic arrays; in Ljubljana 4,520 modules with a power of 999 kWp were installed, and it is estimated that the energy so generated should meet the electricity requirements of 275 households and permit an annual reduction of 660 tons of CO_2 emissions. By doing so, Intereuropa indirectly joined the co-financing programme for renewable energy sources.

To date, we have rented out the rooftops for installing 5 solar plants with a total power of 5,055 kWp, which could be sufficient power supply for 1,390 households and contribute an annual reduction of 3,340 tons CO_2 emissions in a year.

Reducing adverse impacts on the environment in transport and business processes

We are aware that traffic is a major source of pollution, so in the course of selecting suppliers for road transport, we observe the engine number, or the share of eco-engines in the fleet of our contractors.

In other business processes we are directly reducing the negative impacts on environment, by avoiding paper administration, applying various energy-saving measures in our warehouses and buildings, and raising awareness of the contribution of each individual to preserve the environment. We consumed 7,000,675 kWh of electricity in 2012, which was 2.5 percent less than a year ago. During the last heating season we spent 168,000 litres of heating oil, which was 16 percent less than planned for the season in 2011.

Our concern for environment and energy efficiency is passed on all our employees via internal communications. Our diversified range of services that support the principles of environmental protection will contribute to raising awareness in our partners in business as well.

Goals for 2013

The existing Waste Management Plan will be upgraded in 2013, followed by the measures on achieving energy efficiency, issue the rules for conduct and prepare a plan for replacing energy-saving lighting equipment in warehouses. These optimisation measures addressing the energy consumption for lighting and for cooling systems in warehouses, as well as for heating in office buildings, will contribute to additionally reduce electricity and heating oil consumption in 2013.

3.3 Responsibility to social environment

Interaction of the Company with the social environment helps to improve the quality of life of our employees and of society at large. This applies both to the Parent Company and its foreign subsidiaries which are also actively involved in their local and broader social environments. In sponsoring activities, our primary goal is detecting the most promising opportunities for the recognisability of our Company in the European and international environment.

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, within the limits of our position.

After undertaking business and financial restructuring, we were caught in the adverse situation in the year 2012 which slashed the amount of funding that we originally earmarked for sponsorships and donations; however, we managed to support some projects to the welfare of society.

The Intereuropa Group pays attention to maintain reputation and recognition of the entire group also in the countries of South-eastern Europe.

3.4 Quality Management System

Implementation of quality management strategy

In the scope of providing service quality, Intereuropa continued implementing activities connected with the maintenance of the Quality Management System (QMS). The year 2012 was marked by successfully completed external audits in our three certified companies. Certification process was discontinued in two Slovenian subsidiaries: Intereuropa Transport d.o.o. in liquidation, Koper and Interagent d.o.o., Koper.

Seventy-six percent (76.2%) of our total staff work in the companies certified under the ISO 9001:2008 standard (Intereuropa d.d., Koper, Intereuropa, logistic services, d.o.o., Zagreb, and Intereuropa RTC d.d. Sarajevo).

The transition to the new software supporting the Land Transport business, which facilitates placing orders and offers better shipment tracking to our customers, brought a significant change in the quality management system.

Quality indicators

A customer buying logistics services associates the quality of service with such factors as safety and security of the goods shipped, the promptness of service and the price paid.

In the reporting year, the value of complaints was 60 percent lower than in 2011, not comprising two cases of goods disposal, i.e. transit procedures that remained incomplete (not properly discharged). The number of complaints has fallen by 30 percent. Our operational risks are insured with our subsidiary, the insurance broker Interzav, d.o.o., Koper.

The speed of consignment delivery in international transport has improved considerably, in particular in the second half-year. A positive trend in parcel delivery was recorded also in domestic operations. In the second half-year, more than 96 percent of consignments were delivered on the next working day.

Internal auditing of service quality

Over the whole year we conducted internal audits in all certified companies. The results of audits show that operations were compliant with the standards in most of our processes. In those activities where non-compliance was found, the auditors proposed corrective measures.

Internal Verification of the HACCP System for foodstuffs

Our warehouses in Maribor, Dravograd, Celje and Ljubljana have got the HACCP System for foodstuffs (Hazard Analysis and Critical Control Point for Foodstuffs). So have both subsidiaries in Zagreb. The verification of the HACCP system, or compliance with good practices in handling foodstuffs was performed in all the four warehouses in November and December. There were two recommendations issued, relating to the cold store facility in Celje.

External audit on quality of service

Table 19: Overview of external audits

Company	Standard	Certification body	Month of external audit	Non-compliance	Recommendations	Measurement of customer satisfaction
Intereuropa d.d.	ISO 9001:2008	SIQ	March	0	21	
Intereuropa, logističke usluge, d.o.o., Zagreb	ISO 9001:2008 ISO 22000:2005	SIQ	Jun	0	15	
Intereuropa RTC d.d., Sarajevo	ISO 9001:2008	SIQ	October	0	9	✓

As the table shows, external auditors did not identify any non-compliance, however, they issued several recommendations for improvement.

The reporting year was marked by successfully completed external audits in our three certified companies under the ISO 9001:2008 standards on quality management.

In addition to audits of quality management system, we also had an inspection by the Customs Office with respect to the compliance with the requirements of an authorised economic operator. The new IT equipment was checked for customs control. The inspection revealed that all the requirements under the Implementing Regulation for the Community Customs Code were complied with.

External audit on storage system of organic products imported from third countries

In the Koper Branch, external audit of the compliance of the storage system of organic products imported from third countries with the (European Organic) Regulations (EC) 834/2007 and 889/2008 was conducted for the sixth time in sequence. The auditor did not find any non-compliance and issue any recommendation.

Plans

After having introduced the latest software and standardised and automated work processes, an increase is expected in the level of service quality, particularly in the area of Land Transport; we further plan to upgrade the software and work processes in the area of Logistics Solutions.

3.5 Responsibility to suppliers

The system of integrated supplier relationship management is laid down in the Rules of Procedure for Quality Management, in organizational regulations, instructions for work and Rules of the Group. In order to ensure a smooth work process, we strive to maintain a professional, solid, reciprocal and fair relationship with our key suppliers and other suppliers of imoprtant resources.

Suppliers are categorised according to their importance and capability as:
- partner suppliers (suppliers with whom Intereuropa has long-term contracts on cooperation);
- authorised suppliers (suppliers considered as capable and reliable);
- non-authorised suppliers (not meeting the selection criteria);
- other suppliers include one-off and minor suppliers.

Supplier of major business areas are assessed annually and included in appropriate lists (as authorised or non-authorised) on the basis of a uniform methodology and applicable criteria (price, quality, delivery terms and other area-specific criteria). We inform them about the results they achieve, and accept their evtl. comments, proposals and preferences in view of improving and upgrading our relationships with suppliers.

To ensure an equal footing of suppliers and optimal solutions, a selection is made among three suppliers in conformity with applicable regulations and Supplier Lists. This selection is made by a selection committee or another person duly authorised for such selection, in collaboration with specialists in the relevant area of business. The adequacy and quality of the services or material supplied are regularly controlled, and timely measures are taken in order to ensure the satisfaction of end user.

Goals for 2013

Our goals for purchasing aim at procurement of services or materials for the work process, at the best possible prices and in appropriate quality, in view of maintaining good mutual business relations with suppliers.

3.6 Communication with key public

The outstanding achievements and novelties in the operations of the Intereuropa Group are in the forefront of communication activities of the Company; occasionally we respond to topical issues or situations and to the needs of the market.

Internal and external communication of the Intereuropa Group is the responsibility of the Public Relations Office, which is competent for consistency and accuracy of news releases and communication with the media, employees, customers and investors. The Office is also responsible for the information flow and internal control over price-sensitive information.

The communication objectives are closely associated with strategic guidelines and business goals of the Group and its corporate business policies. The implementation of communication strategy largely relies on the development strategy of the Group, while key public communication guidelines are laid down in the management or corporate governance policy. These policies are underlying for our communication activities.

We kept all the target public currently informed on major events associated with the operations of the Intereuropa Group.

Communication with financial audiences

The guiding principle in our relations with investors relies on topical, sincere and accurate communication. Particular attention is dedicated to consistent and open communication with shareholders who have a decisive impact on strategic decisions and guidelines for the business of the Parent Company and of the Group. We also provide for correct and timely communication of information to our creditor banks. In this respect we consistently follow the rules on information disclosure to which we are bound as a public limited company listed in the Prime Market of the Ljubljana Stock Exchange.

In 2012 we continued to meet with investors, analysts and bankers separately; using a variety of communication tools and activities, we strengthened the reputation and visibility of the Group in the public.

For additional information on financial audiences please see chapters Shares and share ownership structure, and Statement on corporate governance.

Communication with the media

We provide for a comprehensive and informative transfer of information through the media with a correct and balanced two-way communication; the media then disseminate the information to the general public and contribute to recognisability and good name of the Intereuropa Group. We have communicated with the media through press releases and responded promptly to all journalists' questions, thereby providing exhaustive media information.

Communication with employees

Communication with our employees is an important element in our activities. We implement it in person and via the intranet. Occasionally we organise visits to our organisational units; another channel of informing the employees on the novelties is also through the Works Council. The latter invites the members of management team to its sessions and thus provides current information, as well as offers opportunity for a dialogue on open issues.

Communication with Customers

In our relations with customers we advocate for direct communication in person and maintaining close relations with customers through regular and fruitful interactions and cooperation; we cultivate and foster such relations through regular contacts and visits. These ties are a confirmation of customer confidence and pave the way for stronger cooperation that may also lead to growth in business. In 2012 we also arranged expert meetings and events that were well attended by both sides.

FINANCIAL REPORT

1 FINANCIAL REPORT OF THE INTEREUROPA GROUP AND OF THE PARENT COMPANY INTEREUROPA D.D. FOR THE FINANCIAL YEAR 2012

Introductory Notes to Compilation of Financial Statements

The Intereuropa Group comprises the Parent Company Intereuropa d.d., Koper with its subsidiaries and also a jointly-controlled company that is consolidated under the equity method. Under the Slovenian Companies Act (ZGD) Intereuropa d.d. is categorised as a large company, with securities traded on a regulated market and therefore subject to audit requirements. As the parent company, Intereuropa is also liable to prepare consolidated financial statements. Its registered office is at Vojkovo nabrežje 32, 6000 Koper, Slovenia.

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

1.1 Financial report of the Intereuropa Group for the financial year 2012

Financial statements of the Intereuropa Group, with Notes

The financial statements are the consolidated financial statements of the Intereuropa Group (hereafter: the Group) for the year ended at 31 December 2012. 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 (IFRS) as adopted by the European Union (hereafter: the IFRS) because shares of the parent Company are listed on the Ljubljana Stock Exchange.

We undertook a reclassification of the Income Statement items and adjusted thereto the comparable data in the Income Statements of the preceding year.

The re-classification of items in the consolidated Income Statement of the Intereuropa Group in the comparable year 2011 comprised:

- the revenues from the elimination of allowances for receivables and the collected written-off receivables (€ 1,361 thousand), and the revenues from write-offs of operating liabilities (€ 99 thousand) were transferred from the item Financial Revenues to Other Operating Revenues (€ 1,460 thousand),
- the cost of materials (€ 10,713 thousand) was transferred from the item Other Operating Expenses to the item Cost of Services and Materials,
- expenses for the allowances for, and write-offs of receivables (€ 2,730 thousand) were transferred from Financial Expenses to the item Write-offs,
- the expenses arising from impairment and write-offs of tangible (property, plant and equipment) and intangible assets (€ 3,926 thousand) were transferred from the item Other Operating Expenses to Write-offs,
- the item 'Depreciation /Amortisation' was included in the item 'Write-offs'.

in € thousand

	Data published in Annual Report 2011	Reclassification	Data after reclassification 2011
Sales revenues	211,880	0	211,880
Other operating revenues	2,190	1,460	3,650
Costs of materials and services	-136,677	10,713	-147,390
Labour costs	-40,087	0	-40,087
Depreciation	-11,946	6,656	-18,602
Other operating expenses	-18,580	-14,639	-3,941
Operating profit	**6,780**	**-1,270**	**5,510**
Finance income	2,515	-1,460	1,055
Finance costs	-17,214	-2,730	-14,484
Profit or loss from investments recognised by the equity method	24	0	24
Profit from continuing operations	**-7,895**	**0**	**-7,895**

In addition to the parent company Intereuropa d.d., the consolidated financial statements include the following companies (Group members):

Table 1: Subsidiaries and jointly-controlled company (JV) as at 31 December 2012

in € thousand

	Country of registered office	Stake in % as at 31. 12. 2012	Total equity of the company	Pertaining net profit or loss for 1 Jan.-31 Dec. 2012
Direct subsidiaries of the parent company Intereuropa				
Intereuropa Transport, d.o.o., Koper*	Slovenia	100.00	-1,243	-441
Interagent, d.o.o., Koper	Slovenia	100.00	837	72
Interzav, d.o.o., Koper	Slovenia	71.28	35	3
Intereuropa, Logističke usluge, d.o.o., Zagreb	Croatia	99.96	53,417	1,926
Intereuropa sajam, d.o.o., Zagreb	Croatia	51.00	866	1
Intereuropa Skopje, d.o.o., Skopje	Macedonia	99.56	1,706	101
Intereuropa RTC, d.d., Sarajevo	Bosnia and Herzegovina	95.77	14,628	50
Intereuropa-East Ltd., Moscow	Russia	100.00	0	1,230
A.D. Intereuropa-logističke usluge, Belgrade	Serbia	73.62	6,528	38
TOV TEK ZTS, Uzhgorod	Ukraine	89.93	122	174
Intereuropa Transport & Spedition GmbH, Troisdorf **	Germany	90.48	0	-5
Intereuropa Kosova L.L.C., Prishtina	Kosovo	90.00	334	15
Zetatrans A.D. Podgorica	Montenegro	69.27	21,743	738
TOV Intereuropa-Ukraina, Kiev	Ukraine	100.00	979	-839
Intereuropa Global Logistics Service, Albania, Durrës	Albania	100.00	56	3

* Intereuropa Transport, d.o.o., Koper has been in liquidation proceedings since 17 January 2012.
** Intereuropa Transport & Spedition, GmbH Troisdorf has been in liquidation proceedings since 1 September 2011.

Joint venture included by the equity method:

Joint venture				
Intereuropa-FLG, d.o.o.	Slovenia	50.00	234	34

In the reporting year:

- for the German subsidiary Intereuropa Transport & Spedition GmbH, Troisdorf, the Closing Liquidation Balance Sheet as at 30 September 2012 was confirmed and the remaining capital appropriated,
- the subsidiary Intereuropa-East Ltd, Moscow, was sold in November 2012. The table above includes the pertaining net profit or loss of the Company achieved in the period from 1 January to 15 November 2012.

Table 2: Consolidated Income Statement of the Intereuropa Group for 2012

in € thousand

	Notes	2012	2011
Sales revenues	**1**	**188,409**	**211,880**
Other operating revenues	2	4,556	3,650
Costs of materials and services	3	-128,978	-147,390
Labour costs	4	-34,725	-40,087
Depreciation	5	-21,669	-18,602
Other operating expenses	6	-14,819	-3,941
Operating profit		**-7,226**	**5,510**
Finance income		1,037	1,055
Finance costs		-14,083	-14,484
Profit from financing activities	**7**	**-13,046**	**-13,429**
Profit or loss from investments recognised by the equity method	8	34	24
Profit from continuing operations		**-20,238**	**-7,895**
Corporate income tax (including deferred taxes)	9	6,808	2,485
Net profit for the period		**-13,430**	**-5,410**
Net profit - non-controlling interest		368	324
Net loss - controlling interest		-13,798	-5,734
Basic and diluted earnings per share (€)	**20**	**-1.60**	**-0.73**

Notes to the Financial Statements are an integral part thereof and have to be read in conjunction therewith.

Table 3: Consolidated Statement of Comprehensive Income of the Intereuropa Group for 2012

in € thousand

	Notes	2012	2011
Net profit for the period		**-13,430**	**-5,410**
Other comprehensive income	**20**	**8,108**	**-866**
Transfer of surplus from revaluation of land to retained earnings (in sale of land)		0	-4,239
Deferred tax in surplus from revaluation of land	24	3,186	819
Change in fair value of available-for-sale financial assets	16	112	-65
Deferred tax in revaluation surplus related to available-for-sale financial assets	24	-29	9
Transfer of revaluation surplus related to available-for-sale financial assets to revenues		0	-20
Retained earnings from revaluation of land (in sale of land)		0	4,239
Deferred tax from retained earnings		0	-4
Assessed tax from retained earnings		0	-815
Other changes in retained earnings		-4	-116
Conversion exchange differences	20	4,843	-674
Total comprehensive income		**-5,322**	**-6,276**
Total comprehensive income - non-controlling interest		201	349
Total comprehensive income - controlling interest		-5,523	-6,625

Notes to the Financial Statements are an integral part thereof and have to be read in conjunction therewith.

Table 4: Consolidated Statement of Financial Position of the Intereuropa Group as at 31 December 2012

in € thousand

	Notes	31. 12. 2012	31. 12. 2011
ASSETS			
Property, plant and equipment	10	234,727	300,849
Investment properties	11	6,585	6,375
Intangible assets	12	7,513	8,170
Other non-current assets	13	317	474
Deferred tax assets	24	14,775	11,755
Long loans and deposits	14	54	75
Investment in a joint venture	15	135	136
Other financial assets	16	3,106	3,556
TOTAL NON-CURRENT ASSETS		**267,212**	**331,390**
Assets held for sale	17	0	3,310
Inventories		143	241
Short loans and deposits	14	10,779	8,518
Short-term trade receivables	18	35,630	46,053
Current income tax assets		815	44
Cash	19	8,390	17,651
TOTAL CURRENT ASSETS		**55,757**	**75,817**
TOTAL ASSETS		**322,969**	**407,207**
EQUITY			
Equity - controlling interest		**145,361**	**131,296**
Share capital		27,489	32,976
Equity reserves		18,455	0
Revenue reserves		2,804	2,404
Revaluation surplus		71,176	67,905
Translation exchange differencies		-6,339	-11,346
Transferred net profit		38,955	41,393
Net profit		-7,179	-2,037
Equity - non-controlling interest		**9,532**	**9,692**
TOTAL EQUITY	**20**	**154,893**	**140,988**
LIABILITIES			
Provisions and long-term deferred revenues	21	7,034	2,726
Long-term loans and financial leases	22	111,663	27,401
Other non-current financial liabilities	23	0	2,721
Long-term operating liabilities		434	1,203
Deferred tax liabilities	24	13,216	16,982
TOTAL NON-CURRENT LIABILITIES		**132,347**	**51,033**
Short-term loans and financial leases	22	5,975	170,749
Other current financial liabilities	23	1,706	1,940
Short-term operating liabilities	25	27,904	41,988
Current corporate income tax payable		144	509
TOTAL CURRENT LIABILITIES		**35,729**	**215,186**
TOTAL LIABILITIES		**168,076**	**266,219**
TOTAL EQUITY AND LIABILITIES		**322,969**	**407,207**

Notes to the Financial Statements are an integral part thereof and have to be read in conjunction therewith.

Table 5: Consolidated Income Statement of Cash Flows the Intereuropa Group for 2012

in € thousand

€ thousand	Notes	31. 12. 2012	31. 12. 2011
Cash flows from operating activities			
Net profit for the period		**-13,430**	**-5,410**
Adjustments for:			
- depreciation		9,165	11,946
- impairment tangible fixed assets and intangible assets		881	755
- revaluation operating revenues from disposal of tangible fixed assets and investment property		-1,328	-1,212
- revaluation operating expenses from disposal of tangible fixed assets and investment property		9,873	3,171
- impairment of receivables		1,750	2,731
- non-cash expenses		11,295	1,655
- non-cash revenues		-962	-494
- finance income		-1,037	-1,055
- profit or loss from the joint venture recognised by the equity method		-34	-24
- finance costs		14,083	14,484
- corporate income tax		-6,808	-2,485
Operating profit before working capital changes and tax		**23,448**	**24,062**
Changes in working capital and provisions			
Change in receivables		6,586	7,201
Change in inventories		98	28
Change in operating liabilities		-8,812	-6,414
Change in provisions		-525	-297
Corporate income tax paid		-1,513	-1,155
Net cash flows from operating activities		**19,282**	**23,425**
Cash flows used in investing activities			
Sale of a subsidiary net of cash acquired		43,177	-86
Interest received		1,086	1,247
Dividends and other profit participations received		1	4
Proceeds from sale tangible fixed assets		5,324	8,142
Proceeds from granted long-term loans and deposits		28	60
Expenditures for acquisition of property, plant and equipment and investment properties		-1,945	-2,704
Expenditures for acquisition of intangible assets		-119	-519
Expenditures for granted long-term loans and deposits		-11	-8
Expenditures from an increase in short-term loans		-77	-7,245
Expenditures from an increase in short-term deposits		-2,180	0
Expenditures from settlement of derivatives		-1,342	-1,950
Net cash flows used in investing activities		**43,942**	**-3,059**
Cash flows from/(used in) financing activities			
Proceeds from received long-term loans		547	3,661
Proceeds from an increase in short-term loans		0	2,509
Interest paid		-8,882	-11,284
Expenditures for repayment of long-term loans		-49,243	-8,944
Expenditures for a decrease in short-term loans		-12,217	0
Expenditures for a decrease in short-term financial liabilities		-2,317	0
Dividend paid		-353	-867
Net cash flows from financing activities		**-72,465**	**-14,925**
Opening balance of cash and cash equivalents		**17,651**	**12,216**
Exchange difference in cash		-20	-6
Net cash flow from continuing operations		**-9,261**	**5,435**
Closing balance of cash and cash equivalents	**19**	**8,390**	**17,651**

Notes to the Financial Statements are an integral part thereof and have to be read in conjunction therewith.

Table 6: Consolidated Statement of Changes in Equity of the Intereuropa Group for 2012

in € thousand

				REVENUE RESERVES						RETAINED EARNINGS				
	Notes	**Share capital**	**Capital reserve**	**Legal reserves**	**Reserves for treasury shares**	**Treasury shares (deductible)**	**Statutory reserves**	**Revaluation surplus**	**Translation exchange differencies**	**Transferred net profit**	**Net profit of period**	**Equity - controlling interest**	**Equity - non-controlling interest**	**Total equity**
Opening balance as at 1 Jan. 2012		**32,976**	**0**	**2,396**	**180**	**-180**	**9**	**67,905**	**-11,346**	**41,393**	**-2,036**	**131,296**	**9,692**	**140,988**
Total comprehensive income		**0**	**0**	**0**	**0**	**0**	**0**	**3,271**	**5,007**	**-3**	**-13,798**	**-5,523**	**201**	**-5,322**
Net profit or loss for the year		0	0	0	0	0	0	0	0	0	-13,798	-13,798	368	-13,430
Other comprehensive income		0	0	0	0	0	0	3,271	5,007	-3	0	8,275	-167	8,108
Transactions with shareholders														
Transfer of net profit/loss for the previous year to transferred net profit		0	0	0	0	0	0	0	0	-2,036	2,036	0	0	0
Simplified share capital reduction due to the transfer to capital reserves		-25,074	25,074	0	0	0	0	0	0	0	0	0	0	0
Increase in share capital in-kind contributions		19,586	0	0	0	0	0	0	0	0	0	19,586	0	19,586
Payment of dividends and profit participation		0	0	0	0	0	0	0	0	0	0	0	-358	-358
Payment from liquidation of the subsidiary		0	0	0	0	0	0	0	0	0	0	0	-3	-3
Transfer of capital reserve to reserves		0	0	205	0	0	194	0	0	-399	0	0	0	0
Settlement of the net loss for the year		0	-6,619	0	0	0	0	0	0	0	6,619	0	0	0
Other changes		1	0	0	0	0	0	0	0	0	0	1	0	1
Closing balance as at 31 Dec. 2012	**20**	**27,489**	**18,455**	**2,601**	**180**	**-180**	**203**	**71,176**	**-6,339**	**38,955**	**-7,179**	**145,361**	**9,532**	**154,893**

Notes to the Financial Statements are an integral part thereof and have to be read in conjunction therewith.

Table 7: Consolidated Statement of Changes in Equity of the Intereuropa Group for 2011

in € thousand

				REVENUE RESERVES						RETAINED EARNINGS				
	Notes	Share capital	Capital reserve	Legal reserves	Reserves for treasury shares	Treasury shares (deductible)	Statutory reserves	Revaluation surplus	Translation exchange differencies	Transferred net profit	Net profit of period	Equity - controlling interest	Equity - non-controlling interest	Total equity
Opening balance as at 1 Jan. 2011		**32,976**	**0**	**6,067**	**180**	**-180**	**0**	**71,378**	**-10,636**	**38,136**	**0**	**137,921**	**10,242**	**148,163**
Total comprehensive income		**0**	**0**	**0**	**0**	**0**	**0**	**-3,474**	**-710**	**3,293**	**-5,734**	**-6,625**	**349**	**-6,276**
Net profit or loss for the year		0	0	0	0	0	0	0	0	0	-5,734	-5,734	324	-5,410
Other comprehensive income		0	0	0	0	0	0	-3,474	-710	3,293	0	-891	25	-866
Transactions with shareholders														
Payment of dividends and profit participation		0	0	0	0	0	0	0	0	0	0	0	-884	-884
Sale of subsidiaries		0	0	0	0	0	0	0	0	0	0	0	-15	-15
Transfer of retained earnings to reserves		0	0	27	0	0	9	0	0	-36	0	0	0	0
Settlement of the net loss for the year		0	0	-3,698	0	0	0	0	0	0	3,698	0	0	0
Closing balance as at 31 Dec. 2011	**20**	**32,976**	**0**	**2,396**	**180**	**-180**	**9**	**67,905**	**-11,346**	**41,393**	**-2,036**	**131,296**	**9,692**	**140,988**

Notes to the Financial Statements are an integral part thereof and have to be read in conjunction therewith.

Notes to Consolidated Financial Statement

The Company Intereuropa d.d., Koper (hereafter: the Company) is a company established in Slovenia. Its registered office is at Vojkovo nabrežje 32, 6000 Koper. The consolidated financial statements of the Group for the year ended at 31 December 2012 include the Company, its subsidiaries (hereafter jointly referred to as the Group), and a holding in a jointly controlled company (joint venture). The Intereuropa Group offers comprehensive logistic services and solutions in land transport, sea and air-freight, including all terminal, customs and other logistic services to support an unhindered flow of goods from the manufacturer 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 Reporting Interpretations Committee (IFRIC).

As shares of the Parent Company are listed in Prime Market of the Ljubljana Stock Exchange, the Group has to compile the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU (Regulation (EC) no. 1606/2002).

Considering the approval process of standards in the EU, there were no differences in accounting policies of the Intereuropa Group between the International Financial Reporting Standards (IFRS) applied by Intereuropa as at the cut-off date of the Statement of Financial Position and the International Financial Reporting Standards (IFRS) as adopted by the EU.

The Managing Board of the Company approved the consolidated financial statements on 19 February 2013.

Basis for measurement

The consolidated financial Statements have been prepared by applying the historical cost principle except in cases specified below where fair value was applied:
- financial instruments at fair value through profit or loss (derivatives);
- financial assets available for sale;
- land.

The methods used for measurement are described in item IV.

The consolidated financial statements have been compiled on the going concern assumption.

The Parent Company continued with the financial restructuring and successfully completed it by the end of the year 2012. In October, the Agreement on Long-Term Debt Rescheduling until 2019 was signed with creditor banks. In the last quarter of the financial year, the financial investment in the subsidiary in Russia, the land at Chekhov, the loans and interest receivables due from that subsidiary, for the aggregate purchase price of € 45,000 thousand. Before the year end, the creditor banks converted a portion of loans (€ 19,586 thousand) into equity of the Company. As a result, the ownership structure of the Company has changed essentially, the creditor banks are now prevailing.

The leverage of Intereuropa d.d. and of the entire Intereuropa Group has decreased materially, and the remainder of financial liabilities has been rescheduled under such terms as to allow for stable financial operations in the future.

Accordingly, the Managing Board believes that the going-concern principle be appropriate for compiling the consolidated financial statements as at 31 December 2012.

Functional and presentation currency

The consolidated financial statements are presented in euros, which is the presentation and reporting currency of the Group. All financial items or information stated in euros are rounded off to a thousand units. Variance by +1 or -1 in tables with disclosures is attributable to the rounding-off.

Use of estimates and assessments

In compiling the financial statements the management is required to make certain estimates, assessments and assumptions that have a bearing on the application of accounting policies and the amounts presented for assets, liabilities, revenues and expenses. The actual outcome may deviate from such estimations or assessments.

The information on significant estimates that entail uncertainties and the critical assessments made by the management in the process of implementing the accounting policies and which had the strongest effect on the amounts shown in the financial statements are as follows:
- amount of doubtful receivables;
- the recoverable amount serving for comparison with the book value (carrying amount) in test of asset impairment;
- the useful life of depreciable assets;
- the residual value of Property, Plant and Equipment;
- the valuation of financial instruments at fair value;
- formation of deferred tax assets and deferred tax liabilities;
- formation of provisions;
- appraising the value of land presented at fair value (and recognising impairments where the value decreased, on the Group level).

II. CHANGES IN ACCOUNTING ESTIMATES

There were no changes to accounting policies in 2012.

III. RELEVANT ACCOUNTING POLICIES

The Group consistently applies the same accounting principles and policies from accounting period to period: they are presented in the enclosed consolidated financial statements. Any changes thereto are disclosed.

In 2012, we undertook a reclassification of items in the Income Statement (section 4.1). There were no other changes.

a) Groundwork for consolidation

Subsidiaries

Subsidiaries are entities 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 operation. Relevant for impact assessment is also the existence and effect of potential voting rights which can be exercised or replaced at the given time. Financial statements of subsidiaries are included in the consolidated financial statements with effect from the date when the control commences until the date of cessation thereof.

Business combinations under joint management

Business Combinations under joint management (i.e. business combinations in which all the entities involved in combination process are governed by one party or parties before and after the business combination, whereby 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.

Jointly Controlled Company (Joint Venture)

A jointly controlled company is an entity in which all economic operations are jointly controlled by the Group. These economic operations are based on a contractual arrangement requiring unanimous financial and business decisions. They are accounted according to equity method. The consolidated financial statements comprise the share of the Group in the profit and loss of the jointly controlled entity (JV), calculated under the equity method after alignment of accounting policies, from the date on which the significant influence commences until the date of cessation of such influence.

Transactions excluded from consolidation

Excluded from the compilation of consolidated financial statements are balances and unrealised gains and losses stemming from intragroup transactions. Unrealised losses are excluded in the same way as gains, subject to the condition that no proof of impairment exists.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currency are converted to the appropriate functional currency of Group members at the exchange rate effective on the transaction date. Cash assets and liabilities denominated in foreign currency as at the end of the reporting period are converted in to the functional currency at the exchange rate applicable as at that date. Non-cash assets and liabilities stated in foreign currency and measured at fair value are converted into the functional currency applying the exchange rate as at the date on which the fair value was determined. The ECB (European Central Bank) reference exchange rate was applied.

Exchange differences occurring in settlement of cash items, or in translation thereof under different exchange rates than those applied upon initial recognition and used for stating the items in the reporting period or used for presentation in the preceding financial statements, are recognised in the Profit or Loss (as revenues or expenses) for the period in which they occurred.

Financial statements of foreign operations

For the purpose of integrating the financial statements of subsidiaries based abroad, whose functional currency is other than the reporting currency (euro), into the consolidated financial statements of the Group, the assets and liabilities, and the items disclosed in other comprehensive income are converted into the reporting currency of consolidated financial statements at the exchange rate effective on the reporting date, whereas revenues and expenses posted in the Income Statement are converted 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

Country	Functional currency	2012		2011	
		Closing exchange rate in €*	Average exchange rate in €*	Closing exchange rate in €*	Average exchange rate in €*
Austria, France, Germany, Montenegro, Kosovo	€	-	-	-	-
Russia	RUB	40.330	39.926	41.765	41.039
Croatia	HRK	7.558	7.522	7.537	7.439
Macedonia	MKD	61.487	61.626	62.060	61.772
Bosnia and Herzegovina	BAM	1.956	1.956	1.956	1.956
Serbia	RSD	113.390	113.000	103.630	101.910
Ukraine	UAH	10.636	10.437	10.755	11.211
Albania	ALL	139.830	139.280	140.840	140.733

* ECB reference exchange rates applied.

c) Financial instruments

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

Non-derivative financial instruments (assets)

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

Accounting of financial revenues and expenses is described in Section Financial revenues and expenses.

Cash and cash equivalents

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

Financial assets for sale available for sale

Upon initial recognition, they are evaluated at fair value (including costs directly attributable to the purchase). Changes in the fair value are recognised in other comprehensive income (equity). On derecognition of an investment, the accumulated gains or losses 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 defined or definable payments that are not traded in an active market. Loans are investments in financial debts of other companies, governments or investments of other issuers. Receivables are the rights, arising from property and other relationships, entitling to claim the payment of debt or the delivery of goods or services from a specific person or entity. We measure them at the amortised cost method by applying the effective interest method. Profit or loss is recognised in the Profit or Loss if a receivable is derecognised or impaired.

Non-derivative financial liabilities

The Group recognises its financial liabilities on the date of accrual. 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.

After initial recognition, all non-derivative liabilities are measured at the amortised cost by applying the effective interest method.

Derivative financial instruments

Derivative financial instruments in which no hedging relation exists between the hedging instrument and the hedged item, and derivatives used for hedging with no hedging performance specified are classified among financial assets or liabilities at fair value through profit or loss. Initially, derivatives are recognised at fair value.

The pertaining operating costs of transaction are recognised in profit or loss at the time of accrual. Upon initial recognition, derivative financial instruments are measured at the fair value. Any gain or loss resulting from the measurement at fair value (as a change in fair value) of derivatives is recognised in profit or loss. The fair value of these instruments is determined on the basis of valuation by their issuer as at the Statement of financial position date and represents the present value offered for this transaction.

(d) Equity

Share capital

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

Redemption of treasury shares

Upon redemption of treasury shares or shareholdings posted as a portion of share capital, the amount of the compensation paid, including the costs directly attributable to redemption is recognised as a change in equity. Redeemed shares or shareholdings are stated as treasury shares and presented as a deduction from the total equity.

Dividends

Dividends are recognised to the liabilities and presented upon the accrual of transaction. In the consolidated financial statements, dividends are recognised in the period in which the General Meeting adopted a resolution of dividend payout.

(e) Property, Plant and Equipment

The Property, Plant and Equipment item is carried at the procurement value less any allowance for depreciation and any accumulated loss owing to impairment.

The procurement value comprises the amounts directly attributable to acquisition of assets, as well as capitalised borrowing costs. Parts of the Property, Plant and Equipment with different useful lives are posted as individual items thereof. After initial recognition of Property, Plant and Equipment we apply the procurement value model to measure the buildings and equipment, and the revaluation model for the land. Restated amount is fair value as at the restatement date less any subsequently accumulated impairment losses. The Group annually checks for any need for a revaluation. Land is restated every five years or more frequently if there is indication of impairment.

If the carrying amount of land is increased owing to revaluation, such increase is recognised directly in equity as a surplus from revaluation in the Statement of Comprehensive Income. If the land's carrying amount decreases owing to revaluation, the decrease will result in a decrease in revaluation surplus for the same land. However, if the decrease of the carrying amount exceeds the accumulated surplus from revaluation for the same asset, the difference in the decrease will be transferred to profit or loss as expense. The surplus from revaluation of land which is included in comprehensive income is transferred directly to Retained Earnings when the asset is derecognised.

Posting the cost of borrowing

For Assets under construction, the Group attributes the costs of borrowing directly to acquisition, construction or production of the asset under construction as integral part of the procurement cost of such an asset. The costs of borrowing comprise expenses for interest and foreign exchange differences stemming from loans in a foreign currency if they are dealt with as recalculation of interest expenses. Other borrowing costs are recognized in the Income Statement as an expense in the period of their accrual.

Subsequent Cost

The cost of replacing part of an item of Property, Plant and Equipment is 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 procurement value of the item can be reliably measured. All other costs are recognised in profit or loss as an expense upon the accrual thereof.

Depreciation and amortisation

Depreciation is accounted on the straight-line depreciation basis using the estimates 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. Estimated useful lives for the current and the compared year are as follows:

- Buildings 20-40 years;
- IT/computer equipment 2-4 years;
- Other plant and equipment 4-10 years.

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

(f) Intangible assets

Intangible assets comprise the long-term deferred development costs, investments in acquired industrial property rights (concessions, patents, licences, brand names and similar rights) and other rights, and goodwill of the acquired entity (target). The period and method of amortisation of intangible assets with a finite useful life need to be reviewed at least at the end of each financial year. After initial recognition, an intangible asset is stated under the procurement value model, i.e. at its cost decreased by any amortisation allowance and accumulated impairment loss. Amortisation of intangible assets with a finite useful life is accounted for under the method of straight line depreciation in the estimated useful life.

Goodwill

Goodwill occurs in acquisition of a subsidiary and a joint venture. Any surplus of the procurement value of a business combination over the fair value of the acquired identifiable assets and liabilities is recognised as goodwill. The goodwill is not amortised. Instead, the acquirer has to test it every year for impairment.

Acquisition of non-controlling interest

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

Subsequent measurement

Goodwill is stated at the procurement value decreased by any accumulated impairment loss.

Research and development

For the sake of assessment whether an internally generated intangible asset satisfies the criteria for recognition, the entity classifies the generation of the asset into:

- research stage, and
- development stage.

Expenditure on research activities undertaken with the prospect of gaining new scientific and technical knowledge and understanding, is recognised in the Income Statement as an expense as at accrual date.

Development activities include the plan or design for production of new or essentially improved products and procedures for provision of services. Development costs are recognised if they can be reliably measured, if the product or procedure is feasible technically and in operational terms, if there is a potential for future economic benefits, if the Group has adequate resources to complete the development, and if the Group intends to use or sell such assets. The recognised value of such expenditure comprises the cost of services and materials, and other costs which can be directly written up to qualifying the asset for the intended use. Other development expenditure is recognised as an expense in the Income Statement.

The expenditure recognised in development activities is presented at cost, decreased by the allowance for amortisation and accumulated impairment loss.

Other intangible assets

Other intangible assets with a limited useful life that are acquired by the Group are presented at the procurement value decreased by allowance for amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure on intangible assets are capitalised only if they increase the future economic benefits stemming from the asset to which the expenditure relates. All other costs are recognised in profit or loss as an expense upon the accrual thereof.

Amortisation

Amortisation is accounted on the procurement value of amortisable assets, or in another amount instead of the procurement value decreased by the residual value.

Amortisation is recognised in profit or loss on the straight-line basis over the estimated useful life for intangible assets, except goodwill, and commences when the asset is ready for use. That method most closely reflects the expected pattern of use of the future economic benefits embodied in the asset. The estimated useful lives for the current and the compared year are 3, 5, 10 and 15 years. Amortisation methods, useful lives and residual values are examined at the end of each financial year and adjusted if necessary.

(g) Investment property

An investment property is a property held for the purpose of generating or increasing the value of a long-term investment, or both, therefore the investment property yields cash flows which strongly depend on other assets in possession of the Company. That differentiates an investment property from an owned property in use, which together with other assets of the Company participates in production and supply of goods or provision of services, and in the resulting cash flows.

Determining whether a property qualifies as investment property is at the discretion of the Company. Intereuropa estimates that for the property partly let out in operating lease and partly used / occupied by Intereuropa d.d., Koper or another subsidiary, the parts of the real estate cannot be sold separately (or given separately in financial lease), therefore such real estate is classified as Property, Plant and Equipment in use for the provision of services. Only such property /real estate which is leased in its entirety is recognised as investment property.

After initial recognition, the model of procurement value is applied under which an investment property is presented at procurement value less any allowance for depreciation and any accumulated impairment loss (the same model as for Property, Plant and Equipment).

Depreciation of investment property applies the same depreciation rates as used for real estate in Property, Plant and Equipment.

(h) Leased assets

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

Other leases are deal with as operating leases.

(i) Inventories

Inventories of material are evaluated at the procurement value consisting of the purchase price, import dues and direct purchase costs attributable thereto. The purchase price is reduced by the rebates and discounts received. The weighted average cost method is used in presenting the consumption of material.

(j) Impairment of assets

Financial assets

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

Accounts receivable (receivables resulting from the services supplied, default interest, etc.) are impaired by establishing 100 percent value adjustment for all receivables overdue by more than 180 days, or on the basis of assessment of recoverability of individual receivables. In impairment of receivables involved in legal actions, execution proceedings, bankruptcy and compulsory composition, 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 finally resolved (completed) bankruptcy proceedings, approved compulsory compositions, unsuccessful execution proceedings, and ascertained unrecoverability of receivables.

Impairment of loans granted

If reliable (impartial) evidence exists to support that an impairment loss incurred in loans posted at the amortized cost, the amount of such loss is measured as the difference between the asset's carrying amount and the present value of expected future cash flows, discounted at the historical effective interest rate. Impairment can also be made at discretion of the management, if assessing an individual loan as uncollectible.

Impairment of financial assets available for sale

Financial assets available for sale are impaired in case the market price has either been falling for more than one year, or if the decrease exceeds 20 percent of the investment procurement value. Losses from available-for-sale investments 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 the other comprehensive income and stated in profit or loss represents the difference between the procurement value and current fair value, decreased by any impairment loss previously recognised in profit or loss. Financial assets for which fair value could not be reliably determined are posted at procurement value.

If reliable (impartial) evidence exists that a loss owing to impairment incurred in financial assets which are carried at the procurement value, impairment will be made if the carrying amount of such financial investment on the cut-off date exceeds by more than 20 percent the proportional part of the carrying amount of the total equity of the investee (the company in which the investment is held) as at the nearest possible date for which such data can be obtained.

Non-Financial assets

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

Recoverable amount of an asset or of a cash-generating unit is either the value in use or the fair value decreased by the cost to sell, whichever is higher. In determining the value of an asset in use, the projected future cash flows are discounted to their present value at the pre-tax discount rate that reflects the current market assessment of the time value of money and the risk specific to that particular 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 each 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 is a sign 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 of an asset or an individual cash-generating unit is recognised whenever the carrying amount of an asset/cash-generating unit exceeds its recoverable amount. The impairment is recognised in the income statement. Recognised loss owing to impairment 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 (or group of units) proportionally to the book value of each asset in the unit.

An impairment loss in respect of goodwill in not reversed. For other assets, impairment loss from previous periods is evaluated as at the end of 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 underlying for determining the recoverable amount of the asset. An impairment loss is reversed only to the extent that the asset's increased carrying value does not exceed the carrying amount that would have been determined after deducting amortisation and depreciation, if no impairment loss had been recognised for the asset in prior years.

(k) Long-term assets classified as assets held for sale

Long-term assets (non-current assets) or a disposal group comprising assets and liabilities (within non-current assets, this applies to investment property, intangible assets, long-term financial assets; 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 estimated within the next twelve months. Sale is highly probable when the entire plan and active programme to find a buyer are underway. Furthermore, the asset must be actively marketed for sale at a price that reasonably corresponds to its current fair value. Re-measurement of assets (or their elements or a disposal group) is implemented in line with the Group's accounting policies directly prior to classification of an asset to the assets held for sale. Such long-term asset (or disposal group) is recognised at the lower of the two amounts: its carrying amount or fair value, decreased by the cost to sell.

Due to special events and circumstances beyond the Company's control, the period of sale completion may be extended over one year if sufficient evidence exists 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 re-classified in another appropriate asset group, i.e. the group in which it was included before being classified as an asset held for sale.

(l) Employee benefits

Short-term employee benefits

The obligations for short-term employee benefits are measured with no discount and are posted to expenses after the work of an employee relating to a certain short-term benefit has been completed.

(m) Provisions

Provisions are recognised if the Group has a legal or constructive obligation resulting from a past event/ transaction; 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 Statement of Financial Position Date. In reaching the best estimate of a provision, the risks and uncertainties that inevitably surround many events /transactions 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 to be required to cover the obligation.

Provisions for termination benefits and years-of-service rewards

Companies in the Group are committed to pay years-of-service rewards and termination benefits upon retirement to employees, as required by the law, the Collective Agreement and internal rules or implementing regulations. Long-term provisions have been made to cover such payments. There are no other pension liabilities. The provisions are made in the amount of estimated future payments for termination benefits and years-of-service rewards, 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 5 years unless the number of employees changes by more than 15 percent. The provisions are derecognised in the amount of the actually incurred costs in the interim period.

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

(n) Long-term deferred revenues

The long-term deferred revenues include donations received for acquisition of fixed assets, or to cover certain expenses. They are intended for covering the depreciation cost for these assets, or certain expenses, and are used up by transferring them to operating revenues.

(o) Revenues

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

1. the amount of revenue can be reliably measured;
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 reliably measured, and
4. the costs incurred for the transaction and the costs for the completion thereof can be reliably measured.

Revenue from provision of services

Revenues from services supplied are recognised in the Income Statement in proportion to the stage of completion of the transaction at the end of reporting period. The stage of completion is assessed on the basis of a review of costs incurred (work-performed review).

The revenues from services supplied are measured against the selling prices of completed services as stated in invoices or other documents, or against the prices for incomplete services depending on the stage of completion thereof. It is estimated that in cases when 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 not recognised only to the amount of direct costs incurred, for which it is expected that they will be recovered.

The amounts collected on behalf of third parties, such as the accrued value-added taxes and other levies (e.g. customs duties) are excluded from the Sales revenues.

Upon the sale, trade discounts and volume rebates granted should be deducted from sales revenues; they should be clearly shown in 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. In Income Statement, the government grants compensating for the costs of an asset are recognised as other operating revenues on a systematic basis over the useful life of the asset.

(p) Lease

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

Lease taken
Minimum financial lease payments are apportioned between financial expenses and the reduction of outstanding debt. Financial expenses 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.

q) Financial revenues and expenses

Financial revenues comprise the interest earned on investments, dividend received, the proceeds from disposal of available-for-sale financial assets, changes in fair value of financial assets at fair value through profit or loss, foreign exchange gains, and profit from hedging instruments recognised in the Income Statement. The interest received is recognised at the time of accrual, applying the effective interest rate method. Dividend income is recognised in the Income Statement on the date on which the shareholder's right to payment has been enforced. For companies listed on a stock exchange, it is usually the date when the right to the current dividend ceases to be linked with the share.

Financial expenses comprise the cost of borrowing, foreign exchange losses, changes in the fair value of financial assets at fair value through profit or loss, losses owing to impairment of financial assets and losses from hedging instruments that are recognised in the Income Statement. The cost of borrowing is recognised under the effective interest rate method in the Income Statement.

The cost of borrowing comprise interest expenses calculated under the effective interest rate method, financial charges under financial lease and foreign exchange differences arising from loans in a foreign currency, if they are dealt with as recalculation of interest expenses. The costs of borrowing that are directly attributable to the acquisition/purchase, construction or production of a qualifying asset are capitalised as a part of the procurement value of such asset. Other borrowing costs are recognized in the Income Statement as an expense in the period of their accrual.

(r) Corporate income tax

Corporate Income Tax for the financial year comprises includes the assessed tax and the deferred tax. It is presented in the Income Statement, except for the part in which it relates to the items disclosed directly in other comprehensive income and is therefore recognised there.

Current tax assessed is accounted for 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 corresponds to the tax year.

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

The following temporary differences are not taken into account: goodwill when it does not stand for a deductible tax expense, the initial recognition of assets or liabilities that do not affect accounting or taxable profit, and the differences relating to the investments in subsidiaries and jointly-controlled entities 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 asset is recognised only to the amount expected to be paid upon reversal of temporary differences based on the applicable legislations in force or binding at the end of reporting period.

A deferred tax asset is recognised to the extent to which it is probable that future taxable profits will be available, against which the deferred tax asset can be utilised. Deferred tax assets are deducted by the amount for which it is no longer probable that the related tax concession 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 viw to resale. Classification as a discounted operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

(t) Net earning (loss) per share

For ordinary shares, the Group discloses the basic earnings per share and the diluted earnings per share. The basic earnings per share are 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 teh 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 does not possess any dilutive potential ordinary shares, so the basic and diluted earnings per share are identical.

(u) Reporting by segments

A business segment is a constituent part of the Group and engages in 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 decision-making on the resources to be allocated to a segment and assessing performance of the Group; separate financial data are available for a business segment.

For the needs of external users of business information, certain business segments are combined in a single business segment, 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 the information for the Intereuropa Group, and the adjustments (adjustments are subject to consolidation procedures).

For the annual reporting period, the management checks whether a particular business segment meets any of the quantitative thresholds set out in the IFRS 8 and, if required, changes the list of business segments reported separately. Information on sale by customer and the volume of operations on the presented geographical segments is monitored by business segment.

(v) New standards and interpretations

Changes in standards and interpretations in 2012

The accounting policies used in compiling the consolidated financial statements are consistent with those used in the preceding year for consolidated financial statements for the year ended at 31 December 2011.

Newly adopted standards and interpretations

IFRS 7 - Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (amendment)
The amendment is effective for annual periods beginning on or after 1 January 2013. Amended IFRS 7 – Financial instruments: Disclosures - Transfer of financial assets. The amendment entered into effect for periods beginning on or after 1 July 2011, and defines the disclosures about transfers of financial assets: transferred financial assets that are derecognised in their entirety, those that are not derecognised in their entirety. The purpose is to enable the user of financial statements to understand the nature of assets that were not derecognised in their entirety and of the associated liabilities. The amendment needs to be provided retrospectively. The amendment to the Standard did not have any impact on consolidated financial statements.

Standards and interpretations not effective yet

The Group has not applied any standard or interpretation that is not yet compulsory before time; it will use these standards and interpretations when they have entered into effect. In line with the requirements of the IFRS and EU, the Group will have to comply with the following new, revised or amended standards and interpretations in the future periods:

IFRS 7 – Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
The amendment is effective for annual periods beginning on or after 1 January 2013. The amended standard introduces joint disclosure requirements that would offer to the users the information useful for the assessment of the impact or potential impact of offsetting on the financial position of the Company. The amendment to IFRS 7 has to be provided retrospectively.

IFRS 10 - Consolidated Financial Statements
This standard replaces a part of the IAS 27 Consolidated and Separate Financial Statements relating to consolidated financial statements, with the compulsory application in the EU for periods beginning on 1 January 2014. The IFRS 10 also outlines the requirements included in SIC – 12 Consolidation – Special Purpose Entities. 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 controlling an entity.

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 venture. 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. In the EU, the standard will be compulsory for periods after 1 January 2014.

IFRS 12 – Disclosure of Interests in Other Entities
This standard, with compulsory application in the EU for periods beginning on 1 January 2014, 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. Concurrently, a number of new disclosures have been laid down, mostly related to the assumptions used to determine whether a company controls another entity.

IFRS 13 – Fair Value Measurement
The standard will have compulsory application for periods beginning on 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.

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 beginning on or after 1 July 2012.

IAS 12 - Deferred taxes
The amendment will apply to annual periods beginning on or after 1 January 2013. The amendment relates to determining deferred tax for investment properties posted at fair value. The aim of the amendment 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; and 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.

IAS 19 - Employee Benefits
The International Accounting Standards Board / IASB (hereafter: Board) issued in June 2011 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. It 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 beginning on or after 1 January 2013.

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. In the EU, the standard will apply to annual periods beginning on or after 1 January 2014.

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 the 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 beginning on or after 1 January 2014.

IAS 32 – Financial instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
The standard applies to annual periods beginning on or after 1 January 2014. Application before that date is allowed. The supplement clarifies the meaning of the term ''currently has a legally enforceable right to set-off'' and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to IFRS 32 have to be provided retrospectively.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine
The IFRIC 20 discloses the costs of removing waste material (stripping) in the production phase of a surface min. 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 beginning on or after 1 January 2013.

In line with the requirements of the IFRS, the Group will have to take into account for the future periods the following new, revised or amended standards and interpretations, in case that the EU will adopt them:

IFRS 1 – First-time Adoption of International Financial Reporting Standards: Government loans
The amendment to the standard is effective for annual periods beginning on or after 1 January 2013 and determines the accounting treatment of government loans granted at a below-market rate of interest, applicable for companies upon transition to and at first-time adoption of the IFRS. The amendment determines an equal exemption for entities upon transition to IFRS as the one applicable to entities which are already preparing their financial statements under the IFRS, using the provisions of the IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.

IFRS 9 – Financial instruments:
This standard replaces the IAS 39. In November 2009 the Board published a new standard IFRS 9 Financial Instruments, which included the requirements on classification and measurement of financial assets. Requirements on financial liabilities were added in October 2010; except for changes in accounting for the fair value option, there were no essential changes in comparison with the IAS 39. In December 2011, the Board changed the effective date of compulsory application of the standard, namely to periods commencing on 1 January 2015, and determined that the comparable data need not be adjusted at first use. The second stage of the IFRS 9 that comprises impairment has been in the process of preparation since January 2011. In September 2012, the Board published the last IFRS 9 draft dealing with general accounting for hedging (IFRS 9 third stage), to be followed by publication of the next part of the IFRS 9.

IFRS 10 - Consolidated Financial Statements: Investment Entities
In October 2012 the Board issued the amendment to IFRS 10 that includes an exception to consolidation of subsidiaries for investment entities by providing for the investment entities to recognise and measure their subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial instruments. The amendment lays down three elements in defining an investment entity and four typical features of an investment entity that need to be satisfied in order to treat such entity as an investment entity and apply the exception from consolidation. Nevertheless, an exception exists requiring an investment entity to consolidate a subsidiary if that subsidiary performs an investment activity (such as investment management services) for another investment entity or other entities. The amendment to standard will obligatorily apply to annual periods beginning on or after 1 January 2014.

IFRS 12 – Disclosure of Interests in Other Entities: Investment Entities
Following the amendment to IFRS 10 the Board issued an amendment to IFRS 12 in the part relating to additional disclosures for investment entities. The amendment to standard will obligatorily apply to annual periods beginning on or after 1 January 2014.

Transition guidance (Amendments for IFRS 10, IFRS 11 and IFRS 12)
The guidance apply to annual periods beginning on or after 1 January 2013. The Board published amendments to standards IFRS 10 Consolidated Financial Statement, IFRS 11 Joint Arrangements, and IFRS 12 Disclosures of Interests in Other Entities. The amendments have a bearing on the Transition guidance to the respective IFRS and give entities an additional relief from the requirement to apply the standards in their entirety retrospectively. The IFRS 10 defines the date of initial application as ''the beginning of the annual reporting period in which the Company applies the IFRS 10 for the first time''. The assessment of whether control exists is made at ''the date of initial application'' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC 12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the purpose of relief upon transition to IFRS, the Board also published amendments to the standards IFRS 11 Joint Arrangements and IFRS 12 Disclosures of Interests in Other Entities.

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

Improvements to IFRS
In May 2012, the Board published and issued a set of amendments to certain existing standards. The proposed effective date for the amendments is for annual periods beginning on or after 1 January 2013, but the EU has not adopted them yet.

IFRS 1 – First-time Adoption of International Financial Reporting Standards: Repeated application of IFRS 1
The amendment to the standard defines that a Group may elect between resuming the application of the IFRS 1 and the application of the IAS 8 (by restating of preceding accounting periods) after it had stopped applying the IFRS in the past, and decide whether it is required to apply the IFRS again.

IFRS 1 – First-time Adoption of International Financial Reporting Standards: Borrowing Cost
The amendment enables a company in transition to IFRS to retain or carry forward the borrowing cost component that was capitalised under previously applied accounting standards. After transition to IFRS the company has to account for the borrowing costs in accordance with the IFRS Borrowing Costs.

IAS 1 - Presentation of financial statements: Comparative information disclosure requirement
The improvement clarifies the difference between a voluntary disclosure of additional comparative information and the minimum volume of comparative information required by the standard (usually the comparative information for the preceding period). When an entity decides to voluntarily disclose additional comparative information, it has to disclose such additional comparative information also in the Notes to Financial Statements. The amendment also requires from an entity to compile a third (opening) Statement of Financial Position when (a) changing its accounting policy or (b) reclassifying the items or retrospectively changing the amounts with material impact on financial statements. In such a case the entity is not required to disclose all the comparative information from the opening balance sheet in the notes to financial statements.

IAS 16 - Property, Plant and Equipment: Classification of Servicing Equipment
The amendment clarifies the accounting of important spare parts, stand-by and servicing equipment in respect of when important spare parts and servicing equipment meet the definition of an item of Property, Plant and Equipment, and not of Inventories.

IAS 32 – Financial instruments: Presentation: Income Tax Consequences of Distributions
The improvement clarifies that the income tax from distributions to holders of an equity instrument has to be dealt with the IAS 12 Income Tax.

IAS 34 - Interim Financial Reporting: Interim financial reporting and reporting by segments for assets and liabilities
The improvement harmonises the disclosures on the sum total of assets and liabilities in interim financial statements and provides for consistency of interim disclosures with the annual disclosures in accordance with IFRS 8 Operating Segments.

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

IV. DETERMINING FAIR VALUE

With regard to the accounting policies and breakdowns of the Group, 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 clarification on the assumptions for determining fair value is needed, it is provided in the breakdowns to individual items of assets and liabilities of the Group.

Property, Plant and Equipment

After recognition, land is measured according to a revalued amount equalling fair value as at the re-valuation 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). Revaluation is made every five years or more frequently if there are indications of impairment.

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 financial assets available for sale is determined with regard to the quoted purchase price as at the end of the reporting period.

Operating and other receivables

In our view, the disclosed value of operating 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.

Derivative financial instruments

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;
- Business risk.

This item deals with the exposure of the Group to the (above mentioned) risks, its goals, policies and procedures for measuring and managing risks and its handling of capital. Other quantitative disclosures are included in Note 27 to 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 was established, accountable for development and supervision of risk management policies adopted by the Group. The tasks of the Risk Management Committee are:

- preparation of reports on risk management in the Group for the Managing Board of the Parent Company and for the Supervisory Board;
- identifying individual risk types to which the Intereuropa Group is exposed;
- permanent supervision and monitoring of key risks;
- detecting new significant risks;
- defining the methodology for measuring the exposure to individual risk types;
- assessment of exposure to individual risk types;
- defining and implementing the risk management policy to address individual risk types;
- preparing the proposals to implement individual measures for hedging individual risk types;
- adopting the changes and amending the Risk Management Rules and other organizational regulations and instructions addressing the risks;
- other supporting tasks and activities necessary for risk control to cope with all risks to which the Intereuropa Group is exposed.

The Group adopted the Rules on Risk Management for the Intereuropa Group. Risk management policies are formulated with the aim of identifying and analysing the risks that the Group has to cope with. That is underlying for determining appropriate restrictions and controls, as well as monitoring the risks and the compliance with the restrictions.

Credit Risk

Credit risk denotes a risk that a party to a contract on the financial instrument may fail to fulfil their obligations and cause the Group to incur a financial loss. Credit risk arises primarily from trade receivables of the Group.

Operating and other receivables

The Group's exposure to credit risk depends mainly on the profile of its customers. Nevertheless, the management also takes into account the demographic background of its customers and the solvency risk with regard to the branch of industry and the country in which the customer is operating: these factors may affect the credit risk in particular in the present adverse economic situation.

The risk management policies require for each major new customer to prepare an analysis of credit rating before offering the standard terms of payment and delivery of the Group. The review undertaken by the Group includes external assessment, if available.

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

Guarantees

In accordance with its policy, the Group offers financial guarantees only to subsidiaries in majority ownership of the Parent Company.

Liquidity Risk

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

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

The cost of services is monitored by core business activities, which helps in planning the needs for cash flow and optimising return on investments. The Group makes sure to have sufficient amounts of cash or credit facilities available to cover operating expenses for the respective period. That also applies to servicing the financial liabilities; it does not include any potential consequences arising from exceptional circumstance that cannot be foreseen, such as natural disasters.

Market Risk

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

The Group trades in financial instruments and assumes financial liabilities aiming to control the market risks.

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

Currency risk is in particular relevant for the subsidiaries operating outside the Euro Zone. Primarily, it involves 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 subsidiaries use a natural hedge against the risk of changes in exchange rate of their national currency – matching the inflows with outflows in the respective currencies in terms of time and amount, and do not use foreign exchange futures.

However, the foreign exchange positions remain open in their Statements of Financial Position of the subsidiaries who have received loans in euros. It is highly probable for them that a change in the national currency exchange rate would have a strong impact on their operations. The company in Russia was one of the most exposed among them.

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

Business Risk

Business risk is the risk of direct or indirect loss incurred for a wide range of reasons related to the processes within the Group, staff, technology and infrastructure, as well as a consequence of external factors not related to credit, market and liquidity risk. Among other, these risks also comprise the risks arising from legal and regulatory requirements and generally accepted corporate standards. Business risks originate from the entire business of the Group. The Group's policy is to manage business risks towards 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. The key responsibility for development and to introduce controls for managing operational risks is conferred to executives of each organisational unit.

Compliance with the corporate standards of the Group is supported by a programme of 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 also the amount of dividend pay-outs 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 the changes in inflows and outflows according to the indirect method in the accounting period and explains changes in the balance of cash. In the preparation of financial statement we considered the data from the Consolidated Income Statement for 2012, items of the Consolidated Statements of Financial Position as at 31 December 2012 and 31 December 2011, and other necessary data.

NOTE 1: Sales revenues

Table 9: Sales revenues

in € thousand

	2012	2011
Sales revenues	188,409	211,880

NOTE 2: Other operating revenues

Table 10: Other operating revenues

in € thousand

	2012	2011
Revaluation operating revenues from disposal of tangible fixed assets and investment property	1,328	1,212
Income from reversal of provisions	907	418
Income from the reversal of allowances for receivables and recoveries of written-off receivables	947	1,361
Revenues from extinguishment of debt	28	99
Other operating revenues	1,346	559
Total	**4,556**	**3,650**

NOTE 3: Cost of material and services

Table 11: Cost of material and services

in € thousand

	2012	2011
Cost of material	5,389	10,713
Cost of services	123,589	136,677
Direct costs	106,902	115,962
Telephone costs	741	1,093
Maintenance costs	3,416	4,144
Insurance premiums	1,149	1,613
Training and education costs	64	65
Other costs of services	11,317	13,800
Total	**128,978**	**147,390**

Direct costs comprise the costs that are directly related to provision of services.

NOTE 4: Labour costs

Table 12: Labour costs

in € thousand

	2012	2011
Wages and salaries	24,657	28,529
Pension insurance costs	2,876	3,243
Other social security costs	2,303	2,846
Other labour costs:	4,889	5,469
Holiday allowances	918	972
Travel and meal allowances	2,523	2,794
Other labour costs	1,447	1,704
Total	**34,725**	**40,087**

The Group reduced labour costs to € 34,725 thousand mostly due to downsizing to a lower number of staff than a year ago.

The average number of employees, structured by qualification, is disclosed in the Business Report.

NOTE 5: Depreciation and amortisation

Table 13: Depreciation and amortisation

in € thousand

	2012	2011
Amortisation of intangible assets	688	754
Depreciation of property, plant and equipment and investment properties	8,476	11,192
Revaluatory operating expenses of intangible assets and tangible fixed assets	10,754	3,926
Expenses from revaluation adjustments and written-off receivables	1,750	2,730
Total	**21,669**	**18,602**

NOTE 6: Other operating expenses

Table 14: Other operating expenses

in € thousand

	2012	2011
City land tax and similar expenses	1,150	1,105
Provisions	5,725	1,484
Expenses from sale of subsidiary	5,520	0
Other operating expenses	2,424	1,352
Total	**14,819**	**3,941**

The bulk of other operating expenses arise from the disposal of subsidiary Intereuropa-East Ltd., Moscow. The provisions made are presented in Note 21.

NOTE 7: Financial revenues and expenses

Table 15: Financial revenues and expenses

in € thousand

	2012	2011
Interest income	1,035	1,028
Income from dividends and profit participations in others	1	4
Profit from sale of financial assets	1	23
Finance income	**1,037**	**1,055**
Interest expenses	-7,711	-11,785
Finance costs from sales of investments	0	-6
Finance costs from impairment of financial assets held for sale	-561	-81
Costs of derivatives	-699	-576
Net exchange differences	-5,112	-2,036
Finance costs	**-14,083**	**-14,484**
Profit from financing activities	**-13,046**	**-13,429**

On the financial expenses side, interest expenses were lower by € 4,075 thousand, while net foreign exchange losses rose by € 3,076 thousand (primarily on account of transfer of foreign exchange differences arising from the translation from equity to Income Statement, amounting to € 7,052 thousand, upon disposal of subsidiary Intereuropa-East Ltd., Moscow).

NOTE 8: Profit or Loss recognised according to Equity Method

The joint venture Intereuropa-FLG, d.o.o., Ljubljana, 50-percent owned by the Intereuropa Group, contributed an operating result of € 34 thousand.

NOTE 9: Corporate Income Tax (assessed tax and deferred tax)

The tax assessed by the Group for the fiscal year 2012, inclusive of the non-deductible tax withholdings paid abroad, came to € 378 thousand. Taxable and deductible temporary differences are stated in the revenue from deferred tax assets, amounting to € 7,186 thousand. In the first quarter of 2012, the tax regulations in Slovenia changed, gradually reducing the taxation rates for the Corporate Income Tax: 18-percent rate applicable for the year 2012, 17 percent for 2013, 16 percent for 2014, and 15 percent from 2015 on.

Table 16: Adjustments to effective tax rate

in € thousand

	2012	2011
Tax	-274	-173
Deferred tax	7,186	2,800
Non-deductible tax withheld abroad	-104	-142
Corporate income tax	**6,808**	**2,485**
Profit before tax	-20,238	-7,895
Tax calculated at the average weighted tax rate	3,687	1,735
Non-deductible tax withheld abroad	-104	-142
Tax on non-deductible expenses	-9,024	26
Tax on tax reliefs	-30	-41
Tax on revenues reducing tax base	30	66
Tax on income reducing tax base	15,783	0
Tax on tax loss for which no deferred tax assets can be posted	-79	-1,209
Elimination of deferred taxes	-19	0
Corporate income tax rate change	-3,504	0
Tax on other items	68	2,050
Corporate income tax	**6,808**	**2,485**

The tax on non-deductible expenses amounting to € 9,024 thousand mainly relates to the tax payable on non-deductible expenses arising from the sold and already impaired financial investment in the subsidiary Intereuropa-East Ltd., Moscow.

The tax on the expenses that are deductible and thus reduce the tax base, amounting to € 15,783 thousand, primarily stands for the tax on expenses from revaluation of the sold financial investment in the share in the subsidiary Intereuropa-East Ltd, Moscow and the loans to it which were not tax-deductible in the past, and on the expenses from revaluation of receivables due from that subsidiary which are recognised upon write-off or disposal, respectively.

The weighted tax rate for the year 2012 was 18.22 percent, and 21.98 percent for the year 2011.

NOTE 10: Property, Plant and Equipment (Tangible Fixed Assets)

Table 17: Changes in Property, Plant and Equipment in 2012

in € thousand

	Land	Buildings	Other plant and equip-ment	Equipment under financial lease	Property, plant and equipment under con-struction	Advances for acquisi-tion of property, plant and equipment	Total
HISTORICAL COST							
As at 1 Jan. 2012	**155,897**	**245,450**	**43,856**	**6,108**	**10,990**	**814**	**463,115**
Alignment of the opening balance	0	0	0	0	-70	0	-70
Purchasing	0	0	0	0	1,660	338	1,998
Activation	0	876	703	293	-1,872	0	0
Advances brought forward	0	0	0	0	303	-303	0
Disposals	-25,006	-815	-1,733	0	0	0	-27,554
Write offs	0	0	-714	0	-39	0	-753
Reduce the transfer to assets held for sale	0	0	-3,034	-5,223	0	0	-8,257
Reduce the transfer to investment property	0	-544	0	0	0	0	-544
Decrease arising from sale of a subsidiary	-8,722	-70,733	-1,792	0	-8,717	-808	-90,772
Increase due to merger of the company	3,317	0	0	0	0	0	3,317
Exchange differences	-111	1,816	-51	-2	296	27	1,975
As at 31 Dec. 2012	**125,374**	**176,049**	**37,235**	**1,175**	**2,552**	**67**	**342,452**
VALUE ADJUSTMENT							
As at 1 Jan. 2012	**-25,409**	**-90,744**	**-35,792**	**-3,524**	**-6,797**	**0**	**-162,266**
Alignment of the opening balance	0	0	0	0	70	0	70
Depreciation and amortisation	0	-5,438	-2,734	-75	0	0	-8,247
Disposals	14,287	429	1,644	0	0	0	16,359
Write offs	0	0	703	0	0	0	703
Reduce the transfer to assets held for sale	0	0	2,793	2,930	0	0	5,723
Reduce the transfer to investment property	0	105	0	0	0	0	105
Impairments	-733	0	0	0	0	0	-733
Decrease arising from sale of a subsidiary	4,539	31,463	1,091	0	4,729	0	41,821
Exchange differences	-196	-957	55	1	-163	0	-1,259
As at 31 Dec. 2012	**-7,511**	**-65,144**	**-32,242**	**-667**	**-2,161**	**0**	**-107,725**
RESIDUAL VALUE							
As at 1 Jan. 2012	130,488	154,706	8,063	2,584	4,194	814	300,849
As at 31 Dec. 2012	**117,863**	**110,905**	**4,994**	**508**	**391**	**67**	**234,727**

Land is stated at fair value and other items of fixed assets are stated at procurement value and deducted by depreciation. Land re-valuation was made under the comparable sales method. The latest appraisal of land was undertaken by independent appraisers at the end of 2009. Due to lower share price than the book value, the Group checked in 2012 the need for any impairment of the items 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 markets until 31 December 2012 and did not find any material change in the value of real estate that would require any impairment thereof, except for the subsidiary in the Ukraine, in which the Group recognised impairment based on the appraisal of real estate.

The carrying amount of land as at 31 December 2012 would equal € 32,204 thousand if it were posted under the procurement value model.

The disposal of the Russian subsidiary (€ 48,951 thousand) along with the sale of land in Chekhov (€ 10,706 thousand) owned by the Parent Company, had the highest impact on the decrease of the Property, Plant and Equipment of the Group.

The increase in land at € 3,317 thousand represents an increase of assets from the affiliation of the Croatian company IE-Promet d.o.o., Zagreb.

Impairment of this item by € 733 thousand relates to the impairment of land in the subsidiary TOV Intereuropa-Ukraina, Kiev.

As of the Balance Sheet Date, the Intereuropa Group had property, plant and equipment pledged as loan security in the amount of € 117,076 thousand, and as collateral for other financial liabilities of € 1,266 thousand and contingent liabilities in the amount of € 27,694 thousand. No other legal restrictions for disposal with fixed assets existed. The carrying amount of mortgaged real estate was € 198,185 thousand.

Table 18: Changes in Property, Plant and Equipment in 2011

in € 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
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**

NOTE 11: Investment Property

Table 19: Changes in Investment Property

in € thousand

	2012	2011
HISTORICAL COST		
Balance as at 1 Jan.	**9,120**	**9,468**
Disposals	0	-348
Increase due to transfer of tangible fixed assets	544	0
Balance as at 31 Dec.	**9,665**	**9,120**
VALUE ADJUSTMENT		
Balance as at 1 Jan.	**-2,746**	**-2,679**
Amortisation	-229	-233
Increase due to transfer of tangible fixed assets	-105	0
Disposals	0	166
Balance as at 31 Dec.	**-3,080**	**-2,746**
RESIDUAL VALUE		
Balance as at 1 Jan.	6,375	6,789
Balance as at 31 Dec.	**6,585**	**6,375**

Table 20: Revenues and expenses from investment property

in € thousand

	2012	2011
A. Rental income from investment properties	1,440	1,410
B. Direct operating expenses creating revenue from investment properties	-486	-537
C. Profit from sale of investment properties	0	363
Total	**954**	**1,236**

Market values of investment properties maintained, despite falling prices on the real estate markets, a higher value than their carrying amount as at 31 December 2011 compared with a year ago, therefore we assessed that no indication of any impairment exists.

NOTE 12: Intangible assets

Almost the entire value of goodwill is attributable to the goodwill resulting from the Bosnian subsidiary Intereuropa RTC, d. d., Sarajevo. The company was accounted as the cash generating unit. The basis for calculation was the target sales turnover for 2012-2016, estimating 1.9 percent of the average annual sales growth. The calculation applied 14.53 percent discount rate representing the weighted average of the cost of capital. Based on discounted cash flows, we found that the recoverable amount of the cash-generating unit exceeded its carrying amount, including goodwill, so there was no need for impairment of goodwill.

Table 21: Changes in Intangible Assets in 2012

in € thousand

	Long-term title rights	Goodwill	Long-term deferred development costs	Total
HISTORICAL COST				
As at 1 Jan. 2012	**7,427**	**1,281**	**4,085**	**12,793**
Reconciliation of opening balance	0	0	-119	-119
Purchasing	41	0	103	144
Decreases arising from disposal	-801	0	0	-801
Decrease due to transfer to assets held for sale	-7	0	0	-7
Decrease arising from sale of a subsidiary	-6	0	0	-6
Decrease due to the liquidation of the subsidiary	0	-6	0	-6
Exchange differences	-6	0	0	-6
As at 31 Dec. 2012	**6,649**	**1,275**	**4,069**	**11,993**
VALUE ADJUSTMENT				
As at 1 Jan. 2012	**-4,504**	**0**	**-119**	**-4,623**
Reconciliation of opening balance	0	0	119	119
Amortisation	-625	0	-64	-688
Decreases arising from disposal	801	0	0	801
Decrease due to transfer to assets held for sale	3	0	0	3
Decrease arising from sale of a subsidiary	3	0	0	3
Impairment	0	0	-99	-99
Exchange differences	4	0	0	4
As at 31 Dec. 2012	**-4,318**	**0**	**-163**	**-4,481**
RESIDUAL VALUE				
As at 1 Jan. 2012	2,923	1,281	3,966	8,170
As at 31 Dec. 2012	**2,331**	**1,275**	**3,906**	**7,513**

Long-term deferred development expenses largely stand for the investments in development of dedicated IT solution supporting integral logistic services.

On the reporting date, the carrying amount of pledged Intangible Assets was € 820 thousand.

Table 22: Changes in Intangible Assets in 2011

in € thousand

	Long-term title rights	Goodwill	Long-term deferred development costs	Total
HISTORICAL COST				
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**

NOTE 13: Other long-term operaqting assets

Other long-term operating assets almost entirely relate to deferred borrowing costs (costs arising from loan agreements, such as fees to agents, consultants, etc.) that are transferred to expenses in proportion to the period of time lapsed and the outstanding portion of the principal. As of the cut-off date, they amounted to € 317 thousand.

NOTE 14: Loans granted and deposits

Table 23: Structure of loans and deposits

in € thousand

	31. 12. 2012	31. 12. 2011
Long-term loans and deposits	**54**	**75**
- loans given	28	39
- deposits	26	36
Short-term loans and deposits	**10,779**	**8,518**
- loans given	114	33
- deposits	10,665	8,485
Total	**10,833**	**8,593**

As of the cut-off date, the Group had a short-term deposit of € 4,160 thousand pledged as a security for payment, for which the long-term provision was made to the same amount.

Table 24: Changes in long-term loans and deposits

in € thousand

	2012	2011
Opening balance	**75**	**84**
New loans	0	8
New deposits	11	0
Transfer from the short-term part	0	4
Transfer to the short-term part	-31	-11
Sale of subsidiaries	0	-4
Repayments	-1	-4
Exchange differences	0	-1
Closing balance	**54**	**75**

Table 25: Long-term loans granted and deposits, by maturity

in € thousand

	31. 12. 2012	31. 12. 2011
Maturity from 1 to 2 years	14	30
Maturity from 2 to 3 years	13	16
Maturity from 3 to 4 years	0	0
Maturity from 4 to 5 years	0	0
Maturity over 5 years	26	29
Total	**54**	**75**

Table 26: Long-term loans by collateral (excluding deposits)

in € thousand

	31. 12. 2012	31. 12. 2011
Secured	27	29
Unsecured	1	10
Total	**28**	**39**

Table 27: Short-term loans by collateral (excluding deposits)

in € thousand

	31. 12. 2012	31. 12. 2011
Based on bills of exchange	70	0
Based on other types of collateral	44	33
Total	**114**	**33**

NOTE 15: Joint venture

Intereuropa d.d., Koper, holds 50 percent in the jointly-controlled company (joint venture) Intereuropa-FLG d.o.o, Ljubljana.

Table 28: Changes in investment in joint venture

in € thousand

	31. 12. 2012	31. 12. 2011
Balance as at 1 Jan.	136	135
Equity accounted profits	34	24
Payment of profit	-35	-23
Balance as at 31 Dec.	**135**	**136**

Table 29: Assets, liabilities, revenues and expenses of the joint venture

in € thousand

	31. 12. 2012	31. 12. 2011
ASSETS	**2,205**	**2,370**
Non-current assets	36	13
Current assets	2,169	2,358
LIABILITIES	**2,205**	**2,370**
Equity	234	235
Non-current liabilities	25	18
Current liabilities	1,946	2,117
Revenues	11,591	12,348
Expenses (including corporate income tax)	11,524	12,300
Net profit for the period	**68**	**48**

NOTE 16: Other financial investments

Financial assets available for sale

Table 30: Changes in financial assets available for sale

in € thousand

	2012		2011	
	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.	**1,150**	**2,406**	**1,272**	**2,406**
Effect from transformation of an investment company into a mutual fund	0	0	-2	0
Sale	0	0	-55	0
Impairment through profit and loss	-6	-554	0	0
Revaluation to fair value	111	0	-65	0
Balance at the end of period, 31 Dec.	**1,254**	**1,852**	**1,150**	**2,406**

NOTE 17: Assets held for sale

Table 31: Assets held for sale

in € thousand

	31. 12. 2012	31. 12. 2011
Available-for-sale financial assets	0	3,310
Available-for-sale assets	**0**	**3,310**

The Assets held for sale decreased on account of the financial assets available for sale due to the affiliation of the Croatian subsidiary which was recognized as a financial investment held for sale.

NOTE 18: Short-term operating receivables

Table 32: Short-term operating receivables

in € thousand

	31. 12. 2012	31. 12. 2011
Short-term accounts receivable	33,022	42,451
Other short-term operating receivables	2,608	3,603
Total	**35,630**	**46,053**

Of the total amount of short-term operating receivables at € 33,022 thousand, € 2,107 thousand relate to Deferred costs and accrued revenues.

Operating receivables write-downs

Table 33: Operating receivables write-downs

in € thousand

	31. 12. 2012	31. 12. 2011
A. Short-term accounts receivable (gross)	39,999	50,303
B. Value adjustments of receivables	6,977	7,853
Residual value (A-B)	33,022	42,451
Write-off of receivables (B/A)	**17.44%**	**15.61%**

Value adjustments of operating and other receivables

Table 34: Value adjustments of operating and other receivables

in € thousand

	2012	2011
Value adjustment of receivables as at 1 Jan.	7,853	7,243
- receivables written off	-1,406	-955
- collected receivables	-901	-1,520
+ additional increase in value adjustments	1,714	2,544
- disposal company	-222	0
Exchange differences	-60	541
Closing balance of adjustments as at 31 Dec.	**6,977**	**7,853**

Structure of short-term operating receivables by maturity

Table 35: Structure of short-term operating receivables by maturity

in € thousand

	Gross amount 31. 12. 2012	Value adjustment 31. 12. 2012	Gross amount 31. 12. 2011	Value adjustment 31. 12. 2011
Outstanding	21,248	0	**29,255**	**0**
Overdue from 0 to 30 days	7,456	134	7,574	1
Overdue from 31 to 90 days	3,070	8	4,099	48
Overdue from 91 to 180 days	990	70	1,421	163
Overdue over 181 days	7,236	6,765	7,954	7,640
Total	**39,999**	**6,977**	**50,303**	**7,853**

The major portion of receivables more than 181 days overdue is involved in court proceedings (executions, lawsuits, bankruptcies and compulsory compositions). Exposure to various risks types arising from operating receivables is managed by applying our own credit rating system for domestic customers and by checking credit ratings of foreign customer obtained from specialised credit rating companies. On the basis of the acquired information, the Group requires that customers with lower credit ratings supply instruments to secure payments (bill of exchange, bank guarantees, mortgages, pledges of movable property and sureties).

NOTE 19: Cash and cash equivalents

Cash and cash equivalents of the Group amount to € 8,390 thousand. The item comprises the cash held in bank accounts, call deposits, and cash in hand. The reasons for increases and decreases of this item in the year 2012 are shown in the Statement of Cash Flows.

NOTE 20: Equity (Capital)

The equity of the Group amounts to € 154,893 thousand, thereof the controlling interest with € 145,361 thousand, and non-controlling interest with € 9,532 thousand. Changes in equity items in 2012 are presented in the Statement of Comprehensive Income and in the Statement of Changes in Equity.

Financial debt / Equity

Table 36: Financial debt / Equity

in € thousand

	2012	2011
Non-current financial liabilities	111,663	30,122
Current financial liabilities	1,706	172,689
Total financial liabilities	113,369	202,811
Total equity	154,893	140,988
Debt/equity	**0.73**	**1.44**

Share capital

Pursuant to the Resolution of the General Meeting of 28 August 2012, the share capital of the Parent Company Intereuropa d.d., Koper, was decreased by € 25,074 thousand and transferred to capital reserves. The year 2012 also brought a capital increase in the Company's share capital, by a capital augmentation on the part of the creditor banks by contributions-in-kind arising from loans in the amount of € 19,586 thousand, by issuing 8,928,425 ordinary shares and 10,657,965 preference shares. After the increase the Company's share capital amounts to € 27,488,803 and is divided into 16,830,836 ordinary freely transferable no-par value shares and 10,657,965 preference shares. The amount pertaining to the share is one euro.

The rights vested in ordinary shares entitle the shareholders to participation in the management of the Company (voting right), participation in the portion of profit (dividend), and to receive a proportional part of the residual assets after liquidation or bankruptcy of the Company.

The holders of preference shares are entitled to participation in the portion of profit and to receive a proportional part of the residual assets after liquidation or bankruptcy of the Company. Preference shares entitle their holders to participation priority in the profit in the amount of € 0.01 (preferential amount) per share. The preference amount is paid out in addition to participation in the profit pertaining to the holders of ordinary shares, in accordance with the Resolution on appropriation of accumulated profit. These amounts are payable for the first time at the pay-out of profit (dividend) for the year 2013.

Capital reserves
Capital reserves were made after decreasing the share capital in the amount of € 25,074 thousand and used to cover the net loss of the financial year 2012 amounting to € 6,619 thousand.

The Revenue Reserves are structured as legal reserves, statutory reserves, reserves for treasury shares and treasury shares as a deductible item. As at 31 December 2012, the legal reserves amounted to € 2,601 thousand.

Treasury shares
At the year-end 2012, the Parent Company had 18,135 treasury shares: the number of treasury shares has not changed since 31 December 2011. The Company has no rights from its treasury share portfolio. Other companies in the Group do not own treasury shares.

Treasury share reserves were made in 2008 in the amount of their procurement value at € 180 thousand.

Surplus from Revaluation was by € 3,271 thousand lower than in 2011, mainly on account of the changed (lower) tax rate for deferred tax from revaluation of land (by € 3,186 thousand).

Negative **foreign exchange losses from translation** fell by € 5,007 thousand below the level of 2011 owing to transfer of foreign exchange losses to the expenses from foreign exchange differences in the Income Statement (in the amount of € 7,052 thousand) upon disposal (sale) of the Russian subsidiary, and owing to the increase of € 2,045 thousand on account of the effect of foreign exchange differences arising from the re-calculation of equity elements from local currency into the reporting currency in the financial statements of subsidiaries abroad.

Equity of the non-controlling interest

The equity of non-controlling share amounts to € 9,532 thousand; it was € 160 thousand lower than a year ago.

Earnings per share

The basic earnings per share (€ -1.60) were calculated as: net profit pertaining to the holders of ordinary shares of the Parent Company/weighted average number of shares excluding treasury shares (€ -13,798 thousand / 8,628,313 shares). The diluted earnings per share equalled the basic earnings per share because the Parent Company does not hold any dilutive potential ordinary shares.

Table 37: Earnings per share (loss)

	2012	2011
Net loss/controlling interest for the year in € thousand	-13,798	-5,734
Average number of shares	8,628,313	7,884,278
Basic and diluted earnings per share (€)	**-1.60**	**-0.73**

NOTE 21: Provisions and long-term deferred revenues

Table 38: Provisions and long-term deferred revenues

in € thousand

	Balance 1. 1. 2012	Drawing (use)	Cancellation and transfer to revenues	Additional establishment	Exchange differences	As at 31 Dec. 2012
Provisions for employee benefits	1,877	-312	-483	115	-4	1,192
Provisions for legal proceedings	450	-2	-337	129	0	241
Other provisions	279	-283	0	5,481	2	5,480
Long-term deferred revenues	119	-7	-86	95	0	121
Total	**2,726**	**-604**	**-907**	**5,820**	**-2**	**7,034**

As at the cut-off date of the Statement of Financial Position, the Group had € 7,034 thousand of Long-Term Provisions and Long-term Deferred Revenues. The majority of other provisions relates to provisions for the liabilities arising from contracted assurances (€ 4,160 thousand) and to customs duties payable on account of an incomplete (not properly discharged) transit procedure estimated to € 1,073 thousand.

The calculation of provisions for employee benefits upon retirement and long-service awards was based on an actuarial calculation, relying on the following assumptions:

- number of employees, their gender, age, total length of service, length of service with the Company, and their average gross salary for December 2012;
- method for calculating employee benefits under the national laws;
- growth of average salaries in respective countries;
- age-based turnover of employees, prerequisites for retirement in accordance with the minimum requirements for obtaining the entitlement to old-age pension;
- discount rates applied: 2.75% in Slovenia, 5.0% in Serbia, and 4.0% in Montenegro, Bosnia and Herzegovina and Croatia.

Reversal and additional formation of these provisions were based on the actuarial calculation as at 31 December 2012.

Provisions for lawsuits were made on the basis of obtained opinions and estimates by internal and external legal experts.

Long-term deferred revenues related mostly to property, plant and equipment items acquired for free, and purchased equipment from the funds obtained by employing disabled persons above the quota. They are credited of operating revenues in the amount of depreciation costs.

NOTE 22: Received loans and financial leases

Table 39: Structure of long-term loans received and financial leases

in € thousand

	31. 12. 2012	31. 12. 2011
Long-term loans received on the basis of loan agreements	111,253	27,252
Long-term loans received on the basis of financial lease	410	149
Total	**111,663**	**27,401**

Table 40: Changes in long-term loans and financial leases

in € thousand

	31. 12. 2012	31. 12. 2011
Balance as at 1 Jan.	**27,401**	**171,893**
Drawing of revolving credit	0	3,590
Adjustment of the opening balance (transfer to non-current assets)	0	8
Refinancing of short-term loans	0	240
Transfer from current liabilities (reprogram loans)	85,582	2,008
New loans	547	71
Repayments	-358	-8
Transfer to current liabilities – default on financial covenants	0	-116,596
Transfer to current liabilities (current part of non-current liabilities)	-1,496	-33,875
Exchange differences	-13	71
Balance as at 31 Dec.	**111,663**	**27,401**

Table 41: Long-term loans and financial leases by maturity

in € thousand

	31. 12. 2012	31. 12. 2011
Maturity from 1 to 2 years	7,098	9,670
Maturity from 2 to 3 years	4,302	5,349
Maturity from 3 to 4 years	4,441	3,206
Maturity from 4 to 5 years	4,133	3,020
Maturity over 5 years	91,689	6,156
Total	**111,663**	**27,401**

Table 42: Long-term loans and financial leases by collateral

in € thousand

	31. 12. 2012	31. 12. 2011
Secured	111,655	27,377
Mortgaged real estate and pledged securities	109,321	24,550
Bills of exchange and corporate guarantee	2,334	2,827
Unsecured	8	24
Total	**111,663**	**27,401**

Table 43: Structure of short-term loans and financial leases

in € thousand

	31. 12. 2012	31. 12. 2011
Short-term loans received	5,848	170,067
Financial leases	127	682
Total	**5,975**	**170,749**

Table 44: Short-term loans and financial leases by collateral

in € thousand

	31. 12. 2012	31. 12. 2011
Secured	5,975	170,569
Mortgaged real estate and pledged securities	5,309	168,670
Bills of exchange	622	1,870
Other	44	29
Unsecured	0	179
Total	**5,975**	**170,749**

As of the reporting date, all the liabilities due by the Group under the loan agreements were settled.

In the scope of financial restructuring undertaken in 2012, the financial assurances of Intereuropa d.d. under the Loan Agreements were redefined. The financial assurances (financial leverage ratio, indicator of coverage of interest expenses, financial security index, liquid assets to short-term liabilities) have been harmonised in all loan Agreements, and they will be first checked for the financial year 2013.

NOTE 23: Other long-term and short-term financial liabilities

Table 45: Structure of other long- and short-term financial liabilities

in € thousand

	31. 12. 2012	31. 12. 2011
Non-current liabilities at fair value through profit or loss	0	2,721
Total	**0**	**2,721**
Current liabilities at fair value through profit or loss	0	1,505
Dividend liabilities	439	435
Other short-term liabilities	1,266	0
Total	**1,706**	**1,940**

The item Other short-term financial liabilities in the amount of € 1,266 thousand relates to the restructured liability resulting from liabilities under financial instruments at fair value through Profit of Loss which were terminated before time. These liabilities are secured by mortgage. The effects are disclosed in Note 7 (Expenses from Derivative financial instruments).

NOTE 24: Deferred tax assets and liabilities

Deferred tax assets were recognised in the amount of deductible temporary differences arising from expenses from revaluation of assets and provisions made, and from 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 the changes in fair value are recognized directly in equity and for temporary differences in property, plant and equipment mostly related to revaluation to fair value.

Table 46: Changes in not-offset deferred tax assets and liabilities, in 2012

in € thousand

Deferred tax assets	As at 1 Jan. 2012	Changes in the income statement	Changes in other comprehensive income	Disposal of subsidiary	Exchange differences	Balance as at 31 Dec. 2012
Property, plant and equipment	11	6	0	0	0	17
Revaluation of receivables from value adjustments	21	-19	0	0	0	2
Financial assets revaluation	2,945	-1,050	-29	0	1	1,867
Provisions	300	-162	0	0	-1	137
Tax loss	8,428	8,676	0	-4,549	193	12,748
Other	50	-8	0	-41	3	4
Total	**11,755**	**7,443**	**-29**	**-4,590**	**196**	**14,775**

Deferred tax liabilities	As at 1 Jan. 2012	Changes in the income statement	Changes in other comprehensive income	Disposal of subsidiary	Exchange differences	Balance as at 31 Dec. 2012
Revaluation from temporary differences in property, plant and equipment	16,982	257	-3,186	-811	-26	13,216
Total	**16,982**	**257**	**-3,186**	**-811**	**-26**	**13,216**
Effect		**7,186**	**3,157**			

Table 47: Changes in not-offset deferred tax assets and liabilities, in 2011

in € thousand

Deferred tax assets	As at 1 Jan. 2011	Changes in the income statement	Changes in other comprehensive income	Transfer between items	Exchange differences	Balance 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	**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	Balance as at 31 Dec. 2011
Revaluation from temporary differences in property, plant and equipment	17,521	323	-818	0	-44	16,982
Total	**17,521**	**323**	**-818**	**0**	**-44**	**16,982**
Effect		**2,800**	**824**			

NOTE 25: Short-term operating liabilities

Table 48: Short-term operating liabilities

in € thousand

	31. 12. 2012	31. 12. 2011
Short-term accounts payable	21,336	33,503
Short-term operating liabilities from advances	1,458	1,099
Other short-term operating liabilities	5,110	7,387
Total	**27,904**	**41,988**

Of the total amount of short-term operating liabilities as at 31 December 2012, € 1,623 thousand related to liabilities arising from accrued costs for which the suppliers' invoices have not been received yet.

Except for customs liabilities, we do not issue any instruments to secure payments to our suppliers. Other short-term operating liabilities represented the liabilities to employees for wages/salaries and allowances or compensations, liabilities for contributions, taxes and other liabilities.

NOTE 26: Contingent liabilities

As Contingent liabilities are presented: potential liabilities not posted in the Statement of Financial Position and for which we estimate it is not likely that an outflow of resources will result upon the settlement of the obligation. We estimate that the Group held as at 31 December 2012 the following contingent liabilities:

Table 49: Contingent liabilities

in € thousand

	31. 12. 2012	31. 12. 2011
Arising from bank guarantees and guarantees given	11,172	11,328
Arising from legal proceedings	2,023	2,990
Other contingent lialilities	206	0
From D.S.U., družba za svetovanje in upravljanje	250	250
Total	**13,651**	**14,569**

Guarantees and warranties primarily stand for contingent liabilities arising from bank guarantees for any customs debt that might result from transit procedures, checking the origin, various analyses and control of goods.

Contingent liabilities arising from lawsuits in the amount of € 2,023 thousand represent less than 50 percent probability that the Plaintiff would be successful in their claim and outflows of resources embodying economic benefits would be needed.

NOTE 27: Fair value

Securities available for sale

The fair value of available-for-sale securities that are listed on a stock exchange is equal to the published closing price of these shares as at the Statement of Financial Position Date. The fair value of shares and interests in companies listed on a stock exchange is assessed on the basis of the last known transactions, or based on their operations.

Loans granted and received

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

in € thousand

	31. 12. 2012		31. 12. 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Available-for-sale financial assets	3,106	3,106	3,556	3,556
Total	**3,106**	**3,106**	**3,556**	**3,556**
Assets at amortised cost				
Long-term loans and deposits	54	54	75	75
Short-term loans given	10,779	10,779	8,518	8,518
Operating receivables (excluding advances)	35,630	35,630	46,053	46,053
Cash and cash equivalents	8,390	8,390	17,651	17,651
Total	**54,853**	**54,853**	**72,297**	**72,297**
Liabilities at fair value				
Derivatives	0	0	4,226	4,226
Total	**0**	**0**	**4,226**	**4,226**
Liabilities at amortised cost				
Long-term operating liabilities	434	434	1,203	1,203
Loans	117,638	117,638	198,151	198,151
- at a fixed interest rate	47	47	464	464
- at a variable interest rate	117,591	117,591	197,687	197,687
Other short financial liabilities	1,706	1,706	0	0
Short-term operating liabilities	27,904	27,904	41,988	41,988
Total	**147,682**	**147,682**	**241,342**	**241,342**

Levels of fair values of financial instruments

The table below shows the 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, for which the values cannot be obtained from market data.

Table 51: Fair Value Levels

in € thousand

Fair value amounts	Level 1	31. 12. 2012 Level 2	Level 3	Total
Assets at fair value				
Available-for-sale financial assets	1,254	0	1,852	3,106
Total	**1,254**	**0**	**1,852**	**3,106**
Liabilities at fair value				
Derivatives	0	0	0	0
Total	**0**	**0**	**0**	**0**

Fair value amounts	Level 1	31. 12. 2011 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**

NOTE 28: Financial risks

Risk management is described under heading 2.6 Risk Management.

Liquidity Risk

Liquidity risk is controlled by active management of cash, comprising:

- cash flow monitoring and planning;
- regular collection and daily contact with major customers;
- short-term borrowing within the Group;
- option of using short-term bank credit facilities.

Estimated non-discounted cash flows, including future interest, are disclosed in tables.

Table 52: Liquidity risk, 31 December 2012

in € thousand

31. 12. 2012	Carrying amount	Contrac-tual cash flows	6 months or less	6-12 months	1-2 years	2-5 let	Več kot 5 let
Loans from banks and others	117,101	138,591	5,881	3,370	9,543	22,885	96,911
Loans received on the basis of financial lease	554	586	62	55	92	379	0
Liabilities at fair value through profit or loss	1,705	1,728	723	641	0	0	0
Accounts payable	21,687	21,687	20,565	71	138	87	210
Other liabilities	6,569	6,569	5,886	7	0	239	0
Total	**147,616**	**169,161**	**33,116**	**4,144**	**9,773**	**23,591**	**97,121**

Table 53: Liquidity risk, 31 December 2011

in € 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**

Analysis of interest rate sensitivity and impact on pre-tax profit

Table 54: Interest rate risk

in € thousand

2012	Change in percent	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
EURIBOR	+15%	-16	-16	-30	-83	-43	-189
EURIBOR	+10%	-11	-11	-20	-56	-29	-126
EURIBOR	-10%	11	11	20	56	29	126
EURIBOR	-15%	16	16	30	83	43	189

Table 55: Interest rate risk

in € 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

Currency Risk

Table 56: Currency risk, 31 December 2012

in € thousand

31. 12. 2012	€	HRK	RSD	Other	Total
Operating receivables	25,453	6,191	585	3,401	**35,630**
Long-term loans given	7	7	13	25	**53**
Short-term loans given	10,355	243	0	182	**10,779**
Long-term loans received	-111,383	0	0	-280	**-111,663**
Short-term loans received	-3,130	-2,646	0	-198	**-5,975**
Short-term operating liabilities	-19,127	-4,441	-872	-3,466	**-27,905**
Other non-current financial liabilities (financial liabilities at fair value through profit or loss)	0	0	0	0	**0**
Other current financial liabilities (financial liabilities at fair value through profit or loss)	-1,706	0	0	0	**-1,706**
Gross exposure of the statement of financial position	**-99,531**	**-647**	**-274**	**-336**	**-100,787**

Table 57: Currency risk, 31 December 2011

in € thousand

31. 12. 2011	€	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**

Credit Risk

Table 58: Credit Risk

in € thousand

	31. 12. 2012	31. 12. 2011
Long-term loans granted to others	28	39
Long-term deposits	26	36
Short-term loans to others	114	33
Short-term deposits	10,665	8,485
Short-term trade receivables	35,630	46,053
- of which accounts receivable	33,022	42,451
Cash and cash equivalents	8,390	17,651
Available-for-sale financial assets	3,106	3,556
Total	**57,959**	**75,853**

Cost of auditors

Table 59: Cost of auditors

in € thousand

	2012	2011
- Annual report audit	95	109
- Other audit services	7	17
- Other non-audit services	0	18
Total	**102**	**143**

NOTE 29: Related parties

Table 60: Compensation to key management personnel

in € thousand

	2012	2011
Short-term earnings (salary and social security contributions, annual and sick leave, profit participation, non-cash earnings (bonuses))	1,130	1,238
Severance	103	0
Other earnings	0	0
Total	**1,233**	**1,238**

The Group did not grant any loans to the key management personnel in 2012.

Table 61: Disclosure of transactions with related parties

in € thousand

Revenue from services	**2012**	**2011**
Joint venture	1,322	926
Costs of services	**2012**	**2011**
Joint venture	4,751	5,354

The liabilities of the Group to the joint venture equalled € 569 thousand as at 31 December 2012.

NOTE 30: Information by business segments

Table 62: Information by business segments

in € thousand

	Slovenia		Croatia		Bosnia & Herzegovina		Serbia		Montenegro	
	Jan-Dec 2012	Jan-Dec 2011	Jan-Dec 2012	Jan-Dec 2011	Jan-Dec 2012	Jan-Dec 2011	Jan-Dec 2012	Jan-Dec 2010	Jan-Dec 2012	Jan-Dec 2011
Revenues from external customers	105,509	121,304	30,897	32,509	5,990	6,788	3,539	3,460	5,434	5,608
Revenues from business with other segments	4,248	7,999	583	800	462	521	695	721	79	59
Total revenues	109,757	129,303	31,479	33,309	6,452	7,309	4,234	4,180	5,514	5,667
Depreciation	4,595	6,787	1,929	2,240	398	434	242	286	601	617
Operating profit or loss	-8,881	-1,392	2,568	-67	125	501	520	445	1,059	616
Revenues from interest rates	3,533	4,756	229	330	2	2	21	37	116	135
Expenses from interest rates	7,136	10,908	335	689	69	116	237	307	0	0
Net profit or loss from ordinary activities	-15,683	-8,729	2,451	-575	59	387	52	192	1,175	751
Corporate income tax	-8,699	-2,156	522	-72	7	48	-0	14	110	94
Assets	246,860	320,262	68,700	73,634	16,989	17,743	10,336	11,718	23,071	22,962
Tangible fixed assets under construction	7	6	88	84	72	52	7	8	281	288
Long-term assets	206,043	247,175	59,562	58,586	16,013	16,333	9,492	10,620	18,900	19,684
Operating liabilities	35,473	45,209	7,919	9,274	1,808	1,937	1,371	1,613	963	926
Financial liabilities	110,871	190,236	6,498	10,773	553	1,230	2,437	3,019	365	360
Investment in jointly controlled entities	75	75	0	0	0	0	0	0	0	0
Revenues from investment in jointly controlled entities	35	22	0	0	0	0	0	0	0	0

in € thousand

	Ukraine		Russia		Others		Total		Adjustments*		Group	
	Jan-Dec 2012	Jan-Dec 2011	Jan-Dec 2012	Jan-Dec 2011	Jan-Dec 2012	Jan-Dec 2011	Jan-Dec 2012	Jan-Dec 2011	Jan-Dec 2012	Jan-Dec 2011	Jan-Dec 2012	Jan-Dec 2011
Revenues from external customers	19,593	23,983	13,513	11,467	3,930	6,777	188,405	211,895	4	-15	188,409	211,880
Revenues from business with other segments	57	3	1	94	647	555	6,773	10,752	-6,773	-10,752	0	0
Total revenues	19,650	23,986	13,514	11,561	4,577	7,332	195,177	222,647	-6,768	-10,767	188,409	211,880
Depreciation	157	218	1,168	1,265	74	100	9,165	11,946	0	0	9,165	11,946
Operating profit or loss	-275	131	2,928	883	117	20	-1,839	1,137	-5,387	4,373	-7,226	5,510
Revenues from interest rates	4	8	45	149	2	2	3,953	5,419	-2,918	-4,390	1,035	1,028
Expenses from interest rates	187	162	2,664	3,988	0	5	10,628	16,176	-2,918	-4,390	7,711	11,785
Net profit or loss from ordinary activities	-511	-42	2,339	-5,524	121	18	-9,997	-13,521	-10,240	5,627	-20,238	-7,895
Corporate income tax	134	86	1,109	-508	6	10	-6,813	-2,485	5	0	-6,808	-2,485
Assets	5,534	5,421	0	57,516	2,867	2,613	374,358	511,869	-51,390	-104,662	322,969	407,207
Tangible fixed assets under construction	4	4	0	4,562	0	5	459	5,007	0	0	459	5,007
Long-term assets	3,421	4,011	0	53,334	1,159	1,208	314,591	410,951	-47,380	-79,561	267,212	331,390
Operating liabilities	2,024	1,331	0	23,404	772	587	50,330	84,281	-1,598	-20,873	48,732	63,408
Financial liabilities	2,409	2,375	0	50,148	0	0	123,132	258,141	-3,789	-55,331	119,344	202,811
Investment in jointly controlled entities	0	0	0	0	0	0	75	75	60	61	135	136
Revenues from investment in jointly controlled entities	0	0	0	0	0	0	35	22	-1	2	34	24

* All adjustments are subject to consolidation procedures.

The performance of business segments is regularly monitored by the management to be used as the basis for decision-making on the resources to be allocated to a segment and assessing performance of the Group.

NOTE 31: Post reporting date events

On 22 January 2013 the Customs Administration of the Republic of Slovenia (CURS) issued a decision to Intereuropa d.d., claiming the payment of import duty and other levies for the goods declared under a guarantee for transit, as disclosed in Note 21.

INDEPENDENT AUDITOR'S REPORT

ERNST & YOUNG

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, 2012, 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, 2012, 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.

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, March 29, 2013

ERNST & YOUNG
Revizija, poslovno svetovanje d.o.o., Ljubljana 1

Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

Lidija Šinkovec
Certified Auditor

1.2 Financial report of the Parent Company Intereuropa d.d. for the financial year 2012

Financial statements of the Parent Company Intereuropa d.d., Koper, and Notes thereto

The Company Intereuropa d.d., Koper (hereafter: the Company) is the controlling company of the Intereuropa Group, established in Slovenia. Its registered office is at Vojkovo nabrežje 32, 6000 Koper. The Company offers logistic services through its corporate network. Pursuant to the resolution adopted by the General Meeting on 15 July 2005, the Parent Company Intereuropa d.d., Koper made a transition to the International Financial Reporting Standards (IFRS) as adopted by the European Union, for a period of five years at the least counting from 1 January 2006, and applied the IFRS for compiling and presenting its separate financial statements, and pursuant to the General Meeting resolution adopted on 8 July 2011, the Company resolved to apply them for an unlimited period of time, no less than five years, from 1 January 2011.

Introductory Notes to Compilation of financial statements

In the Income Statement we reclassified the items and aligned the comparable figures as shown in the Table below.

in € thousand

	Data published in Annual Report 2011	Reclassification	Data after reclassification 2011
Sales revenues	107,406	0	107,406
Other operating revenues	758	694	1,453
Costs of materials and services	-74,886	2,066	-76,953
Labour costs	-18,871	0	-18,871
Depreciation	-5,035	5,525	-10,560
Other operating expenses	-3,298	-2,077	-1,221
Operating profit	**6,073**	**-4,820**	**1,253**
Finance income	9,108	-694	8,413
Finance costs	-21,075	-5,514	-15,561
Profit from continuing operations	**-5,894**	**0**	**-5,894**

The modality of re-classification of items in the Income Statement is as follows:

- the revenues from elimination of allowances for receivables and the collected written-off receivables (€ 597 thousand), and the revenues from write-offs of operating liabilities (€ 97 thousand) were transferred from the item Financial Revenues to the item Other Operating Revenues (€ 694 thousand);
- the cost of materials (€ 2,066 thousand) was transferred from the item Other Operating Expenses to the item Cost of Services and Materials;
- expenses for the allowances for, and write-offs of receivables (€ 5,514 thousand) were transferred from Financial Expenses to the item Write-offs;
- the expenses arising from impairment and write-offs of tangible (property, plant and equipment) and intangible assets (€ 11 thousand) were transferred from the item Other Operating Expenses to Write-offs;
- the item 'Depreciation /Amortisation' was included in the item 'Write-offs'.

Table 1: Income Statement of the Company Intereuropa d.d., Koper, for 2012

in € thousand

	Notes	2012	2011
Sales revenues	**1**	**108,222**	**107,406**
Other operating revenues	2	1,512	1,453
Costs of materials and services	3	-77,075	-76,953
Labour costs	4	-19,105	-18,871
Depreciation	5	-15,441	-10,560
Other operating expenses	6	-6,671	-1,221
Operating profit		**-8,558**	**1,253**
Finance income		6,154	8,413
Finance costs		-12,933	-15,560
Profit from financing activities	**7**	**-6,779**	**-7,147**
Profit from continuing operations		**-15,337**	**-5,894**
Corporate income tax (including deferred taxes)	8	8,718	2,182
Net loss for the period		**-6,619**	**-3,712**
Basic and diluted earnings per share (€)	**17**	**-0.77**	**-0.47**

Notes to the Financial Statements are an integral part thereof and have to be read in conjunction therewith.

Table 2: Statement of Comprehensive Income of Intereuropa d.d., Koper, for 2012

in € thousand

	Notes	2012	2011
Net profit for the period		**-6,619**	**-3,712**
Other comprehensive income	**17**	**3,275**	**-41**
Transfer of surplus from revaluation of land to retained earnings in sale of land		0	-18
Deferred tax in surplus from revaluation of land	21	3,186	4
Revaluation of available-for-sale financial assets to fair value	13	118	-51
Deferred tax in revaluation surplus related to available-for-sale financial assets	21	-29	10
Retained earnings from revaluation of land (in sale of land)		0	18
Deferred tax from retained earnings		0	-4
Total comprehensive income		**-3,344**	**-3,753**

Notes to the Financial Statements are an integral part thereof and have to be read in conjunction therewith.

Table 3: Statement of Financial Position of Intereuropa d.d., Koper as at 31 December 2012

in € thousand

	Notes	2012	2011
ASSETS			
Property, plant and equipment	9	128,804	142,629
Investment properties	10	5,516	5,724
Intangible assets	11	6,092	6,634
Other non-current operating assets	12	312	474
Deferred tax assets	21	14,639	5,846
Long-term financial investments, except for loans and deposits	13	50,650	53,453
Long-term loans and deposits	14	7	29,840
TOTAL NON-CURRENT ASSETS		**206,020**	**244,600**
Inventories		33	35
Short-term financial investments, except for loans and deposits		250	0
Short-term loans and deposits	14	11,620	29,250
Short-term operating receivables	15	23,209	29,149
Current income tax assets	9	177	4
Cash	16	3,449	9,371
TOTAL CURRENT ASSETS		**38,738**	**67,809**
TOTAL ASSETS		**244,758**	**312,409**
EQUITY			
Share capital		27,489	32,976
Equity reserves		18,455	0
Revenue reserves		875	876
Revaluation surplus		54,068	50,793
TOTAL EQUITY	**17**	**100,887**	**84,645**
LIABILITIES			
Provisions and long-term deferred revenue	18	6,251	2,001
Long-term loans and financial leases	19	106,279	20,911
Other non-current financial liabilities	20	0	2,721
Long-term operating liabilities		414	1,101
Deferred tax liabilities	21	9,558	12,744
TOTAL NON-CURRENT LIABILITIES		**122,502**	**39,478**
Short-term loans and financial leases	19	1,853	161,474
Other current financial liabilities	20	1,341	1,579
Short-term operating liabilities	22	18,175	25,233
TOTAL CURRENT LIABILITIES		**21,369**	**188,286**
TOTAL LIABILITIES		**143,871**	**227,764**
TOTAL EQUITY AND LIABILITIES		**244,758**	**312,409**

Notes to the Financial Statements are an integral part thereof and have to be read in conjunction therewith.

Table 4: Statement of Cash Flows of the Company Intereuropa d.d., Koper, for 2012

in € thousand

	Note	2012	2011
Cash flows from operating activities			
Net profit for the period		**-6,619**	**-3,712**
Adjustments for:			
- depreciation		4,587	5,035
- impairment tangible fixed assets and intangible assets		109	5
- revaluation operating revenues from disposal of tangible fixed assets and investment property		-299	-478
- revaluation operating expenses from disposal of tangible fixed assets and investment property		9,821	6
- impairment of receivables		924	5,514
- non-cash exspenses		5,315	291
- non-cash revenues		-868	-261
- financial revenues		-6,154	-8,413
- financial expenses		12,933	15,560
- corporate income tax (including deferred taxes)		-8,718	-2,182
Operating profit before working capital changes and tax		**11,032**	**11,365**
Changes in working capital and provisions			
Change in receivables		4,773	-4,890
Change in inventories		2	0
Change in operating liabilities		-6,502	479
Change in provisions		-208	38
Corporate income tax paid		-278	-146
Net cash flows from operating activities		**8,819**	**6,846**
Cash flows used in investing activities			
Interest received		3,723	872
Dividends and other profit participations received		1,963	3,573
Proceeds from sale of tangible fixed assets		1,313	594
Proceeds from granted long-term loans		34,376	6,336
Proceeds from a decrease in short-term loans		13,765	1,038
Expenditures for acquisitions of tangible fixed assets		-779	-143
Expenditures for acquisition of intangible assets		-109	-489
Expenditures from increase of short-term deposits given		-2,204	0
Expenditures from acquisition of other financial investment		-256	0
Expenditures from settlement of derivatives		-1,342	-1,674
Net cash flows used in investing activities		**50,450**	**10,107**
Cash flows from/(used in) financing activities			
Proceeds from received long-term loans		0	3,620
Proceeds from received short-term loans		0	3,703
Interest paid		-8,209	-10,219
Expenditures for repayment of long-term loans		-45,993	-4,841
Expenditures for reduction in short-term loans		-8,672	0
Expenditures from decrease of other short-term financial liabilities		-2,317	0
Net cash flows from financing activities		**-65,191**	**-7,737**
Opening balance of cash and cash equivalents		**9,371**	**155**
Cash flow for the period		**-5,922**	**9,216**
Closing balance of cash and cash equivalents	**16**	**3,449**	**9,371**

Notes to the Financial Statements are an integral part thereof and have to be read in conjunction therewith.

Table 5: Statement of Changes in Equity of the Company Intereuropa d.d., Koper, for 2012

in € thousand

	Note	Share capital	Capital reserve	REVENUE RESERVES			Revalution surplus	RETAINED EARNINGS	Total equity
				Legal reserves	Reserves for treasury shares	Treasury shares (deductible)		Net profit of period	
Opening balance as at 1. 1. 2012		**32,976**	**0**	**876**	**180**	**-180**	**50,793**	**0**	**84,645**
Total comprehensive income		**0**	**0**	**0**	**0**	**0**	**3,275**	**-6,619**	**-3,344**
Net profit/loss		0	0	0	0	0	0	-6,619	-6,619
Other comprehensive income		0	0	0	0	0	3,275		3,275
Transactions with owners									
Simplified share capital reduction due to the transfer to equity reserves		-25,074	25,074	0	0	0	0	0	0
Increase in share capital by contributions in-kind		19,586	0	0	0	0	0	0	19,586
Settlement of the net loss for the year		0	-6,619	0	0	0	0	6,619	0
Other changes		1	0	-1	0	0	0	0	0
Closing balance as at 31. 12. 2012	**17**	**27,489**	**18,455**	**875**	**180**	**-180**	**54,068**	**0**	**100,887**

Notes to the Financial Statements are an integral part thereof and have to be read in conjunction therewith.

Table 6: Statement of Changes in Equity of the Company Intereuropa d.d., Koper, for 2011

in € thousand

	Note	Share capital	Capital reserve	REVENUE RESERVES			Revalution surplus	RETAINED EARNINGS		Total equity
				Legal reserves	Reserves for treasury shares	Treasury shares (deductible)		Transferred net profit	Net profit of period	
Opening balance as at 1. 1. 2011		**32,976**	**0**	**4,574**	**180**	**-180**	**50,848**	**0**	**0**	**88,398**
Total comprehensive income		**0**	**0**	**-3,698**	**0**	**0**	**-55**	**0**	**0**	**-3,753**
Net profit/loss		0	0	0	0	0	0	0	-3,712	-3,712
Other comprehensive income		0	0	0	0	0	-55	14	0	-41
Settlement of the net loss for the year		0	0	-3,698	0	0	0	-14	3,712	0
Closing balance as at 31. 12. 2011	**17**	**32,976**	**0**	**876**	**180**	**-180**	**50,793**	**0**	**0**	**84,645**

Notes to the Financial Statements are an integral part thereof and have to be read in conjunction therewith.

Notes to Financial Statements of the Company Intereuropa d.d.

I. GROUNDWORK FOR COMPILING FINANCIAL STATEMENTS

Declaration of Conformity

Financial statements of the Company were compiled in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and with the Companies Act (ZGD). The Managing Board approved the financial statements of the Company on 19 February 2013.

Basis for measurement

Financial Statements were prepared by applying the initial (historical) cost, except for land and derivative financial instruments, at fair value through profit or loss, and for the financial instruments available for sale where fair value has been applied. The methods used for measurement are described in item IV.

The financial statements of the Company Intereuropa d.d. have been compiled on the going concern assumption.

The controlled Company of the Intereuropa Group continued with the financial restructuring and successfully completed it by the end of the year 2012. In October 2012, the Agreement on Long-Term Debt Rescheduling until 2019 was signed with creditor banks. In the last quarterly term, the financial investment in the subsidiary in Russia was sold inclusive of the land, loans and interest receivables due from that subsidiary for the aggregate purchase price of € 45,000 thousand, which was used to repay the creditor banks. Before the year end, the creditor banks converted a portion of loans (€ 19,586 thousand) into equity of the Company (See Note 17). As a result, the ownership structure of the Company has changed essentially, the creditor banks are now prevailing. The leverage of Intereuropa d.d. has decreased materially, and the remainder of financial liabilities has been rescheduled under such terms as to allow for stable financial operations in the future.

Accordingly, the Managing Board believes that the going-concern principle be appropriate for compiling the separate financial statements as at 31 December 2012.

Functional and presentation currency

The financial statements were compiled in euros, the functional currency that is also the presentation currency of the Company Intereuropa d.d., Koper. All financial items or information are rounded off to a thousand units. Variance by +1 or -1 in tables with disclosures is attributable to the rounding-off.

Use of estimates and assessments

In compiling the financial statements the management made certain estimates, assessments and assumptions that have a bearing on the application of accounting policies and the amounts presented for assets, liabilities, revenues and expenses. Actual results may differ from such estimates.

The information on significant estimates that entail uncertainties and the critical assessments made by the management in the process of implementing the accounting policies and which had the strongest effect on the amounts shown in the financial statements are as follows:
- amount of doubtful receivables;
- the recoverable amount serving for comparison with the book value (carrying amount) in test of asset impairment;
- the useful life of the depreciable assets;
- the residual value of Property, Plant and Equipment;
- the valuation of financial instruments at fair value;
- formation of deferred tax assets and deferred tax liabilities;
- formation of provisions;
- appraising the value of land which is posted at fair value.

II. CHANGES IN ACCOUNTING ESTIMATES

In the reporting year, the Company did not change any accounting estimates.

III. RELEVANT ACCOUNTING POLICIES

The Company consistently applies the same accounting principles and policies from period to period: they are presented in the enclosed financial statements. The comparable information is harmonised with the presentation of information in the current financial year. Any changes in accounting policies are disclosed.

In 2012, we reclassificied the items in the Income Statement (section 4.2). There were no other changes.

(a) Foreign exchange

Foreign currency transactions

Transactions in foreign currency are converted to the appropriate functional currency of the Company at the exchange rate effective on the transaction date. Cash assets and liabilities stated in foreign currency are translated into functional currency at the applicable exchange rate on the transaction date. Non-cash assets and liabilities stated in foreign currency and measured at fair value are converted into the functional currency applying the exchange rate as at the date on which the fair value was determined. The ECB reference exchange rate was applied.

Exchange differences occurring in the settlement of monetary items, or in the translation thereof at the exchange rates different from the rates applied upon initial recognition and used for recording the items in the accounting period or for presentation in the preceding financial statements, shall be recognised in the Profit or Loss (as income or expenses) in the accounting period in which they occurred.

b) Financial instruments

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

On initial recognition they are recognised at their fair value. The ordinary purchases and sales of financial assets are recognised as at the trading date, i.e. the date on which the Company undertakes to purchase or sell an asset. Also the gains or losses incurred upon disposal of financial assets are recognised as of that date.

Accounting of financial revenues and expenses is described in Section Financial revenues and expenses.

Cash and Cash Equivalents

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

Financial assets for sale available for sale

Financial assets available for sale are those non-derivative financial assets designated as available for sale and not included in any of the above listed categories. After initial recognition, these investments are measured at the fair value, taking into account any changes in fair value. Impairment losses are recognised in profit or loss and posted to capital or revaluation surplus. On derecognition of an investment, the accumulated gains or losses that are shown 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 defined or definable payments that are not traded in an active market. Loans are investments in financial debts of other companies, the government or other issuers. They include financial investments in purchased bonds. Receivables are the rights, based on property relations and other relationships, entitling to demand the payment of debt or the supply of goods or services from a known person or entity. We measure them at the amortised cost method by applying the effective interest method. Profit or loss is recognised in the Profit or Loss if it is derecognised or impaired.

Investments in subsidiaries

Long-term investments in equity of subsidiaries included in the consolidated financial statements are evaluated and carried at procurement value. Participation in profit of a subsidiary is recognised when the right to payment of the participation is established on the basis of a resolution adopted by the General Meeting. In case of impairment loss, it will be recognised if the investment is found impaired.

Financial liabilities

The Company recognises its financial liabilities on the date of accrual. 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.

After initial recognition, all non-derivative liabilities are measured at the amortised cost by applying the effective interest method.

Derivative financial instruments

Derivative financial instruments in which no hedging relation exists between the hedging instrument and the hedged item, and derivatives used for hedging with no hedging performance specified are classified among financial assets or liabilities at fair value through profit or loss. Initially, derivatives are recognised at fair value. The pertaining operating costs of transaction are recognised in profit or loss, at the time of accrual. Upon initial recognition, derivative financial instruments are measured at the fair value. Any gain or loss resulting from the measurement at fair value (as a change in fair value) of derivatives is recognised in profit or loss. The fair value of these instruments is determined on the basis of valuation by their issuer as at the Statement of financial position date and represents the present value offered for this transaction.

(c) Equity

Share capital

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

Redemption of treasury shares

Upon redemption of treasury shares or shareholdings posted as a portion of share capital, the amount of the compensation paid, including the costs directly attributable to the redemption, is recognised as a change in equity. Redeemed shares or shareholdings are stated as treasury shares and presented as a deduction from the total equity.

Dividends

Dividends are recognised in liabilities and presented upon the accrual of transaction. In financial statements, dividends are recognised in the period in which the General Meeting adopted a resolution on dividend payout.

(d) Property, Plant and Equipment

The Property, Plant and Equipment item is carried at the procurement value less any allowance for depreciation and any accumulated loss owing to impairment. The procurement value comprises the amounts directly attributable to acquisition of assets, as well as capitalised borrowing costs. Parts of the Property, Plant and Equipment with different useful lives are posted as individual items thereof. After initial recognition of Property, Plant and Equipment we apply the procurement value model to measure the buildings and equipment, and the revaluation model for the land. Land is measured at the revalued amount which is the fair value as at the revaluation date, decreased by any subsequently accumulated loss owing to impairment. Land is restated every five years or more frequently if there is indication of impairment.

If the carrying amount of land is increased owing to revaluation, such increase is recognised directly in equity as a surplus from revaluation in the Statement of Comprehensive Income. If the land's carrying amount decreases owing to revaluation, the decrease will result in a decrease in revaluation surplus for the same land. However, if the decrease of the carrying amount exceeds the accumulated surplus from revaluation for the same asset, the difference in the decrease will also be transferred to profit or loss as expense. The surplus from revaluation of land which is included in equity is transferred directly to Retained Earnings when the asset is derecognised.

Posting the cost of borrowing

For Assets under construction, the Company attributes the costs of borrowing directly to acquisition, construction or production of the asset under construction as integral part of the procurement cost of such an asset. The costs of borrowing comprise expenses for interest and foreign exchange differences stemming from loans in a foreign currency if they are dealt with as recalculation of interest expenses. Other borrowing costs are recognized in the Income Statement as an expense in the period of their accrual.

Subsequent expenditure

The cost of replacing part of an item of Property, Plant and Equipment is recognised in the asset's carrying amount if it is probable that future economic benefits embodied in such part of an asset will flow, and the procurement value of the item can be reliably measured. All other costs are recognised in profit or loss as an expense upon the accrual thereof.

Depreciation and amortisation expense

Depreciation is accounted on the straight-line depreciation basis according to the useful life of each individual (constituent) part of the asset belonging to property, plant and equipment. That method most closely reflects the expected pattern of use of the asset. Leased assets are depreciated by accounting for the lease period and useful life. Estimated useful lives for the current and the compared year are as follows:

- Buildings 20-40 years;
- IT/computer equipment 2-4 years;
- Other equipment 4-10 years.

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

e) Intangible assets

Intangible Assets comprise the long-term deferred development costs, investments in acquired industrial property rights (concessions, patents, licences, brand names and similar rights) and other rights, as well as goodwill of the acquired entity (target). The period and method of amortisation of intangible assets with a finite useful life need to be reviewed at least at the end of each financial year. Each intangible asset is measured at its procurement value. After initial recognition, it is stated under the procurement value model, i.e. at its cost decreased by any amortisation allowance and accumulated impairment loss. Amortisation of intangible assets with the finite useful life is accounted under the method of straight line amortisation during the estimated useful life.

Research and development

For the sake of assessment whether an internally generated intangible asset satisfies the criteria for recognition, the entity classifies the generation of the asset into:
- research stage, and
- development stage.

Expenditure on research activities undertaken with the prospect of gaining new scientific and technical knowledge and understanding, is recognised in the Income Statement as an expense as at accrual date.

Development activities include the plan or design for production of new or essentially improved products and procedures for provision of services. Development costs are recognised if they can be reliably measured, if the product or procedure is feasible technically and in operational terms, if there is a potential for future economic benefits, if there are adequate resources to complete the development, and if such assets are intended for use or for sale. The recognised value of such expenditure comprises the cost of services and materials, and other costs which can be directly written up to qualifying the asset for the intended use. Other development expenditure is recognised in the Income Statement as an expense at the time of accrual.

The expenditure recognised in development activities is presented at cost, decreased by the allowance for amortisation and accumulated impairment loss.

Other intangible assets

Other intangible assets with finite useful lives are presented at the procurement value decreased by amortisation and any accumulated loss owing to impairment.

Subsequent expenditure

Subsequent expenditure on intangible assets are capitalised only if they increase the future economic benefits stemming from the asset to which the expenditure relates. All other costs are recognised in profit or loss as an expense upon the accrual thereof.

Amortisation

Amortisation is accounted on the procurement value of amortisable assets, or in another amount instead of the procurement value decreased by the residual value.

Amortisation is recognised in profit or loss on the straight-line basis over the estimated useful life for intangible assets, except goodwill, and commences when the asset is ready for use. That method most closely reflects the expected pattern of use of the future economic benefits embodied in the asset. The estimated useful lives for the current and the compared year are 3, 5, 10 and 15 years. Amortisation methods, useful lives and residual values are examined at the end of each financial year and adjusted if necessary.

(f) Investment property

An investment property is a property held for the purpose of generating or increasing the value of a long-term investment, or both, therefore the investment property yields cash flows which strongly depend on other assets in possession of the Company. That differentiates an investment property from an owned property in use, which together with other assets of the Company participates in production and supply of goods or provision of services, and in the resulting cash flows.

Determining whether a property qualifies as investment property is at the discretion of the Company. In Intereuropa d.d., Koper it is estimated that in the property partly let out under operational leasing and partly used /occupied by Intereuropa d.d., Koper or another subsidiary, the parts of buildings cannot be sold separately (or let out under financial leasing), therefore such property is considered as tangible fixed assets in use for the provision of services. Only such property which is leased in its entirety is recognised as investment property.

After initial recognition, the model of procurement value is applied under which an investment property is posted at procurement value less any allowance for depreciation and any accumulated impairment loss (the same model as for Property, Plant and Equipment). Depreciation of investment property applies the same depreciation rates as used for real estate in Property, Plant and Equipment.

(g) Leased assets

Leases in terms of which the Company assumes substantially all major risks and benefits of ownership are classified as financial leases. After initial recognition, leased assets are presented in the amount equalling fair value or the present value of the minimum lease payments, if the latter is lower. An asset under financial lease is after initial recognition depreciated as any other asset of Property, Plant and equipment.

Other leases are deal with as operating leases.

(h) Inventories

Inventories of material are evaluated at the procurement value consisting of the purchase price, import dues and direct purchase costs attributable thereto. The purchase price is reduced by the rebates and discounts received. The weighted average cost method is used in presenting the consumption of material.

(i) Asset impairment

Financial assets

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

Impairment of investments in subsidiaries

At the end of each financial year, we assess whether there is any indication pointing to impairment of the asset. If such indication exists, we estimate the recoverable amount of the investment in a subsidiary. The recoverable amount of the asset is: the fair value decreased by the cost to sell, or the value in the use, whichever is bigger. The estimated value of an asset in use equals the present value of estimated future cash flows based on the business projections for 5 or 10 years (usually estimated for subsequent years by extrapolating forecasts), and the estimated present value of the asset 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 investments 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.

Operating receivables

Accounts receivable (receivables resulting from the services supplied, default interest, etc.) are impaired by establishing 100 percent value adjustment for all receivables overdue by more than 180 days, or on the basis of assessment of recoverability of individual receivables. In impairment of receivables involved in legal actions, execution proceedings, bankruptcy and compulsory composition, 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 is receivables due from members in the Intereuropa Group. Value adjustments /allowances for receivables are made only for operating receivables due from Group members, or any other receivables in broader sense due from Group members in case when that would arise from the evaluation model for the resp. investment in a particular subsidiary and the value of investment has already been impaired to the value 0.

Write-off of receivables is made on the basis of finally resolved (completed) bankruptcy proceedings, approved compulsory compositions, unsuccessful execution proceedings, and ascertained unrecoverability of receivables.

Impairment of loans granted

If reliable (impartial) evidence exists to support that an impairment loss incurred in loans posted at the amortized cost, the amount of such loss is measured as the difference between the asset's carrying amount and the present value of expected future cash flows, discounted at the historical effective interest rate. Impairment can also be made at discretion of the management, if assessing an individual loan as uncollectible.

Impairment of financial assets available for sale, measured at fair value

Financial assets available for sale are impaired in case the market price has either been falling for more than one year, or if the decrease exceeds 20 percent of the investment procurement value. Losses from available-for-sale investments 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 the other comprehensive income and stated in profit or loss represents the difference between the procurement value and current fair value, decreased by any impairment loss previously recognised in profit or loss.

Impairment of financial assets available for sale, measured at procurement value

If reliable (impartial) evidence exists that a loss owing to impairment incurred in financial assets which are carried at the procurement value because their fair vale cannot be reliably measured, the amount of the impairment loss is recognised in cases if the carrying amount of such financial investment on the cut-off date exceeds by more than 20 percent the proportional part of the carrying amount of the investee's total equity (the company in which the investment is held) as at the nearest possible date for which such data can be obtained.

Non-Financial assets

At each reporting date, the Company checks the residual book value of its Property, Plant and Equipment and of Intangible assets, except for deferred tax assets, for the purpose of testing for impairment. If signs of impairment are found, the recoverable amount of the asset is determined. Assessment of impairment for goodwill and intangible assets with indefinite useful life which are not yet available for use is made each time on the reporting date.

The recoverable amount of an asset or of a cash-generating unit is the higher of the value in use or the fair value decreased by the cost to sell, whichever is higher. In determining the value of an asset in use, the projected future cash flows are discounted to their present value at the pre-tax discount rate that reflects the current market assessment of the time value of money and the risk specific to that particular 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 of an asset or an individual cash-generating unit is recognised whenever the carrying amount of an asset/cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The impairment is recognised in the income statement. Recognised loss owing to impairment 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 (or 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 increased carrying value does not exceed the carrying amount that would have been determined after deducting amortisation and depreciation, if no impairment loss had been recognised for the asset in prior years.

(j) Long-term assets classified among the assets held for sale

Long-term assets (non-current assets) or a disposal group comprising assets and liabilities (within non-current assets, this applies to investment property, intangible assets, long-term financial assets; 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 estimated within the next twelve months. Sale is highly probable when the entire plan and active programme to find a buyer are underway. In addition, the asset must be actively marketed for sale at a price that reasonably corresponds to its current fair value. Re-measurement of assets (or their elements or a disposal group) is implemented in line with the Group's accounting policies directly prior to classification of an asset to the assets held for sale. Accordingly, a long-term asset (or disposal group) is recognised at the lower of the two amounts: the carrying amount or the fair value, decreased by the cost to sell.

Due to special events and circumstances beyond the Company's control, the period of sale completion may be extended over one year if sufficient evidence exists 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 re-classified in another appropriate asset group, i.e. the group in which it was included before being classified as an asset held for sale.

(k) Employee benefits

Short-term employee benefits

The obligations for short-term employee benefits are measured with no discount and are posted to expenses after the work of an employee relating to a certain short-term benefit has been completed.

(l) Provisions

Provisions are recognised if the Company has a legal or constructive obligation resulting from a past event/ transaction; 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 Statement of Financial Position Date. In reaching the best estimate of a provision, the risks and uncertainties that inevitably surround many events /transactions 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 to be required to cover the obligation.

Provisions for employee benefits

The Company is obliged to pay its employees the years-of-service rewards and termination benefits payable upon retirement, for which it has established long-term provisions, as provided by the law, the Collective Agreement and internal implementing regulations. There are no other pension liabilities. The provisions are made in the amount of estimated future payments for termination benefits and years-of-service rewards, 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 5 years unless the number of employees changes by more than 15 percent. 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 corresponding costs or expenses. They are reduced directly by the covered costs in respect of which the provisions have been made. That means that in a financial year such costs /expenses are no longer posted in the Income Statement.

Provisions are reversed in accounting records once the contingent liabilities for which the provisions were made no longer apply, or when there is no need to keep them. Revenues are recognised from reversed provisions. At the end of an accounting period, provisions are adjusted to bring their amount to the present value of disbursements expected to be required to settle the obligations.

The long-term deferred revenues include donations received for acquisition of fixed assets, or to cover certain expenses. They are intended for covering the depreciation cost for these assets, or certain expenses, and are used up by transferring them to operating revenues.

(m) Revenues

Revenues are recognised when it is probable that future economic benefits will flow to the Company which can be reliably measured. All the following criteria must be satisfied:

1. the amount of revenue can be reliably measured;
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 reliably measured, and
4. the cost incurred in the course of the transaction and the cost for the completion thereof can be reliably measured.

Revenue from services supplied

Revenues from services supplied are recognised in the Income Statement in proportion to the stage of completion of the transaction at the end of reporting period. The stage of completion is assessed on the basis of a review of costs incurred (work-performed review). They are measured at selling prices of completed services indicated in invoices or other documents, or at the prices for unfinished services depending on the stage of completion thereof. It is estimated that in cases when 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 not recognised only to the amount of direct costs incurred, for which it is expected that they will be recovered. The amounts collected on behalf of third parties, such as the accrued value-added taxes and other levies are excluded from the Sales revenues. Upon the sale, trade discounts and volume rebates granted should be deducted from sales revenues clearly shown in 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 strictly systematic basis in the same periods in which the respective expenses are incurred and should be compensated by such grants. Grants that compensate the Company for the costs of an asset are recognised in Income Statement as other operating revenues on a systematic basis over the useful life of the asset.

(n) Leases

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

(o) Financial revenues and expenses

Financial revenues comprise the interest earned on investments, dividend received, the proceeds from disposal of available-for-sale financial assets, changes in fair value of financial assets at fair value through profit or loss, foreign exchange gains, and profit from hedging instruments recognised in the Income Statement. The interest received is recognised at the time of accrual, applying the effective interest rate method. Dividend income is recognised in the Income Statement on the date on which the shareholder’s right to payment has been enforced. For companies listed on a stock exchange, it is usually the date when the right to the current dividend ceases to be linked with the share.

Financial expenses comprise the cost of borrowing, foreign exchange losses, changes in the fair value of financial assets at fair value through profit or loss, losses owing to impairment of financial assets and losses from hedging instruments that are recognised in the Income Statement. The cost of borrowing is recognised under the effective interest rate method in the Income Statement.

The cost of borrowing comprise interest expenses calculated under the effective interest rate method, financial charges under financial lease and foreign exchange differences arising from loans in a foreign currency, if they are dealt with as recalculation of interest expenses. The 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 recognized in the Income Statement as an expense in the period of their accrual.

(p) Corporate Income Tax

Corporate Income Tax for the financial year comprises includes the assessed tax and the deferred tax. Corporate income tax is stated 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 assessed is accounted for 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 corresponds to the tax year.

Deferred tax is presented by accounting for the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for tax reporting. The following temporary differences are not taken into account: Goodwill when it does not stand for a deductible tax expense, initial recognition of assets or liabilities not affecting the accounting or taxable profit, and the differences relating to investments in controlled companies and jointly-controlled entities in the amount which will probably not be eliminated 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 shown in the amount expected to fall due upon reversal of temporary differences based on the applicable laws in force or essentially binding as at the end of reporting period.

A deferred tax asset is recognised to the extent to which it is probable that future taxable profits will be available, against which the deferred tax asset can be utilised. Deferred tax assets are deducted by the amount for which it is no longer probable that the related tax concession will be realised.

(q) Discontinued Operations

A discontinued operation is a component of the 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 discounted 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 and the diluted earnings per share. The basic earnings per share are 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 does not possess any dilutive potential ordinary shares, so the basic and diluted earnings per share are identical.

(s) Business combinations under joint management

Business Combinations under joint management (i.e. business combinations in which all the entities involved in combination process are governed by one party or parties before and after the business combination, provided that 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) Changed standards and interpretations in 2012

The accounting policies used in compiling the Company's financial statements are consistent with those used in the separate financial statements for the year ended at 31 December 2011, with the exception of newly adopted or changed standards and interpretations entering into force on 1 January 2012 and listed below.

Newly adopted standards and interpretations

IFRS 7 – Financial instruments: Disclosures - Transfer of financial assets
The amendment entered into effect for periods beginning on or after 1 July 2011, and defines the disclosures about transfers of financial assets: transferred financial assets that are derecognised in their entirety, those that are not derecognised in their entirety. The purpose is to enable the user of financial statements to understand the nature of assets that were not derecognised in their entirety and of the associated liabilities. The amendment needs to be provided retrospectively. The amendment to the Standard did not have any impact on separate financial statements.

Standards and interpretations not effective yet

The Company has not applied any standard or interpretation that is not yet compulsory before time; it will use them when they have entered into effect. In line with the requirements of the IFRS and EU, the Company will have to comply with the following new, revised or amended standards and interpretations in the future periods:

IFRS 7 – Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
The amendment is effective for annual periods beginning on or after 1 January 2013. The amended standard introduces joint disclosure requirements that would offer to the users the information useful for the assessment of the impact or potential impact of offsetting on the financial position of the Company. The amendment to IFRS 7 has to be provided retrospectively.

IFRS 10 - Consolidated Financial Statements
This standard replaces a part of the IAS 27 Consolidated and Separate Financial Statements relating to consolidated financial statements, with the compulsory application in the EU for periods beginning on 1 January 2014. The IFRS 10 also outlines the requirements included in SIC – 12 Consolidation – Special Purpose Entities. 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 controlling an entity.

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 venture. 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. In the EU, the standard will be compulsory for periods after 1 January 2014.

IFRS 12 – Disclosure of Interests in Other Entities
This standard, with compulsory application in the EU for periods beginning on 1 January 2014, 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. Concurrently, a number of new disclosures have been laid down, mostly related to the assumptions used to determine whether a company controls another entity.

IFRS 13 – Fair Value Measurement
The standard will have compulsory application for periods beginning on 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.

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 beginning on or after 1 July 2012.

IAS 12 - Deferred taxes
The amendment will apply to annual periods beginning on or after 1 January 2013. The amendment relates to determining deferred tax for investment properties posted at fair value. The aim of the amendment 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; and 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.

IAS 19 - Employee Benefits
The International Accounting Standards Board / IASB (hereafter: Board) issued in June 2011 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. It 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 beginning on or after 1 January 2013.

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. In the EU, the standard will apply to annual periods beginning on or after 1 January 2014.

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 the 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 beginning on or after 1 January 2014.

IAS 32 – Financial instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
The standard applies to annual periods beginning on or after 1 January 2014. Application before that date is allowed. The supplement clarifies the meaning of the term ''currently has a legally enforceable right to set-off'' and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to IFRS 32 have to be provided retrospectively. When a company decides for earlier application of the standard, it has to disclose that and comply with the disclosure requirements under the amendments to IFRS 7 Offsetting Financial Assets and Financial Liabilities.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine
The interpretation discloses the costs of removing waste material (stripping) in the production phase of a surface min. 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 beginning on or after 1 January 2013.

In line with the requirements of the IFRS, the Company will have to take into account for the future periods the following new, revised or amended standards and interpretations, in case that the EU will adopt them:

IFRS 9 – Financial instruments: This standard replaces the IAS 39. In November 2009 the Board published a new standard IFRS 9 Financial Instruments, which included the requirements on classification and measurement of financial assets. Requirements on financial liabilities were added in October 2010; except for changes in accounting for the fair value option, there were no essential changes in comparison with the IAS 39. In December 2011, the Board changed the effective date of compulsory application of the standard, namely to periods commencing on 1 January 2015, and determined that the comparable data need not be adjusted at first use. The second stage of the IFRS 9 that comprises impairment has been in the process of preparation since January 2011. In September 2012, the Board published the last IFRS 9 draft dealing with general accounting for hedging (IFRS 9 third stage), to be followed by publication of the next part of the IFRS 9.

IFRS 12 – Disclosure of Interests in Other Entities: Investment Entities
Following the amendment to IFRS 10 the Board issued an amendment to IFRS 12 in the part relating to additional disclosures for investment entities. The amendment to standard will obligatorily apply to annual periods beginning on or after 1 January 2014.

IAS 27 - Separate Financial Statements: Investment Entities
Following the amendment to IFRS 10 the Board issued an amendment to IFRS 12 in the part relating to recognising, measuring and disclosing of subsidiaries of an investment entity in separate financial statements. The amendment to standard will obligatorily apply to annual periods beginning on or after 1 January 2014.

Transition guidance (Amendments for IFRS 10, IFRS 11 and IFRS 12)
The guidance applies to annual periods beginning on or after 1 January 2013. The Board published amendments to standards IFRS 10 Consolidated Financial Statement, IFRS 11 Joint Arrangements, and IFRS 12 Disclosures of Interests in Other Entities. The amendments have a bearing on the Transition guidance to the respective IFRS and give entities an additional relief from the requirement to apply the standards in their entirety retrospectively. The IFRS 10 defines the date of initial application as ''the beginning of the annual reporting period in which the Company applies the IFRS 10 for the first time''. The assessment of whether control exists is made at ''the date of initial application'' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC 12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the purpose of relief upon transition to IFRS, the Board also published amendments to the standards IFRS 11 Joint Arrangements and IFRS 12 Disclosures of Interests in Other Entities.

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

Improvements to IFRS

In May 2012, the Board published and issued a set of amendments to certain existing standards. The proposed effective date for the amendments is for annual periods beginning on or after 1 January 2013, but the EU has not adopted them yet.

IAS 1 - Presentation of financial statements: Interpretation of disclosure requirement for comparative information

The improvement clarifies the difference between a voluntary disclosure of additional comparative information and the minimum volume of comparative information required by the standard (usually the comparative information for the preceding period). When an entity decides to voluntarily disclose additional comparative information, it has to disclose such additional comparative information also in the Notes to Financial Statements. The amendment further requires from the Company to compile a third (opening) Statement of financial position, when:
(a) Changing its accounting policy, or
(b) reclassifying the items or retrospectively changing the amounts with material impact on financial statements. In such a case the entity is not required to disclose all the comparative information from the opening balance sheet in the notes to financial statements.

IAS 16 - Property, Plant and Equipment: Classification of Servicing Equipment

The amendment clarifies the accounting of important spare parts, stand-by and servicing equipment in respect of when important spare parts and servicing equipment meet the definition of an item of Property, Plant and Equipment, and not of Inventories.

IAS 32 – Financial instruments: Presentation: Income Tax Consequences of Distributions

The improvement clarifies that the income tax from distributions to holders of an equity instrument has to be dealt with the IAS 12 Income Tax.

IAS 34 - Interim Financial Reporting: Interim financial reporting and reporting by segments for assets and liabilities

The improvement harmonises the disclosures on the sum total of assets and liabilities in interim financial statements and provides for consistency of interim disclosures with the annual disclosures in accordance with IFRS 8 Operating Segments.

The Company is examining the effect of improvements of existing standards and interpretations and has not assessed their impact yet, but will apply the improvements of existing standards and interpretations in line with their requirements if adopted by the EU.

IV. DETERMINING FAIR VALUE

With regard to the 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 clarification on the assumptions for determining fair value is needed, it is provided in the breakdowns to individual items of assets and liabilities of the Company.

Property, Plant and Equipment

For land we apply the revaluation model. After 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, provided that the parties had each acted knowledgeably, prudently and without compulsion). Revaluation is made every five years or more frequently if there is indication of impairment.

Intangible assets

Fair value of patents and brands/ trademarks obtained in business combinations is based on the assessed discounted future value of royalties that will not be payable due to patent or brand ownership.

Investments in equity and debt securities

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

Operating and other receivables

In our view, the disclosed value of operating 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.

Derivative financial instruments

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, taking into account 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 the guidelines for risk management within the Risk Management Rules. A risk management committee was established, accountable for development and supervision of risk management policies.

Credit Risk

Credit risk denotes a risk that a party to a contract on the financial instrument may fail to fulfil their obligations and cause the Company to incur a financial loss. Credit risk arises primarily from trade receivables of the Company.

Operating and other receivables

The Company's exposure to credit risk depends mainly on the profile of its customers. Nevertheless, the management also takes into account the demographic background of its customers and the solvency risk with regard to the branch of industry and the country in which the customer is operating: these factors may affect the credit risk in particular in the present adverse economic situation.

The risk management policies require for each major new customer to prepare an analysis of credit rating before offering the standard terms of payment and delivery of the Company. The Company makes revaluation adjustments for impairment, representing the amount of estimated losses from operating and other receivables, as well as investments. The main elements of the revaluation adjustment are the specific part of the loss relating to individual major risks and the common part of loss formed for groups of similar assets due to yet unspecified, but already incurred loss.

Liquidity Risk

Liquidity risk denotes a risk that the Company would be unable to settle its financial liabilities which are to be settled by cash or other financial assets.

The Company provides for liquidity by having sufficient liquidity funds available to settle its liabilities as they fall due, both in normal and aggravating circumstances, without incurring unacceptable loss or even risking a fall of reputation.

Market Risk

Market risk is the risk that changes in market prices – of exchange rates, interest rates and equity instruments would affect the income of the Company or the value of financial instruments. The goal of market risk management is to control and monitor the exposure to market risks within reason while optimising return. The Company trades in financial instruments and assumes financial liabilities aiming to control the market risks.

Business Risk

Business risk is the risk of direct or indirect loss incurred for a number of reasons related to the processes within the Company, staff, technology and infrastructure, as well as a consequence of external factors not related to credit, market and liquidity risk, such as the risks arising from legal and regulatory requirements and generally accepted corporate standards. Business risks originate from the entire business of the Company. The policy is to manage business risks towards establishing a 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. The key responsibility for development and to introduce controls for managing operational risks is conferred to executives of each organisational unit.

A programme of internal audits is conducted by the Internal Audit Department which discusses the results with the management of the audited business unit and the summary is submitted to the Managing Board of the Company and to the Audit Committee.

Managing capital

The Supervisory Board monitors the major indicators of return on equity of the Company and also the amount of dividend pay-outs 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 the changes in inflows and outflows according to the indirect method in the accounting period and explains changes in the balance of cash. In the preparation of the financial Statement were considered the data from the Income Statement for 2012, items of the Statements of Financial Position of the Company as at 31 December 2012 and 31 December 2011, and other additional data.

NOTE 1: Sales revenue

Sales revenues amounting to € 108,222 thousand represent the revenues from services supplied.

Table 7: Sales revenue

in € thousand

	2012	2011
Revenues from sales to group members	3,710	4,312
Revenues from sales to others	104,513	103,093
Total	**108,222**	**107,406**

NOTE 2: Other operating revenues

Table 8: Other operating revenues

in € thousand

	2012	2011
Revaluation operating revenue from the sale of tangible fixed assets and investment property	299	478
Income from reversal of provisions	825	163
Income from the reversal of allowances for receivables and recoveries of written-off receivables	276	597
Revenues from extinguishment of debt	10	97
Other operating revenues	103	116
Total	**1,512**	**1,453**

NOTE 3: Cost of materials and services

Table 9: Cost of materials and services

in € thousand

	2012	2011
Cost of materials	1,883	2,066
Costs of services in the group	2,306	5,586
Costs of services (except those in the group)	72,886	69,301
Direct costs	65,627	61,186
Telephone costs	213	258
Maintenance costs	1,776	1,924
Insurance premiums	588	555
Training and education costs	44	29
Other costs of services	4,638	5,348
Total	**77,075**	**76,953**

Direct costs comprise the costs that are directly related to the provision of services.

NOTE 4: Labour costs

Table 10: Labour costs

in € thousand

	2012	2011
Wages and salaries	13,197	13,277
Pension insurance costs	1,456	1,475
Other social security costs	964	973
Other labour cost	3,488	3,146
Holiday allowances	765	715
Travel and meal allowances	1,939	1,963
Other labour costs	784	468
Total	**19,105**	**18,871**

Other labour costs comprise the accrued costs for termination benefits of employees arising from economic reasons in the amount of € 470 thousand that were made for the estimated impact of the accession of Croatia to the European Union in the year 2013.

NOTE 5: Depreciation and amortisation

Table 11: Depreciation and amortisation

in € thousand

	2012	2011
Amortisation of intangible assets	577	626
Depreciation of property, plant and equipment and investment properties	4,010	4,408
Revaluatory operating expenses of intangible and tangible fixed assets	9,931	11
Expenses from revaluation adjustments and written-off receivables	924	5,514
Total	**15,441**	**10,560**

Operating expenses from revaluation of Intangible Assets and of Property, Plant & Equipment also comprise the operating expenses from revaluation incurred in the sale of land in Russia in the amount of € 9,819 thousand. A portion of expenses for the allowances for, and write-offs of receivables (€ 137 thousand) stand for the expenses arising from the sale of interest receivables due from that subsidiary (see Note 15).

NOTE 6: Other operating expenses

Table 12: Other operating expenses

in € thousand

	2012	2011
City land tax and similar expenses	1,063	989
Other operating expenses	5,608	233
Total	**6,671**	**1,221**

The provisions made to cover the liabilities from the past operations represent the prevailing portion of Other Operating Expenses (€ 5,233 thousand); they relate to the claim for the payment of duty on account of an incomplete (not properly discharged) transit procedure (€ 1,073 thousand) and for the liabilities arising from contracted assurances (€ 4,160 thousand); the formation of provisions is disclosed in Note 18.

NOTE 7: Financial revenues and expenses

Table 13: Financial revenues and expenses

in € thousand

	2012	2011
Interest income from group members	2,918	4,384
Interest income from others	572	343
Income from intra-group participations	1,926	3,655
Income from participation in the joint venture	35	22
Income from profit participations in others	1	4
Profit from sale of financial assets	0	5
Income from removal of loan impairment within the Group	702	0
Finance income	**6,154**	**8,413**
Interest expenses an other borrowing expenses	-7,070	-10,697
Loss in sale of financial assets	-2,256	-204
Finance costs from impairment of investments in shares and stakes in the group	-2,339	-757
Expenses from impairments and written-off other financial investments	-561	0
Exspenses from impairment of loans to Group members	0	-3,342
Expenses from derivative financial instruments	-699	-554
Net exchange differences	-8	-6
Finance costs	**-12,933**	**-15,560**
Profit from financing activities	**-6,779**	**-7,147**

The revenues from reversal of impairment in the Group, amounting to € 702 thousand, stand for the loan given to subsidiary Intereuropa Transport d.o.o., in liquidation, Koper: in 2012, the company repaid a portion of the short-term loan received.

The Interest Expenses are lower on account of the lower effective interest rate.

The expenses incurred in the disposal of financial investments, amounting to € 2,256 thousand, relate to the sale (assignment) of loans given to the subsidiary Intereuropa-East Ltd., Moscow.

The financial expenses from impairment of financial investments in total amount of € 2,339 thousand stand for the impairment of financial investment in the subsidiary TOV Intereuropa-Ukraine, Kiev (€ 2,324 thousand), and in the subsidiary Intereuropa Transport & Spedition GmbH, Troisdorf (€ 15 thousand).

In 2012 we assessed on 31 December 2012 that due to uncertainty of present development and future scenarios for financial restructuring of Cimos d.d., there is sufficient indication for impairment of the investment in that company, regardless of the exceeded proportional part of the carrying amount of total capital of Cimos d.d. lying above the carrying amount of the financial investment in that company. The impairment was recognised debited to expenses owing to impairment and write-offs of other financial investments, amounting to € 544 thousand.

NOTE 8: Corporate income tax

In 2012, the corporate income tax (with deferred taxes) amounted to € 8,718 thousand. In the fiscal year 2012, the tax rate of 18 percent was applied, and 15 percent for deferred tax account. In the first quarter of 2012, the tax regulations in Slovenia changed, gradually reducing the taxation rates for the Corporate Income Tax: 18 percent rate applicable for the year 2012, 17 percent for 2013, 16 percent for 2014, and 15 percent from 2015 on.

Table 14: Adjustments to effective tax rate

in € thousand

	2012	2011
Tax	0	0
Non-deductible tax withheld abroad	-104	-142
Deferred tax	8,822	2,324
Corporate income tax	**8,718**	**2,182**
Profit before tax	15,337	-5,894
Tax at the applicable rate	2,761	1,179
Non-deductible tax withheld abroad	-104	-142
Tax on non-deductible expenses	-6,698	-1,748
Tax on revenues reducing tax base	518	777
Tax on expenses reducing tax base	15,783	0
Tax on other items	-3,542	2,116
Corporate income tax	**8,718**	**2,182**

The effect of the changed tax rates in the deferred tax account came to € –1,447 thousand.

The tax on non-deductible expenses amounting to € 6,698 thousand mainly relates to the tax payable on non-deductible expenses arising from the sold and already impaired financial investment in the subsidiary Intereuropa-East Ltd., Moscow.

The tax on the expenses that are deductible and thus reduce the tax base, amounting to € 15,783 thousand, primarily stands for the tax on expenses from revaluation of the sold financial investment in the share in the subsidiary Intereuropa-East Ltd, Moscow and the loans to it which were not tax-deductible in the past, and on the expenses from revaluation of receivables due from that subsidiary which are recognised upon write-off or disposal, respectively.

The value of unused tax losses as of 31 December 2012 came to € 84,609 thousand.

NOTE 9: Property, Plant and Equipment (Tangible fixed assets)

Table 15: Changes in Property, Plant and Equipment in 2012

in € thousand

	Land	Buildings	Other plant and equipment	Property, plant and equipment under construction	Total
HISTORICAL COST					
As at 1 Jan. 2012	**100,409**	**100,544**	**24,831**	**2,166**	**227,952**
Purchasing	0	0	0	812	812
Activation	0	505	306	-811	0
Disposals	-25,006	-505	-925	0	-26,436
Write offs	0	0	-424	0	-424
As at 31 Dec. 2012	**75,402**	**100,545**	**23,789**	**2,167**	**201,903**
VALUE ADJUSTMENT					
As at 1 Jan. 2012	**-14,293**	**-47,560**	**-21,308**	**-2,161**	**-85,323**
Depreciation and amortisation	0	-2,499	-1,303	0	-3,802
Disposals	14,287	402	921	0	15,610
Write offs	0	0	414	0	414
As at 31 Dec. 2012	**-5**	**-49,657**	**-21,276**	**-2,161**	**-73,099**
RESIDUAL VALUE					
As at 1 Jan. 2012	86,116	52,984	3,523	6	142,629
As at 31 Dec. 2012	**75,397**	**50,887**	**2,513**	**7**	**128,804**

Land is stated at fair value and other items of fixed assets are stated at procurement value and decreased by depreciation. Land re-valuation was made under the comparable sales method. The latest appraisal of land was undertaken by independent appraisers at the end of 2009. Due to lower share price than the book value, the Company checked in 2012 the need for any impairment of the items 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 2012 and did not find any material change in the value of real estate that would require any impairment thereof.

The procurement value of property, plant and equipment items whose carrying amount as at 31 December 2012 was 0 (zero) € and they are still in use, amounts to € 17,492 thousand.

The decrease in the item Property, Plant and Equipment is largely attributable to the disposal of land in Russia (€ 10,706 thousand); a claim receivable arising from the tax deduction paid was established against the state of Russia in the amount of € 177 thousand.

The carrying amount of land as at 31 December 2012 would equal € 9,679 thousand if it were posted under the procurement value model.

As at the reporting date, the company has no binding contracts to purchase any assets from the Property, Plant and Equipment.

Table 16: Changes in Property, Plant and Equipment in 2011

in € 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	945	0	1,079
Write offs	0	0	242	0	242
As at 31 Dec. 2011	**-14,293**	**-47,560**	**-21,308**	**-2,161**	**-85,323**
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**	**142,629**

As of the Balance Sheet Date on 31 December 2012, the Company had property, plant and equipment pledged as loan security in the amount of € 108,108 thousand, and as collateral for other financial liabilities of € 1,266 thousand and contingent liabilities in the amount of € 18,536 thousand. No other legal restrictions for disposal with fixed assets existed. The carrying amount of mortgaged real estate was € 125,628 thousand.

NOTE 10: Investment property

Table 17: Changes in Investment Property

in € thousand

	2012	2011
HISTORICAL COST		
Balance as at 1 Jan.	**8,344**	**8,690**
Disposals (sale)	0	-346
Balance as at 31 Dec.	**8,344**	**8,344**
VALUE ADJUSTMENT		
Balance as at 1 Jan.	**-2,620**	**-2,572**
Depreciation and amortisation	-208	-214
Disposals (sale)	0	166
Balance as at 31 Dec.	**-2,828**	**-2,620**
RESIDUAL VALUE		
Balance as at 1 Jan.	5,724	6,118
Balance as at 31 Dec.	**5,516**	**5,724**

Market values of investment properties achieved, despite falling prices on the real estate market, a higher value than their carrying amount as at 31 December 2012 compared with a year ago, therefore we assessed that no indication of impairment exist.

Table 18: Revenues and expenses from investment property

in € thousand

	2012	2011
Rental income from investment properties	1,166	1,268
Direct operating expenses from investment properties	-443	-495
Profit from sale of investment properties	0	363
Total	**723**	**1,136**

As at 31 December 2012, the company has no binding contracts to purchase any investment property.

NOTE 11: Intangible assets

Table 19: Changes in Intangible Assets in 2012

in € thousand

	Long-term title rights	Long-term deferred development costs	Total
HISTORICAL COST			
As at 1. 1. 2012	**5,736**	**3,966**	**9,702**
Purchasing	31	103	134
Disposals	-801	0	-801
As at 31. 12. 2012	**4,966**	**4,069**	**9,035**
VALUE ADJUSTMENT			
As at 1. 1. 2012	**-3,068**	**0**	**-3,068**
Depreciation and amortisation	-513	-64	-577
Disposals	801	0	801
Impairment	0	-99	-99
As at 31. 12. 2012	**-2,780**	**-163**	**-2,943**
RESIDUAL VALUE			
As at 1. 1. 2012	2,668	3,966	6,634
As at 31. 12. 2012	**2,186**	**3,906**	**6,092**

Long-term deferred development expenses primarily stand for the investments in development of dedicated IT solution supporting integral logistic services.
On the reporting date, the carrying amount of pledged Intangible Assets was € 820 thousand.

The procurement value of intangible assets whose carrying amount as at 31 December 2012 was 0 (zero) € and they are still in use, amounts to € 1,803 thousand.

No binding contracts exist for a purchase of intangible assets.

Table 20: Changes in Intangible Assets in 2011

in € 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**

NOTE 12: Other long-term operating assets

Other long-term operating assets amounting to € 312 thousand (as at 31 December 2011, these assets amounted to € 474 thousand) relate to deferred incidental borrowing costs (costs arising from loan agreements, such as fees to agents, consultants, etc.) that are transferred to expenses in proportion to the period of time lapsed and the outstanding portion of the principal.

NOTE 13: Long-term investments, excluding loans and deposits

Shares and interests in group companies

The decrease in financial investments in shares and interests (stakes) in subsidiaries was attributable to:

- impairment of investments of € 2,339 thousand, as follows: in the subsidiary TOV Intereuropa–Ukraina, Kiev (€ 2.324 thousand) and in subsidiary Intereuropa Transport & Spedition GmbH, Troisdorf (15 thousand) (see Note 7), and
- payment from liquidation estate of Intereuropa Transport & Spedition GmbH, Troisdorf (Germany), € 22 thousand.

In addition thereto, in November 2012 we disposed the entire share (100%) in the subsidiary Intereuropa-East Ltd., Moscow, which was a fully impaired financial investment before the disposal.

The carrying amount of pledged financial investments in shares and interests in subsidiaries was € 10,186 thousand as at the reporting date.

Table 21: Changes in financial investments in subsidiaries

in € thousand

	2012	2011
Balance as at 1 Jan.	**49,842**	**50,797**
Sale	0	-199
Repayment from liquidation	-22	0
Impairment of financial assets	-2,339	-757
Balance as at 31 Dec.	**47,481**	**49,842**

Impairment of financial investments in total amount of € 2,339 thousand stands for the impairment of financial investment in subsidiary TOV Intereuropa-Ukraine, Kiev (€ 2,324 thousand), and in the subsidiary Intereuropa Transport & Spedition GmbH, Troisdorf (€ 15 thousand). Given that the Ukrainian subsidiary TOV Intereuropa-Ukraine, Kiev is dormant, we did not apply the calculation of recoverable amounts of long-term investments under the method of discounted future cash flows in our appraisal of the required impairment, but rather took the value of estimated impairments on the basis of estimated liquidation balance of the subsidiary as on 31 December 2012.

Jointly Controlled Company (Joint Venture)

That investment category contains only one investment in the joint venture Intereuropa-FLG, d. o. o., Ljubljana in 50% ownership. The carrying amount of the investment is € 75 thousand and has not changed since the cut-off date a year ago.

Financial assets available for sale

Table 22: Changes in financial assets available for sale

in € thousand

	2012		2011	
	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 as at 1 Jan.	**1,138**	**2,398**	**1,191**	**2,398**
Increase from transformation of an investment company into a mutual fund	0	0	-2	0
Revaluation to fair value	118	0	-51	0
Impairment through profit and loss	-6	-554	0	0
Balance as at 31 Dec.	**1,250**	**1,844**	**1,138**	**2,398**

Financial assets available for sale at procurement value stand for investments in shares and interests in other companies which do not have a quoted market price on an active market; we recognised their value at the procurement value because their actual value cannot be measured with reliable accuracy.

As at 31 December 2012, there were no available-for-sale financial assets pledged or given as collateral for liabilities recognised in the Statement of financial position, or for contingent liabilities.

NOTE 14: Loans and deposits

Table 23: Structure of loans and deposits

in € thousand

	31. 12. 2012	31. 12. 2011
Long-term loans given	**7**	**29,840**
- to subsidiaries	0	29,829
- to others	1	10
- deposits	6	0
Short-term loans and deposits given	**11,620**	**29,250**
- to subsidiaries	2,397	22,232
- to others	13	13
- deposits	9,210	7,006
Total	**11,627**	**59,090**

The prevailing portion of the decrease in long-term and short-term loans relates to the sale of loans granted to the subsidiary Intereuropa-East Ltd, Moscow (€ 45,079 thousand).

Table 24: Changes in long-term loans and deposits

in € thousand

	2012	2011
Opening balance	**29,840**	**36,473**
New deposits	6	0
Loan reprogramming	0	582
Transfer from the short-term part	0	4
Repayments	-1	-4
Transfer to the short-term part	-754	-7,215
Decrease from the sale of loans	-29,084	0
Closing balance	**7**	**29,840**

Table 25: Long-term loans granted and deposits, by maturity

in € thousand

	31. 12. 2012	31. 12. 2011
Maturity from 1 to 2 years	7	6,900
Maturity from 2 to 3 years	0	5,968
Maturity from 3 to 4 years	0	5,968
Maturity from 4 to 5 years	0	3,870
Maturity over 5 years	0	7,134
Total	**7**	**29,840**

Table 26: Long-term loans by collateral

in € thousand

	31. 12. 2012	31. 12. 2011
Secured (bills of exchange)	0	745
Unsecured	1	29,095
Total	**1**	**29,840**

Table 27: Short-term loans by collateral

in € thousand

	31. 12. 2012	31. 12. 2011
Secured (bills of exchange)	1,747	1,397
Unsecured	663	20,847
Total	**2,410**	**22,244**

As of the cut-off date, the Company had a short-term deposit of € 4,160 thousand pledged as a security for payment, for which the long-term provision was made to the same amount.

NOTE 15: Short-term operating receivables

Table 28: Short-term operating receivables

in € thousand

	31. 12. 2012	31. 12. 2011
Short-term accounts receivables from Group members	827	1,242
Short-term operating receivables from Group members for interest	139	184
Other short-term operating receivables from Group members	0	135
Short-term accounts receivables (excluding Group members)	21,762	26,684
Other short-term operating receivables from others	396	739
Other current assets	85	166
Total	**23,209**	**29,149**

Of the total amount of short-term operating receivables (incl. receivables due from customers in the Group) at € 22,589 thousand, € 1,291 thousand relate to short-term deferred costs and accrued revenues.

Table 29: Trends in adjustments of short-term operating receivables

in € thousand

	2012	2011
Adjustment of accounts receivable as at 1 Jan.	3,252	3,258
- receivables written off	-473	-326
- collected receivables	-230	-570
+ additional increase in value adjustments	751	890
Adjustment of accounts receivable as at 31 Dec.	**3,301**	**3,252**

In 2012, we impaired the receivables due from the Ukrainian subsidiary in the amount of € 87 thousand.

Table 30: Trends in adjustments to loan interest receivables due from group members

in € thousand

	2012	2011
Value adjustment for interest as at 1 Jan.	18,186	13,652
+ increase in value adjustment	0	4,534
- write-off of receivables (the sale of receivables)	-18,186	0
Value adjustment for interest as at 31 Dec.	**0**	**18,186**

The effect of value adjustments made in 2012 is presented in Note 5 in the category Expenses related to value adjustments and write-offs of receivables. Expenses from value adjustments and write-offs of receivables totalled € 927 thousand, thereof the expenses from value adjustments of trade receivables amounted to € 751 thousand, and the expenses arising from the sale of loan interest receivables due from the Russian subsidiary amounted to € 137 thousand; the balance of € 39 thousand stands for direct write-offs of trade receivables.

Table 31: Structure of short-term trade receivables (except intragroup) by maturity

in € thousand

	Gross amount 31. 12. 2012	Value adjustment 31. 12. 2012	Gross amount 31. 12. 2011	Value adjustment 31. 12. 2011
Outstanding	15,640	0	20,657	0
Overdue from 0 to 30 days	4,436	134	3,915	1
Overdue from 31 to 90 days	1,471	8	1,623	48
Overdue from 91 to 180 days	280	70	475	163
Overdue over 181 days	3,236	3,090	3,266	3,040
Total	**25,063**	**3,301**	**29,936**	**3,252**

The major portion of receivables more than 181 days overdue is involved in court proceedings (executions, lawsuits, bankruptcies and compulsory compositions).

Exposure to various risks types arising from operating receivables is managed by applying our own credit rating system for domestic customers and by checking credit ratings of foreign customer obtained from specialised credit rating companies. On the basis of the acquired information, the Group requires that customers with lower credit ratings supply instruments to secure payments (bill of exchange, bank guarantees, mortgages, pledges of movable property and sureties).

NOTE 16: Cash and cash equivalents

Cash assets as at 31 December 2012 amounted to € 3,449 thousand. The item comprises the cash held in bank accounts, call deposits, and cash in hand. The reasons for increases and decreases of this item in the year 2012 are shown in the Statement of Cash Flows.

NOTE 17: Equity (Capital)

Table 32: Financial debt/ Equity

in € thousand

	2012	2011
Non-current financial liabilities	106,279	23,632
Current financial liabilities	3,194	163,053
Total financial liabilities	109,473	186,685
Total equity	100,887	84,645
Debt/equity	**1.1**	**2.2**

Share capital

Pursuant to the Resolution of the General Meeting of 28 August 2012, the share capital of the Parent Company Intereuropa d.d., Koper, was decreased by € 25,074 thousand and transferred to capital reserves. The decrease of the Company's share capital was effected under a simplified procedure, on 15 November 2012. The appurtenant share price was reduced from € 4.17293 by € 3.17293 to 1 euro after the decrease. The number of shares to which the share capital is divided into remained unchanged: 7,902,413 ordinary, freely transferable registered shares.

The year 2012 brought a capital increase to the Company: the creditor banks undertook a capital augmentation by contributions-in-kind, arising from loans, in the amount of € 19,586 thousand, by issuing 19,586,390 new shares, thereof 8,928,425 ordinary and 10,657,965 preference shares. After the increase the Company's share capital amounts to € 27,488,803 and is divided into 16,830,836 ordinary freely transferable no-par value shares and 10,657,965 preference shares. The amount pertaining to the share is one euro.

The rights vested in ordinary shares entitle the shareholders to participation in the management of the Company (voting right), participation in the portion of profit (dividend), and to receive a proportional part of the residual assets after liquidation or bankruptcy of the Company.

The holders of preference shares are entitled to participation in the portion of profit and to receive a proportional part of the residual assets after liquidation or bankruptcy of the Company. Preference shares entitle their holders to participation priority in the profit in the amount of € 0.01 (preferential amount) per share. The preference amount is paid out in addition to participation in the profit pertaining to the holders of ordinary shares, in accordance with the Resolution on appropriation of accumulated profit.

As of the cut-off date 31 December 2012, the Company had, in accordance with the General Meeting resolution from the year 2010, € 16,488 thousand of authorised and unused capital. In 2012, the Parent Company did not issue any shares for authorised capital.

Capital reserves

Capital reserves were made after decreasing the share capital in the amount of € 25,074 thousand and used to cover the net loss of the financial year 2012 amounting to € 6,619 thousand.

The Revenue Reserves are structured as legal reserves, the reserves for treasury shares as a deductible item. As at 31 December 2012, the legal reserves amounted to € 875 thousand.

Treasury shares

The Company holds 18,135 treasury shares. The procurement value of treasury shares was € 180 thousand. The Company has no rights from its treasury share portfolio. Other companies in the Group do not own treasury shares.

Accumulated profit

As at 31 December 2012 the Accumulated Profit was € 0, the same situation was on the comparable Balance Sheet Date 31 December 2011. Net loss for the reporting year amounting to € 6,619 thousand was settled by drawing the capital reserves.

Dividends

Intereuropa d.d., Koper, did not pay any dividend in the year 2012.

Table 33: Earnings per share (loss)

	2012	2011
Net loss for the year in € thousand	-6,619	-3,712
Average number of shares	8,628,313	7,884,278
Basic and diluted earnings per share (€)	**-0.77**	**-0.47**

The basic earnings per share (€ -0.77) were calculated as: net loss pertaining to the ordinary shareholders of the Parent Company/weighted average number of shares, excluding treasury shares (€ -6,619 thousand/ 8,628,313 shares). The diluted earnings per share equalled the basic earnings per share because the Parent Company does not hold any dilutive potential ordinary shares.

NOTE 18: Provisions and long-term deferred revenues

Table 34: Provisions and long-term deferred revenues

in € thousand

	Balance 1. 1. 2012	Use of provisions	Cancellation and transfer to revenues	Additional establishment	Balance as at 31. 12. 2012
Provisions for employee benefits	1,269	-58	-422	0	789
Provisions for severance pay for dismissal due to business circumstances	230	-230	0	0	0
Provisions for legal proceedings	401	0	-331	50	120
Other long provisions	0	0	0	5,233	5,233
Long-term deferred revenues	101	0	-72	80	109
Total	**2,001**	**-288**	**-825**	**5,363**	**6,251**

The calculation of provisions for employee benefits upon retirement and long-service awards was based on an actuarial calculation, relying on the following assumptions:

- number of employees, their gender, age, total length of service, length of service with the Company, and their average gross salary for December 2012;
- the method of calculation of employee benefits upon retirement (two average gross salaries of the employee, or two average gross salaries in the Republic of Slovenia);
- growth of average wages in the Republic of Slovenia of 2.00 percent p.a.;
- age-based turnover of employees, prerequisites for retirement in accordance with the minimum requirements for obtaining the entitlement to old-age pension;
- annual discount interest discount rate of 2.75 percent.

Reversal and additional formation of these provisions were based on the actuarial calculation as at 31 December 2012.

Provisions for lawsuits were made on the basis of obtained opinions and estimates by internal and external legal experts.

The provisions made to cover the liabilities from the past operations € 5,233 thousand relate to the claim for payment of customs duty on account of an incomplete transit procedure (€ 1,073 thousand) and to liabilities arising from contracted assurances (€ 4,160 thousand).

Long-term deferred revenues primarily stand for property, plant and equipment items acquired for free, and for the purchased equipment from the funds obtained from employing disabled persons above the quota. They are credited of operating revenues in the amount of depreciation costs.

NOTE 19: Received loans and financial leases

Table 35: Structure of long-term loans received and financial leases

in € thousand

	31. 12. 2012	31. 12. 2011
Long-term loans from others	106,271	20,887
Financial leasing	9	24
Total	**106,279**	**20,911**

Table 36: Changes in received loans and financial leases

in € thousand

	31. 12. 2012	31. 12. 2011
Opening balance	20,911	162,991
Transfer from current liabilities (reprogram loans)	85,582	2,008
New loans	0	31
Drawing of revolving credit	0	3,590
Transfer to current liabilities – default on financial covenants	0	-116,596
Transfer to current liabilities (current part of non-current liabilities)	0	-31,113
Repayments	-214	0
Closing balance	**106,279**	**20,911**

As at 31 December 2012, the Company had € 9,500 thousand in approved and undrawn revolving credit.

In the scope of financial restructuring undertaken in 2012, the financial liabilities were rescheduled and also the financial assurances under the Loan Agreements were redefined. The financial assurances (financial leverage ratio, indicator of coverage of interest expenses, financial security index, ?Acid test ratio = liquid assets to short-term liabilities) have been harmonised in all loan agreements, and they will be first checked for the financial year 2013.

Due to non-fulfilment of financial assurances we reclassified at the end of 2011 all those principal amounts for which the respective assurances were not fulfilled from long-term financial liabilities to short-term financial liabilities; in 2012, we reclassified a portion of these loan liabilities, with a maturity of loan agreements exceeding one year, back to long-term financial liabilities. The financial liabilities reclassified thereunder amounted to € 85,582 thousand.

Table 37: Maturity of received long-term bank loans and financial leases

in € thousand

	31. 12. 2012	31. 12. 2011
Maturity from 1 to 2 years	3,323	7,361
Maturity from 2 to 3 years	3,529	2,470
Maturity from 3 to 4 years	3,752	2,462
Maturity from 4 to 5 years	3,986	2,462
Maturity over 5 years	91,689	6,156
Total	**106,279**	**20,911**

Table 38: Received long-term bank loans and financial leases by collateral

in € thousand

	31. 12. 2012	31. 12. 2011
Mortgaged real estate and pledged securities	106,271	20,887
Other collateral	8	24
Total	**106,279**	**20,911**

Table 39: Structure of received short-term loans and financial leases

in € thousand

	31. 12. 2012	31. 12. 2011
Short-term loans from banks	1,837	161,445
Financial lease	16	29
Total	**1,853**	**161,474**

Table 40: Received short-term loans and financial leases by collateral

in € thousand

	31. 12. 2012	31. 12. 2011
Secured	1,853	161,474
Mortgaged real estate and pledged securities	1,837	161,445
Other	16	29
Total	**1,853**	**161,474**

NOTE 20: Other long-term and short-term financial liabilities

Table 41: Structure of other long- and short-term financial liabilities

in € thousand

	31. 12. 2012	31. 12. 2011
Non-current financial liabilities at fair value through profit or loss	0	2,721
Total	**0**	**2,721**
Current financial liabilities at fair value through profit or loss	0	1,505
Liabilities for dividends and other participations	74	74
Other current financial liabilities	1,266	0
Total	**1,341**	**1,579**

Other long-term and short-term financial liabilities, which represented the liability from the financial instrument at fair value through profit/loss (of a derivative financial instrument of cross-currency swap with currency option), were terminated before time in November 2012 and the financial expenses amounting to € 699 thousand from the valuation of a financial instrument were recognised (see Note 7; Expenses for derivative financial instruments).

Upon termination of the financial instrument, the unsettled liabilities were recognised as Other Short-Term Financial Liabilities that as of the Balance Sheet Date amounted to € 1,266 thousand.

NOTE 21: Deferred tax liabilities and assets

Table 42: Changes in not-offset deferred tax liabilities and assets, in 2012

in € thousand

Deferred tax assets	As at 1. 1. 2012	Changes in the income statement	Changes in other comprehensive income	Balance as at 31. 12. 2012
Revaluation of receivables from value adjustments	19	-19	0	0
Financial assets revaluation	2,399	-503	-29	1,867
Provisions	199	-118	0	81
Intangible assets	2	-2	0	0
Tax loss	3,227	9,464	0	12,691
Total	**5,846**	**8,822**	**-29**	**14,639**

Deferred tax liabilities	As at 1. 1. 2012	Changes in the income statement	Changes in other comprehensive income	Balance as at 31. 12. 2012
Revaluationt of land	12,744	0	-3,186	9,558
Total	**12,744**	**0**	**-3,186**	**9,558**
Effect		**8,822**	**-3,215**	

Table 43: Changes in not-offset deferred tax liabilities and assets, in 2011

in € thousand

Deferred tax assets	As at 1. 1. 2011	Changes in the income statement	Changes in other comprehensive income	Balance as at 31. 12. 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	**3,515**	**2,324**	**7**	**5,846**

Deferred tax liabilities	As at 1. 1. 2011	Changes in the income statement	Changes in other comprehensive income	Balance as at 31. 12. 2011
Revaluationt of land	12,747	0	-3	12,744
Total	**12,747**	**0**	**-3**	**12,744**
Effect		**2,324**	**10**	

NOTE 22: Short-term operating liabilities

Table 44: Structure of short-term operating liabilities

in € thousand

	31. 12. 2012	31. 12. 2011
Short-term operating liabilities to group members	252	1,251
Short-term accounts payable	14,587	20,335
Short-term operating liabilities from advances	19	24
Other short-term operating liabilities	3,317	3,623
Total	**18,175**	**25,233**

Of the total amount of short-term operating liabilities as at 31 December 2012, the amount € 1,599 thousand related to liabilities arising from accrued costs for which the suppliers' invoices have not been received yet.

Only the liabilities for customs duty and levies (amounting to € 4,190 thousand as of the Statement of financial position date, as at the cut-off date of the comparable period € 6,467 thousand) are secured by a bank guarantee. We do not issue any instruments to secure payments to other suppliers.

NOTE 23: Contingent liabilities

As Contingent liabilities are presented: potential liabilities not posted in the Statement of Financial Position and for which we estimate it is not likely that an outflow of resources will result upon the settlement of the obligation. We estimate that the Company held as at 31 December 2012 the following contingent liabilities:

Table 45: Contingent liabilities

in € thousand

	31. 12. 2012	31. 12. 2011
Arising from bank guarantees and guarantees given for Group members	8,612	13,737
Arising from bank guarantees and guarantees given	6,088	6,110
Arising from legal proceedings	1,739	2,761
From D.S.U., družba za svetovanje in upravljanje	250	250
Total	**16,689**	**22,858**

Guarantees and warranties for Group members mainly relate to guarantees for raised loans and customs guarantees of subsidiaries. Other guarantees and warranties primarily stand for contingent liabilities arising from bank guarantees for any customs debt that might result from transit procedures, checking the origin, various analyses and control of goods.

Contingent liabilities from lawsuits in the amount of € 1,739 thousand represent less than 50% probability that the Plaintiff would be successful in their claim and outflows of resources embodying economic benefits would be needed.

NOTE 24: Fair value

Securities available for sale

The fair value of available-for-sale securities that are listed on a stock exchange is equal to the published closing price of these shares as at the Statement of Financial Position Date. The fair value of shares and interests 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

in € thousand

	31. 12. 2012		31. 12. 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets at fair value				
Available-for-sale financial assets	3,093	3,093	3,537	3,537
Total	**3,093**	**3,093**	**3,537**	**3,537**
Assets at amortised cost				
Loans given and deposits	11,626	11,626	59,090	59,090
Operating receivables	23,209	23,209	29,149	29,149
Cash and cash equivalents	3,449	3,449	9,371	9,371
Total	**38,284**	**38,284**	**97,610**	**97,610**
Liabilities at fair value				
Derivatives	0	0	4,226	4,226
Total	**0**	**0**	**4,226**	**4,226**
Liabilities at amortised cost				
Loans and financial leases	108,132	108,132	182,385	182,385
- at a fixed interest rate	24	24	0	0
- at a variable interest rate	108,108	108,108	182,385	182,385
Other short financial liabilities	1,341	1,341	0	0
Operating liabilities	18,589	18,589	26,334	26,334
Total	**128,062**	**128,062**	**208,719**	**208,719**

Table 47: Fair Value Levels

in € thousand

Fair Value Amounts	Level 1	Level 2	Level 3	Total
		31. 12. 2012		
Assets at fair value				
Available-for-sale financial assets	1,250	0	1,844	3,094
Liabilities at fair value				
Derivatives	0	0	0	0

Fair Value Amounts	Level 1	Level 2	Level 3	Total
		31. 12. 2011		
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

The table shows the classification of financial instruments with regard to calculation of their fair value, to the following three levels:

- Level 1: assets and 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, for which the values cannot be obtained from market data.

NOTE 25: Financial risks

Liquidity Risk

Liquidity risk is controlled by active management of cash, comprising:

- cash flow monitoring and planning;
- regular collection and daily contact with major customers;
- short-term borrowing within the Group;
- option of using short-term bank credit facilities.

The Table shows estimated non-discounted cash flows, including future interest.

Table 48: Liquidity Risk, as at 31 December 2012

in € thousand

31. 12. 2012	Carrying amount	Contrac-tual 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	108,108	129,400	2,454	2,640	6,631	20,764	96,911
Loans received from others based on financial lease	24	25	11	6	9	0	0
Liabilities to group suppliers	1,340	1,363	723	641	0	0	0
Accounts payable (excluding Group members)	252	252	252	0	0	0	0
Liabilities arising from advances	15,001	15,001	14,574	13	128	76	210
Liabilities at fair value through profit or loss	19	19	19	0	0	0	0
Other liabilities	3,317	3,317	3,317	0	0	0	0
Total	**128,061**	**149,378**	**21,350**	**3,300**	**6,768**	**20,840**	**97,121**

Table 49: Liquidity Risk, as at 31 December 2011

in € thousand

31. 12. 2011	Carrying amount	Contrac-tual 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**

Table 50: Currency Risk, as at 31 December 2012

in € thousand

31. 12. 2012	€	US $	Other	Total
Short-term operating receivables from Group members	966	0	0	966
Short-term operating receivables (excluding Group members)	22,024	208	12	22,243
Long-term loans to Group members	0	0	0	0
Short-term loans to Group members	2,397	0	0	2,397
Long-term loans to others	7	0	0	7
Other granted short-term loans	9,223	0	0	9,223
Long-term loans from others	-106,279	0	0	-106,279
Short-term loans from others	-1,853	0	0	-1,853
Short-term operating liabilities to Group members	-252	0	0	-252
Short-term operating liabilities (excluding Group members)	-17,391	-368	-164	-17,923
- of which accounts payable (excluding Group members)	-14,207	-368	-13	-14,587
Other short financial liabilities	-1,341	0	0	-1,341
Gross exposure of the statement of financial position	**-92,500**	**-160**	**-152**	**-92,812**

Table 51: Currency Risk, as at 31 December 2011

in € thousand

31. 12. 2011	€	US $	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	7,018	0	0	7,018
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	**-119,269**	**-327**	**-4,082**	**-123,678**

Table 52: Credit Risk

in € thousand

	31. 12. 2012	31. 12. 2011
Long-term loans to Group members	0	29,829
Short-term loans to Group members	2,397	22,232
Long-term loans and deposits to others	7	10
Short-term loans and deposits to others	9,223	7,019
Short-term trade receivables	23,209	29,149
- of which accounts receivable	21,762	26,684
- of which from Group members	966	1,561
Cash and cash equivalents	3,449	9,371
Available-for-sale financial assets	3,094	3,536
Total	**41,379**	**101,146**

The Table presents the analysis of interest rate sensitivity and impact on pre-tax profit.

Table 53: Interest rate risk

in € thousand

2012	Change in percent	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
EURIBOR	+15%	-15	-15	-29	-82	-43	-186
EURIBOR	+10%	-10	-10	-20	-55	-29	-124
EURIBOR	-10%	10	10	20	55	29	124
EURIBOR	-15%	15	15	29	82	43	186

Table 54: Interest rate risk

in € 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%	-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

NOTE 26: Other disclosures

Table 55: Cost of auditors

in € thousand

	2012	2011
Auditing of the Annual Report	50	50
Other services	3	0
Total	**53**	**50**

Related parties of Intereuropa d.d., Koper:

- subsidiaries;
- associated companies;
- joint ventures;
- key management personnel of the Parent Company.

Members of the Managing Board are the key management personnel of the Parent Company.

Table 56: Disclosure of transactions with related parties

in € thousand

Revenue from services	2012	2011
Subsidiaries	3,710	4,312
Joint venture	514	394

Costs of services	2012	2011
Subsidiaries	2,306	5,432
Joint venture	4,545	5,153

As at the reporting date, the Company Intereuropa d.d., Koper, had liabilities to joint venture in the amount of € 553 thousand. None of the above listed liabilities is secured 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 Managing Board, the Supervisory Board and staff employed under individual service contracts in 2012

The Company did not approve any advances, loans or sureties to members of the Managing Board, members of the Supervisory Board and staff employed under individual service contracts.

Table 57: Income of the Managing Board members in 2012

in €

	Salary – fixed part		Salary – variable part		Bonuses and other benefits		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
GORTAN ERNEST	144,001	72,105	12,000	6,009	1,161	4,544	157,161	82,658
VOŠINEK PUCER TATJANA	126,004	63,754	10,500	5,313	3,006	4,352	139,510	73,418
Total	**270,005**	**135,858**	**22,500**	**11,321**	**4,167**	**8,896**	**296,672**	**156,076**

Net bonuses and other benefits:

in €

	Net bonuses and other benefits						
	Manager insurance	Additional pension insurance	Other bonuses	Reimbursement of costs	Profit participation	Other income	Total
GORTAN ERNEST	0	1,378	74	2,465	0	627	4,544
VOŠINEK PUCER TATJANA	0	1,378	1,008	1,334	0	631	4,352
Total	**0**	**2,756**	**1,082**	**3,799**	**0**	**1,259**	**8,896**

Table 58: Remuneration of the Supervisory Board members in 2012

in €

	Remuneration for holding an office	Remuneration for work in committees	Session fee	Reimbursement of costs	Profit participation	Other benefits and bonuses	Total
PEČAR NEVIJA	8,400	1,100	1,925	0	0	0	11,425
KORELIČ BRUNO	10,080	1,100	1,925	0	0	0	13,105
MOŽE VINKO	8,400	0	1,925	702	0	0	11,027
TUFEK TADEJ	9,240	1,100	1,925	739	0	0	13,004
ČERTALIČ MAŠA	8,400	0	1,925	0	0	0	10,325
BABIČ MAKSIMILJAN	8,400	0	1,925	760	0	0	11,085
KOBALE LJUBO	8,400	0	1,925	0	0	0	10,325
Total	**61,320**	**3,300**	**13,475**	**2,201**	**0**	**0**	**80,296**

Table 59: Income of staff under individual 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	1,577,473	180,280	1,757,753

NOTE 27: Post reporting date events

On 22 January 2013 the Customs Administration of the Republic of Slovenia (CURS) issued a decision to Intereuropa d.d., claiming the payment of import duty and other levies for the goods declared under a guarantee for transit, disclosed in Notes 6 and 18. On account of an incomplete transit procedure and the high probability for the incurrance of that liability, we made on 31 December 2012 a provision for the payment of customs duty arising from the incomplete transit procedure amounting to € 1,073 thousand.

REPORT BY INDEPENDENT AUDITOR

ERNST & YOUNG

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, 2012, 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, 2012, 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.

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, March 29, 2013

Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1

Lidija Šinkovec
Certified Auditor

Signing of the Annual Report for 2012 and its constituent parts

The Managing Board of Intereuropa d.d., Koper, has acknowledged the contents of the Annual Reports of Intereuropa d.d. and of the Intereuropa Group for 2012, and thus on the entire Annual Report of Intereuropa d.d. and the Intereuropa Group for 2012. We hereby agree and confirm the same by our signature below.

The Managing Board of Intereuropa d.d.

Tatjana Vošinek Pucer,
Deputy President of the Managing Board

Ernest Gortan, M.Sc.,
President of the Managing Board

Annual Report of the Intereuropa Group 2012

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Koper, April 2013

Note:
"The English version of the Annual Report 2012 of Intereuropa Group constitutes a translation of the original Slovenian version. Only the Slovenian version is legally binding."