ANNUAL REPORT 2013

Intereuropa®

Global Logistics service

ANNUAL REPORT 2013

Intereuropa Group

Intereuropa d.d.

Intereuropa®

Global Logistics service

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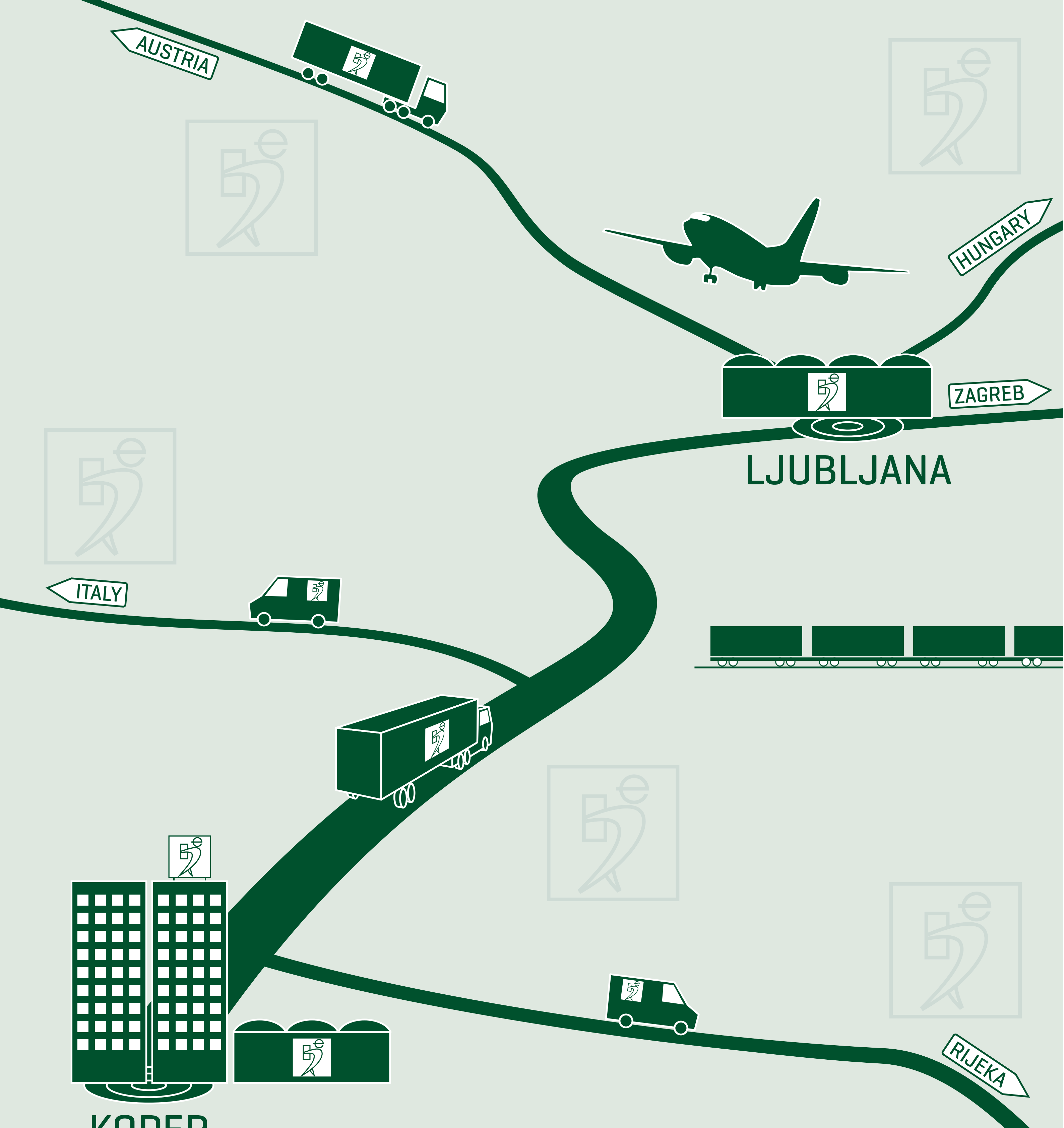


»We are conscious that through synergies and cooperation building in all our companies we can achieve recognisability, efficiency and high quality level of our service. Connected in a wide-spread network of the Group members and global partners, we can offer more.«

1 INTRODUCTION

1.1 Highlights on the operation of the Intereuropa Group

Table 1: Income Statement

in € thousand

	2010	2011	2012	2013	I 13/12
Sales revenues	190,624	211,880	188,409	161,061	85
Earnings before interest, taxes and depreciation and amortisation (EBITDA)	20,416	21,382	12,693	13,755	108
Operating profit	-28,333	5,510	-7,226	5,301	-
Profit from continuing operations	-39,793	-7,895	-20,238	544	-
Net profit or loss	-39,193	-5,410	-13,430	2,152	-
Value added	61,880	61,469	47,418	42,127	89
Basic earnings per share (in €)	-5.07	-0.73	-1.60	0.10	-
Gross dividend per share (in €)	0.00	0.00	0.00	0.00	-

Table 2: Statement of Financial Position

in € thousand

	2010	2011	2012	2013	I 13/12
Total assets	427,659	407,207	322,969	313,419	97
Non-current assets	351,801	331,390	267,212	259,370	97
Current assets	73,627	75,817	55,757	54,049	97
Equity	148,163	140,988	154,893	153,763	99
Average capital*	188,080	147,281	154,656	153,252	99
Financial and operating liabilities	274,181	263,493	161,042	154,009	96

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

Table 3: The number of employees

by man-hours paid

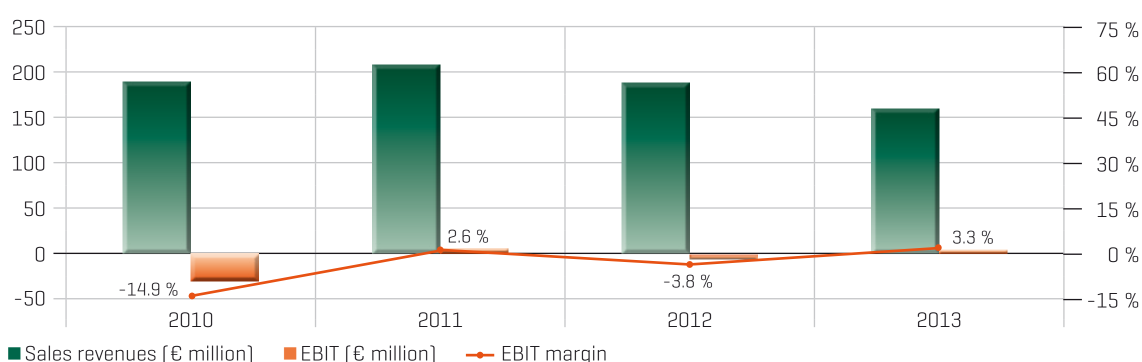
	2010	2011	2012	2013	I 13/12
Number of employees in the Group	2,274	2,137	1,879	1,529	81
Number of employees in the parent company	784	744	731	665	91
Number of employees in subsidiaries	1,490	1,393	1,148	864	75

Table 4: Performance Indicators

	2010	2011	2012	2013	I 13/12
Return on equity	-20.8 %	-3.7 %	-8.7 %	1.4 %	-
Return on assets	-8.6 %	-1.3 %	-3.7 %	0.7 %	-
Productivity (in € thousand)	83.8	99.2	100.3	105.3	105
Return on revenue	-19.1 %	-2.5 %	-6.9 %	1.3 %	-

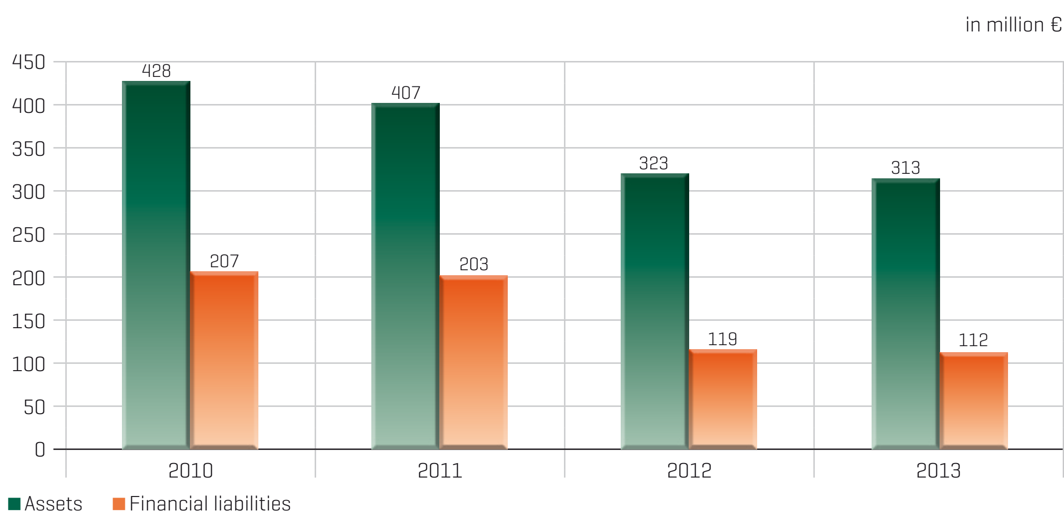
EBITDA: Amortisation + operating expenses from revaluation of intangible fixed assets (IFA), and depreciation of Property, Plant and Equipment (PPE), plus operating profit or loss.
Value Added: EBITDA + labour costs
Net Return on Equity: Net profit or loss/ average capital.
Net Return on Assets: Net 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, 2010 – 2013



The sales turnover of the Group was 15 percent below the level of 2012, but the operating profit at € 5.3 million contributed to higher EBIT margin, which rose to 3.3 percent.

Chart 2: Movement of Assets and Financial Liabilities of Intereuropa Group, 2010 – 2013



Since 2010, financial liabilities of the Group have decreased by 46 percent; at the end of the reporting year, they represented no more than 36 percent in the Liabilities structure.

1.2 Presentation of the Intereuropa Group

1.2.1 Basic data

The Parent 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	Igor Mihajlović

The Intereuropa Group

No. of employees*	1464 employees
Total warehousing area*	235.130 m² (sqm) in-house warehouse
Total land area*	1.719.411 m² of land area
Vehicle fleet*	113 company-owned trucks, tractors, and trailers and other commercial vehicles
Membership in international organisations	FIATA, IATA, FETA, FONASBA, BIMCO
Quality certificates	certificate ISO 9001:2008, have following companies: Intereuropa d.d., Koper, Intereuropa, logističke usluge, d.o.o., Zagreb
Branch network	Slovenia, Croatia, Montenegro, Bosnia and Hercegovina, Serbia, Kosovo, Macedonia, Albania, Ukraine

* Data as at 31. 12. 2013.

1.2.2 Our business activities

We offer an integral logistics service to our partners in business 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, letting out business premises, 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.

1.2.3 Organisation Chart of the Intereuropa Group

Intereuropa d.d.

SLOVENIA

Company	%
Interagent d.o.o., Koper	100.00 %
Interzav, d.o.o., Koper	71,28 %
Intereuropa Transport, d.o.o., in liquidation, Koper*	100.00 %
Intereuropa-FLG, d.o.o., Ljubljana	50.00 %

BOSNIA & HERZEGOVINA

Company	%
Intereuropa RTC, d.d., Sarajevo	95,77 %

SERBIA

Company	%
AD Intereuropa-log. usluge Belgrade	73,62 %

CROATIA

Company	%
Intereuropa, logističke usluge, d.o.o., Zagreb	99,96 %
Intereuropa Sajam, d.o.o., Zagreb	51,00 %

MONTENEGRO

Company	%
ZETATRANS A.D. Podgorica	69,27 %

ALBANIA

Company	%
Intereuropa Global Logistics Service Albania shpk, Durres	100,00 %

KOSOVO

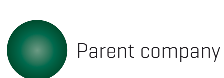
Company	%
Intereuropa Kosova L.L.C, Prishtina	90,00 %

MACEDONIA

Company	%
Intereuropa Skopje, DOO, Skopje	99,56 %

UKRAINE

Company	%
TOV TEK ZTS, Uzhgorod	89,93 %
TOV Intereuropa-Ukraine, Kyiv	100,00 %


Parent company

Subsidiary

Joint venture

% of ownership by the parent company

* Intereuropa Transport d.o.o., Koper has been in liquidation proceedings since 17 January 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				Distinction
				Land Transport	Logistics Solutions	Intercontinental Transport	Other services	
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 the Supervisory Board till 10 April 2013; Igor Mihajlović, Chairman of the Supervisory Board as of 11 September 2013	●	●	●	●	The leading provider of comprehensive logistic services in Slovenia; 39 freight vehicles and delivery vans; 129.400 m² of own and hired 12,000 m² warehouse facilities.
Interagent d.o.o., Koper	Sandi Križman, 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	Mojca Žbontar, Managing Director	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	Petra Končnik, General Director	Supervisory Board	Ernest Gortan, M.Sc, Chairman of Supervisory Board	●	●	●	●	The leading provider of comprehensive logistic services in Croatia; 19 freight and commercial delivery vehicles; 54.100 m² of warehouse facilities.
Intereuropa Sajam, d.o.o., Zagreb	Vjekoslav Granić, Managing Director till 15 October 2013; Krešimir Lipovčić, Managing Director as of 16 October 2013	Supervisory Board	Tatjana Vošinek Pucer, Chairwoman of the Supervisory Board	●	●		●	Fairs & Exhibition Logistics 2 freight and other commercial delivery vehicles; 640 m² of warehouse facilities.
Intereuropa RTC d.d. Sarajevo	Haris Avdić, Managing Director	Supervisory Board, Audit Committee	Tatjana Vošinek Pucer, Chairwoman of the Supervisory Board; Vildana Huzbašić, President of Audit Committee	●	●	●	●	Leading provider of complex logistics services in BiH; 12 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; 4 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; 6 freight vehicles and delivery vans; 18,200 m² of warehousing area.
Intereuropa Skopje DOO, Skopje	Nebojša Cvetanovski, Managing Director	An independent Supervisor	Tatjana Vošinek Pucer, Independent Supervisor	●	●	●		A leading provider in groupage service 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.
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; 18 freight vehicles and delivery vans.
TOV Intereuropa-Ukraina, Kyiv	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 2013 the company was not operating.

1.3 Letter of the President of the Managing Board

Dear shareholders, partners in business, co-workers:

The Intereuropa Group entered the year 2013 after the completed financial restructuring, in the scope of which the indebtedness was essentially reduced and a debt rescheduling agreement was reached with creditor banks, extending the repayment term for the remaining debt over a longer period of time. That allowed us to stabilise the financial condition of the Company and establish the essential foundation for focusing on our core business.

In the de-leverage process, the creditor banks became majority shareholders of the Company by conversion of a portion of debt into equity. We expected the new shareholders to undertake activities in quest of a strategic partner. In January 2014, Nova Ljubljanska banka d.d., acting on behalf of a consortium of six banks, informed us that an engagement letter regarding the sale of Intereuropa shares was awarded to a foreign consultant firm.

In the year 2013, the Intereuropa Group achieved sales revenue of € 161.1 million and exceeded the plan by 3 percent. Compared with a year ago, the revenue was 15 percent lower, however, such a drop was expected: it was attributable to the disposal of our logistics centre in Russia, the EU-accession of Croatia, and to a decreased demand for services by a major customer Top Shop Intl.

The situation on the market has remained very complex and unforeseeable, resulting in restricted volume of goods flows due to unfavourable economic situation. The trend towards a rationalisation of logistics costs is still strongly felt, escalating in highly aggressive competition. Suppliers of transport services have not recovered yet, and the pressure on input costs remains high. In addition, expanding ill payment practices elevate the credit risk and demand a thrift management with current assets, involving regular credit rating checks and restricting the cooperation with certain risky customers.

On top of that, another – though expected – blow against our operations was the accession of Croatia to the European Union mid-year 2013. The operations in the key markets of the Intereuropa Group – Slovenia and Croatia – were worst hit by abolishing the customs control of goods, as the demand for highly profitable customs services fell considerably.

In view of that, we launched numerous intensive activities to adapt to the changed situation already from the beginning of the year, addressing the organizational structure of subsidiaries, reducing the number of offices – in particular on border passes between Slovenia and Croatia, and downsizing the staff in operational and support processes.

Along with that alignment, we upgraded our range of services and sought for new opportunities in the market to substitute the loss of income. In Slovenia, we succeeded in developing some long-term businesses involving our logistics solutions (storage of components for automotive industry in Ljubljana, of consumer goods in Vrtojba) and logistics for liquid cargo via Port of Koper. In Croatia, we found a market niche in medical products distribution and in logistics for solar panels. On the other hand, we achieved a high growth of revenues in our subsidiaries in Macedonia and Kosovo, but the highest was recorded in the Ukraine, resulting from land transport of petroleum products.

We are aware that motivation and commitment of our staff is underlying for achieving the goals. In the year 2013, we conducted the measurement of the quality of employees' relationship to the organization, too. I take delight in finding that the results of these measurements have been improving since 2009.

Investments undertaken in 2013 amounted to € 2.2 million. We select our investing activities primarily to satisfy two criteria: assuring the quality of our service and maintaining the asset value. Particular attention is paid to investments in informatisation of business processes. We established or enhanced the electronic data interchange with some major customers and subsidiaries, and simplified the jointly used logistics processes. In the scope of IT, we proceeded with development of integrated information support in warehouse operations, and completed the digitalisation of incoming invoices for operational needs in the Parent Company.

The result of the Group was € 13.8 million of earnings before interest, taxes, depreciation and amortisation (EBITDA), and € 5.3 million of operating profit. The net financial debt as of the year-end amounted to € 91.9 million, which was € 8.2 million less than a year ago (2012). After four years of negative results, we recorded a net profit of € 2.2 million in the year 2013. These achievements reflect the commitment and intensified activities of all our employees in the given term, and prove that we were taking the right decisions in the restructuring process of the Intereuropa Group.

Our plans for the year 2014 are ambitious: despite aggravated situation in logistics trade and negative economic trends in our key markets, we aim to repeat the result of the year 2013 and improve the profitability level of our earnings, while reliably complying with all the liabilities towards the banks. For the current year, we expect intensified activities on the part of the shareholders consortium concerning the disposal of their shareholdings in Intereuropa d.d. The Managing Board will support the process reasonably, always acting to the benefit of all stakeholders. It is the wish and awareness of the Managing Board that the Company get owners who will contribute to further development of the Group. Such a scenario would fulfil the last strategic goal from our Strategic business plan of Intereuropa Group for the term 2010 – 2014, to my great personal pleasure.

I take this opportunity to thank the staff of Intereuropa for their commitment to fulfil our goals. My appreciation goes further to our customers, shareholders and other stakeholders for their support and trust in the extremely demanding circumstances. There are many more challenges ahead of the Intereuropa Group, however, I believe that sound foundations were laid for further prosperity of the Group.

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

1.4 The report of the Supervisory Board for the year 2013

The Supervisory Board of Intereuropa d.d. tracked the operations of the Group and responsibly supervised the corporate management throughout the reporting year. In the sessions, the members got informed on various aspects of the Company's operations through reports by the Managing Board; they adopted resolutions and monitored the implementation thereof. The issues involving the work of Supervisory Board bodies were addressed by the Audit Committee and the Committee for Appointments and Receipts; their findings were underlying for the Supervisory Board's decisions.

Examination of the Annual Report for 2013

In accordance with the requirements of the Companies Act (ZGD-1), the Supervisory Board duly examined the Annual Report of Intereuropa d.d. and of the Intereuropa Group for the financial year 2013 that were submitted by the Managing Board. After the Supervisory Board Audit Committee examined the Annual Report, it resolved to propose adopting and confirming the Annual Report 2013 on the part of the Supervisory Board. Based on the finding that the Annual Report reflects the true and fair presentation of the financial position of both, the Parent Company and the Group, in 2013, the Supervisory Board confirmed it in the session held on 17 April 2014. The session was attended by the representatives of the certified auditors Ernst & Young, who informed the Supervisory Board on the Auditor's Report, receiving no remark thereto. Following the findings by the Audit Committee and approval of the Annual Report, the Supervisory Board compiled its Report on examination of Annual Report of Intereuropa d.d. and of the Intereuropa Group for the year 2013. The Supervisory Board examined and adopted the Annual Report in the new board structure as at 11 September 2013.

Supervisory Board in 2013

Members of Supervisory Board representing the shareholders were: Bruno Korelič – Chairman until 10 April 2013, Vinko Može – member until 29 July 2013, and the members Tadej Tufek and Maša Čertalič, who were in office until 10 September 2013. On 29 July 2013, the representative of the labour on the Supervisory Board Maksimiljan Babič, appointed as Deputy Chairman, declared to resign on the ground of change to the board structure, reducing the number of members representing the employees on the board, as adopted in the Company's Statute. The term of office of members representing the labour Nevija Pečar and Ljubo Kobale expired on 19 November 2013.

In the Annual General Meeting held on 21 June 2013, the shareholders elected two new members for a four-year term of office: Klemen Boštjančič, with effect from the same day, and Igor Mihajlović commencing on 30 July 2013. Two further Supervisory Board members representing the shareholders were elected in the same General Meeting: Maša Čertalič and Miro Medvešek, who commenced their four-year term of office on 10 September 2013. The Works Council of Intereuropa d.d. elected on 6 November in its 13th ordinary session the representatives of employees on the Supervisory Board for a four-year term of office, commencing with 20 November 2013: Nevija Pečar and Ljubo Kobale. As of 20 November 2013, the members of Supervisory Board were:

- Igor Mihajlović, Chairman;
- Nevija Pečar, Deputy Chairman;
- Klemen Boštjančič, member;
- Miro Medvešek, member;
- Maša Čertalič, M.Sc., member;
- Ljubo Kobale, member.

In the constitutive session held on 11 September 2013, the Supervisory Board appointed the following members of the Audit Committee: Miro Medvešek for chairperson, and Maša Čertalič and Nevija Pečar as members. The Supervisory Board also appointed an external member for the Audit Committee: Alfjo Kocjančič (as an external independent expert, he is not a member of the Supervisory Board). The Audt Committee had seven sessions.

In the constitutive session, the Supervisory Board also set up the Committee for Appointments and Receipts, electing Klemen Boštjančič as the chairperson, and Igor Mihajlović and Ljubo Kobale as members. Said Committee held two sessions in 2013.

Work of the Supervisory Board during 2013

The Supervisory Board met in nine sessions altogether, thereof, four in the new board structure effective with 11 September 2013. Prepared to the topics on the agenda, the Supervisory Board members were giving relevant proposals and comments, and adopted decisions in accordance with their powers and competences. Duly informed by the committees and in the sessions, the Supervisory Board monitored carefully and responsibly the operations of the Intereuropa Group in the reporting year. It currently evaluated the work of the Managing Board and undertook other assignments in accordance with the law and internal acts /bylaws.

In terms of its supervisory function over the operations management of the Company, the Supervisory Board dedicated particular attention to the following issues:

- Interim 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.
- The Supervisory Board, consisting of Bruno Korelič, Vinko Može, Maša Čertalič, Tadej Tufek, Maksimiljan Babič, Ljubo Kobale, and Nevija Pečar, approved the 2012 Annual Report of the Intereuropa Group, incl. Auditor's Report, and took note of the findings resulting from the audit.
- The Supervisory Board issued its consent to the convocation of the 26th Annual General Meeting of Intereuropa d.d., held on 21 June 2013, also approving the Agenda and Proposal of Resolutions with substantiation.
- The new Supervisory Board presided by Igor Mihajlović, consisting of the members Klemen Boštjančič, Miro Medvešek, Maša Čertalič, Ljubo Kobale and Nevija Pečar, adopted two sets of Rules of Procedure: for the Supervisory Board and for the Audit Committee.
- Getting informed on the annual and interim reports on risk management.
- Getting familiar with the sales activities and changes/trends of accounts receivable.
- Adopting the corporate document dealing with limitation to the powers of the Managing Board of the Parent Company and of the management bodies of subsidiaries.
- Approving the planning documents for the year 2014 of Intereuropa d.d., of subsidiaries and of the Group, and confirming the financial calendar 2014 with dates for publication requirements.
- Dealing with reports submitted by the Audit Committee and the Appointment and Receipts Committee, and
- Briefing on other information concerning the Parent Company Intereuropa d.d. and subsidiaries in the Group.

The structure of Supervisory Board is such that all the necessary professional and experiential competencies are available for an effective supervision over the Company operations. The members' profiles comprise several years of experience in corporate management, financial and legal consultancy, investment banking, insurance, and logistics, as well as possessing technical competences of a variety of professions. Notable is the contribution by the representatives of employees, who are experienced in and knowledgeable of the branch of industry, and thus add to efficient supervision of performance.

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, also keeping track of the implementation of the resolutions adopted.

Assessment of work of the Supervisory Board and of Audit Committee

The Supervisory Board had two committees: the Audit Committee and the Committee for Appointments and Receipts, whose chairpersons reported on the work of each committee in the Supervisory Board sessions. The resolutions presented by each committee were dealt with and the Supervisory Board took the necessary measures based on the opinions presented, at its own discretion. All members were actively participating in the work of the Supervisory Board: attending the sessions regularly, they were committed to resolving the current issues and contributed to the expedient execution of tasks under the competence of the Supervisory Board.

Work of the Audit Committee also contributed to efficient operation of the Supervisory Board. The Audit Committee addressed the current business reports, the action plan for the Internal Audit Department and got informed on the operational report of the latter. 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.

The Committee for Appointments and Receipts prepared the Rules on remuneration of annual performance for the Managing Board and laid down the performance criteria that are underlying for the entitlement of the Managing Board members to incentive pay (the variable part of the salary). Resolutions and minutes of the a.m. Committee were currently submitted to the Supervisory Board.

The operation of the Supervisory Board was compliant with the provisions of relevant laws, with the Statute, the Rules of Procedure for the Supervisory Board, 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. 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.

The Supervisory Board finds its interaction with the Managing Board as appropriate, compliant with the laws and good business practices; according to its knowledge, it believes to have been informed on all relevant events/ transactions that were prerequisite for an evaluation of the situation and the respective outcomes, as well as for supervision over the operation of the Company. The Supervisory Board also checked the implementation of its own resolutions.

The collaboration with the Managing Board was proactive. The Chairman of the Supervisory Board and the President of the Managing Board maintained regular communications also in the periods between the sessions.

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, 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 2013, or as at 31 December 2013 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 2013

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 with the unqualified Auditor's opinion to be a true and authentic reflection of the position and operations of the Company, providing comprehensive information on the financial year 2013.

Upon examining the Audited Annual Report, the Supervisory Board ascertained that the Group closed the year 2013 with a net operating result at € 2,151,906.04. The Supervisory Board shares the view that the overall performance of Intereuropa was successful in the complex business environment 2013, and achieved good operating results.

Having examined the operation of the Company, the business report and the Auditor's unqualified opinion in his report, and analysed the profit earned by Intereuropa d.d. in the financial year 2013, the Supervisory Board took note that Intereuropa's net profit for the financial year 2013 amounted to € 999,913.05, the total amount thereof shall be allocated to legal reserves.

Pursuant to Article 298 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 2013.

This report was adopted in the Supervisory Board session held on 17 April 2014.

Igor Mihajlović
Chairman of the Supervisory Board

1.5 Statement of management responsibility

The Managing Board is responsible for compiling the Annual Report for the Company Intereuropa d.d. and for the Intereuropa Group, as well as the financial statements (of both) in such a way that they shall truly and fairly present the financial position, income and cash flow statement of the Company and the subsidiaries thereof in the year 2013, or as at 31 December 2013 resp., to interested public.

It further confirms that the resp. accounting guidelines were consistently used in the preparation of financial statements of the Company Intereuropa d.d. and of the Intereuropa Group; the estimates were prepared under the principle of prudence and sound business practices; the financial statements of the Company and of the Group present a true and fair view of the financial position and income statements for the year 2013.

The Managing Board is also responsible for properly kept accounting, timely adoption of the measures to secure the property and other assets, and it further confirms that the financial statements, incl. the Notes thereto, of Intereuropa d.d. and of the Intereuropa Group were prepared on the going concern assumption for the Company and the Group, and are compliant with the applicable laws and the International Financial Reporting Standards (IFRS), as adopted by the European Union.

The Managing Board hereby confirms that according to its best knowledge and conscience, the financial report was compiled in accordance with the applicable financial reporting framework and it presents a true and fair view of the assets and liabilities, financial position and the income statement of the controlling company and of consolidated members of the Intereuropa Group. The Managing Board further confirms that the business report includes a fair view of the information on material transactions with related parties, and was drawn up in accordance with the laws and the International Financial Reporting Standards.

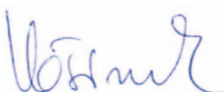
The Managing Board President and Member of the Company acknowledge the contents of the constituent parts of the Annual Report of the Company Intereuropa d.d. and of the Intereuropa Group for the year 2013, thus acknowledging the entire Annual Report of both.

We hereby agree and confirm the same by our signatures below.

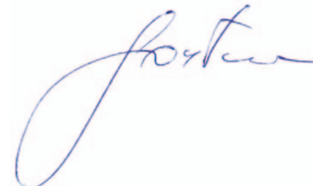
Koper, 17 April 2014

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 2013

January –June

- 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.
- Intereuropa was chosen as the leading partner for the project »Competence Centre for HR Development in Logistics«. The purpose thereof was to include the employees from partner organizations into programmes to develop knowledge, skills, and business practices.
- In the international conference of the ECU AIR /HCL Group, held from 10 to 13 April in Barcelona, Intereuropa was awarded with the "Best Network Agent in Managerial Reporting 2012" as the most responsive and organised agent in the group for that year.
- On 19 April 2013, the Montenegrin Chamber of Commerce awarded our subsidiary Zetatrans A.D., Podgorica for good performance, social responsibility, innovation and successful management in the year 2012.
- Four new Supervisory Board members representing the capital were appointed in the 26th General Meeting of Intereuropa d.d.: Klemen Boštjančič, Igor Mihajlović and Miro Medvešek; Maša Čertalič were re-appointed for another term of office.
- Intereuropa took part in the biggest international exhibition for logistics – Transport Logistic in Munich (München).

July – December

- Croatia joined the European Union, customs control of goods on the Croatian border was abolished, and customs procedures were no longer required. Intereuropa aligned the operations to the new situation and reduced the number of business units for customs clearance to only four offices: Obrežje, Metlika, Gruškovje and Jelšane (Slovenian/Croatian border passes), for which Intereuropa has adapted the working hours and number of staff to provide the customs formalities for the goods bound to/from third countries.
- The Prime Minister of the Slovenian government Alenka Bratušek, accompanied by her team, visited Intereuropa. The Intereuropa Group, the implemented strategic goals and new challenges that the Group was facing at the time were presented to the high delegation.
- The representative of the labour on the Supervisory Board Maksimiljan Babič declared to resign due to the change to the board structure regarding the number of members representing the employees on the board, as adopted in the Company's Statute.
- The TEN-T Innovation and Networks Executive Agency confirmed the participation of Intereuropa in the B2MoS Project (Business to Motorways of the Sea). The purpose of the project was to improve the interoperability of electronic messages and systems for document exchange and renewed logistics processes, aiming to raise efficiency of the door-to-door sea-borne logistics chain and facilitate trading within the European Union.
- Intereuropa exhibited on the 46th International Small Crafts Fair (MOS) in Celje.
- In the constitutive session of the Supervisory Board were appointed the Supervisory Board Chairman, Igor Mihajlović, and Nevija Pečar as Deputy Chairman, as well as the Audit Committee and the Appointments and Receipts Committee.
- In the Feta Freight System International (FFSI) conference in Bangkok, Intereuropa received two achievement awards (Top gun participant) for the terms 2010 – 2011 and 2012 – 2013.
- The Works Council of Intereuropa d.d. appointed in its 13th ordinary session Nevija Pečar and Ljubo Kobale as Supervisory Board members representing the employees for a four-year term of office.

Major events after the year-end

- The bank Nova KBM d.d. notified Intereuropa on 9 January 2014 of having classified the shares of Intereuropa d.d. to the list of transfers to the Bank Asset Management Company (DUTB), in accordance with the applicable legislation (Article 11 of the Measures of the Republic of Slovenia to Strengthen the Stability of Banks Act - ZUKSB/MSSBA, and Art. 13 of the Decree on the Implementation of Measures to Strengthen the Stability of Banks): 1,185,292 preference shares with the ticker symbol IEKN, representing 11.12 percent of all preference shares issued by Intereuropa.
- The bank Nova Ljubljanska banka d.d. (NLB), acting as Agent under the Intercreditors' Agreement, notified Intereuropa on 29 January 2014 that the banks Gorenjska banka d.d., Raiffeisen banka d.d., SKB Banka d.d., Banka Koper d.d., SID banka d.d., and NLB d.d. signed the engagement letter (contract of mandate) regarding the sale of Intereuropa shares with the consultant »Lazard & Co.GmbH and Raiffeisen Centrobank AG. Their total shareholding represents 54.5 percent of voting rights, or 67.8 percent of total shares of Intereuropa d.d.

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

1.7 Corporate Governance Statement

The principal guidelines for the corporate governance of Intereuropa d.d. and of the Intereuropa Group are listed in the Corporate Governance Policy of Intereuropa d.d. Transparent acting, clear division of responsibilities and assignments among the corporate bodies, continual concern for independence and loyalty of the members of governing and controlling bodies, on-going monitoring of the management and introduction of improvements to increase efficiency of management are the head stones for corporate governance in the company Intereuropa d.d.

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 website www.intereuropa.si in sections *Corporate Governance*.

1.7.1 Annual General Meeting

Function, scope and method of convening

The General Meeting is the supreme decision-making body of the Company providing a platform for shareholders to exercise their rights in corporate affairs. The function and operation of the General Meeting are 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 may be convened either by the Managing Board at its own initiative or upon request by the Supervisory Board or a number of shareholders. As a rule, the ordinary Annual the General Meeting is called by the end of July every year. The shareholders of Intereuropa d.d. are in due time informed about the convocation of General Meeting, which is published on the website of the AJPES Agency, on the corporate website of Intereuropa d.d., and via the 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 websites 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

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.

General Meeting in 2013

In the reporting year, the 26th General Meeting was called for 21 June 2013.

The shareholders attending the 26th General Meeting were holding 78.50 percent of all voting shares. Major resolutions adopted by the General Meeting were:

- acknowledging the Annual Report of the Intereuropa Group for 2012, the Auditor's Opinion and the Supervisory Board Report on examination of consolidated Annual Report 2012 and on the method and scope of verification of the Company's management in the year 2012 submitted by the Supervisory Board;
- awarding the note of discharge to the Supervisory Board and Managing Board of Intereuropa d.d. for their work in the financial year 2012;
- entrusting the auditing for the financial year 2013 to Auditors Ernst&Young, Revizija, poslovno svetovanje d.o.o., Ljubljana;
- adopting the amendments to the Statute, inter alia regarding the corporate mission statement that is now defined as follows: "The Company and the subsidiaries of the Group pursue a profit-generating activity, aiming primarily to maximise the value of the Company and added value for shareholders on the principles of sustainable development, and to act for the benefit of employees, broader community and other stakeholders." Change to the number of Supervisory Board members: six members, thereof four representing the shareholders (capital) and two representing the labour (employees). In accordance with the amended Statute, the calls for the General Meeting will be published on the website of the AJPES Agency, not in daily papers;
- appointement of four new members of the Supervisory Board representing the capital, due to expiry of their term of office in the year 2013. The newly appointed members are presented in the section "Supervisory Board".

Shareholders appointed four members representing the capital.

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

1.7.2 Supervisory board

Structure of the Supervisory Board

The Supervisory Board of Intereuropa d.d. consists of six members, of which four represent the shareholders and two 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 labour are elected by the Works Council, and the General Meeting is only informed of their election.

Members of the Supervisory Board of Intereuropa d.d. in 2013

Curr. No.	Name and surname	Year of birth	Educational profile	Employment	Function in the Supervisory Board	Term of office		Other important offices held
1.	Bruno Korelič	1944	University graduate in Economics	Retired	Chairman of the Supervisory Board – shareholders's representative	11 Apr 2009	11 Apr 2013	Member of the Supervisory Board of Petrol d.d., Ljubljana*
2.	Vinko Može	1948	University Graduate in Civil Engineering	Retired	Member of the Supervisory Board – shareholders's representative	29 Jul 2009	29 Jul 2013	Chairman of Council of the Public Agency for Traffic Safety
3.	Tadej Tufek, M.Sc.	1975	Master of Sc. in Economics and Business	Financial Consultant	Member of the Supervisory Board – shareholders's representative	10 Sep 2009	10 Sep 2013	/
4.	Maša Čertalič, M.Sc.	1976	Master of Science in transport and logistics management	Luka Koper d.d. [Port of Koper Corp.]	Member of the Supervisory Board – shareholders's representative	10 Sep 2009 11 Sep 2013	10 Sep 2013 11 Sep 2017	/
5.	Nevija Pečar	1957	Secondary School of Economics	Intereuropa d.d. – Koper Branch Office	Member of the Supervisory Board – employees' representative	19 Nov 2009 20 Nov 2013	19 Nov 2013 20 Nov 2017	President of the the ŠAK–KS 90 Trade Union***
6.	Maksimilijan Babič	1950	Graduate of Gymnasium	Intereuropa d.d. - Border Clearance Branch Office	Deputy Chairman of the Supervisory Board – employees' representative	19 Nov 2009	29 Jul 2013	Chairman of the Workers' Council of Intereuropa d.d.**
7.	Ljubo Kobale	1962	Sales executive	Intereuropa d.d. – Celje Branch Office BU Maribor	Member of the Supervisory Board – employees' representative	19 Nov 2009 20 Nov 2013	19 Nov 2013 20 Nov 2017	/
8.	Klemen Boštjančič	1972	University graduate in Economics	BRIO svetovalni center, d.o.o.	Member of the Supervisory Board – shareholders's representative	21 Jun 2013	21 Jun 2017	/
9.	Igor Mihajlović	1970	University graduate in Engineering	STD, d.o.o.	Member of the Supervisory Board – shareholders's representative	30 Jul 2013	30 Jul 2017	/
10.	Miro Medvešek	1964	University graduate in Economics	Commerce d.d.	Member of the Supervisory Board – shareholders's representative	11 Sep 2013	11 Sep 2017	Member of the Supervisory Board of Sava d.d.

* Supervisory Board member until 7 April 2013

** Chairman of the Works Council of Intereuropa d.d. until 3 July 2013

*** Chairwoman of the Works Council of Intereuropa d.d. since 2 October 2013

Activities in 2013

The structure of the Supervisory Board changed in 2013. To the Members of Supervisory Board representing the shareholders: The term of office expired in the year 2013 for Bruno Korelič, Vinko Može, Tadej Tufek, and Maša Čertalič. In the Annual General Meeting, the shareholders elected new members for a four-year term of office: Klemen Boštjančič, Igor Mihajlović, Maša Čertalič and Miro Medvešek.

The term of office of members representing the labour Nevija Pečar and Ljubo Kobale expired in 2013, too, but they were re-appointed for a four-year term of office by the Works Council of Intereuropa d.d.

The representative of the labour on the Supervisory Board Maksimiljan Babič, declared to resign on the ground of change to the board structure, reducing the number of members representing the employees on the board, as laid down in the Company's Statute. As of 20 November 2013, the Supervisory Board has the following members:

- Igor Mihajlović, Chairman;
- Nevija Pečar, Deputy Chairman;
- Klemen Boštjančič, member;
- Miro Medvešek, member;
- Maša Čertalič, M.Sc., member;
- Ljubo Kobale, member.

The General Meeting resolved to reduce the number of Supervisory Board members representing the labour, and appointed new members representing the shareholders.

The Supervisory Board met in nine sessions. 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 discussed the reports on major projects implemented by the Managing Board. The operation of the Supervisory Board is in detail presented in section "Report of the Supervisory Board".

Audit Committee

The Audit Committee met in seven sessions, addressing the topical issues on financial operation and corporate reporting on the financial position. It reported to the Supervisory Board currently and provided expert support in most complex decisions involved in supervising the business operations.

The structure of the Audit Committee changed during the year, and has the following members since 11 September 2013:

- Miro Medvešek – Chairman;
- Nevija Pečar;
- Maša Čertalič, M.Sc.;
- Alfjo 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.

Committee for Appointments and Receipts

The Supervisory Board established the Committee for Appointments and Receipts in its constitutive session on 11 September 2013. The Committee consists of:

- Klemen Boštjančič – Chairman;
- Igor Mihajlović;
- Ljubo Kobale.

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. Upon commencement of their term of office in 2013, 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. The Statement is published on the Intereuropa website www.intereuropa.si, on page *About us*, under *Presentation*, section *Regulations and important documents*.

An ordinary session of the Supervisory Board must be held each quarter of the year. 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 2013 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 terms of reference of the 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 a two-member Managing Board for Intereuropa d.d., consisting of President and Deputy President. The Managing Board is autonomous in the management and assumes full responsibility for running the Company. The term of office of the Managing Board is five years.

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

Activities of the Managing Board in 2013

The Managing Board managed the Company Intereuropa d.d. and the Intereuropa Group in accordance with the strategic goals and guidelines set. 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. The Managing Board operates in line with the principles laid down in the Code of Ethics of the Intereuropa Group, general regulations, the Rules of Procedure for the Managing Board, the Statute of the Company, complying also with the resolutions adopted by the corporate governance bodies.

Remuneration of the Managing Board

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 remuneration received by the Managing Board is presented in the Financial Report of Intereuropa d.d.

Members of the Managing Board

Ernest Gortan, M.Sc., President of the Managing Board:
- 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 July 2009 to 10 July 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, University of 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 2015;
- accountable for the areas of Finance, Investment, Real estate, and Information support.

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 along with a fast response to the needs of local markets. Cooperation, transfer of expertise and good practices among the branches /units and companies are placed to the forefront.

The Managing Board of Intereuropa d.d. actively guides the 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 Company and individual subsidiaries, and the applicable internal rules of procedure and other regulations as adopted by the Managing Board of the Parent Company.

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 2014.

1.7.5 Code of Ethics

The staff employed in the companies of the Intereuropa Group is 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.

Code of Ethics of the Intereuropa Group was adopted, 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. Should any conduct or omission that breaches the provisions of this Code be perceived, it has to be reported to the Ethical Board. The Ethical Board has not met during the reporting year, as there were no reports addressed to it.

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, and improving the operations of, the Intereuropa Group by systematic and methodical evaluation contributing to better performance and efficiency in risk management and control procedures, as well as of corporate governance of group members.

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

Annual action plans and periodical reports on the work of the Internal Audit Department are dealt with and adopted by the Managing Board, the Audit Committee of the Supervisory Board, and the Supervisory Board. At the beginning of 2013, the Managing Board of Intereuropa d.d., Koper, 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, the Audit Committee, and to the Supervisory Board who dealt with these operational reports.

The Internal Audit Department planned nine assignments for the reporting year, but in fact there were eight assignments carried out by internal auditors in the financial year 2013. Internal audits were conducted in the Parent Company and in four 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 the recommendations issued. Having checked the accomplishment of recommendations according to the activities planned, the Internal Audit Department estimates that the accomplishment of the recommendations issued in 2013 was successful. These activities addressing the implementation of recommendations issued under the respective audits will continue to be monitored in the year 2014.

The Internal Audit Department also provided consultancy services in the reporting year, primarily in the Parent Company.

In the year 2013, the Internal Audit Department 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

The purpose of internal control is to assure reliability of financial reporting and the compliance with applicable laws and other regulations, both external and internal. Internal controls reduce the risks and contribute to relevance and reliability of financial information and compliance with laws and regulations. Accounting controls are employed 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 of such procedures;
- correctness of accounting data – by checking the entries 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;
- 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 IT system, which daily captures data from logistics and operational information sub-systems of Intereuropa, e-document management system for collection of incoming invoices and other subsystems. The embedded controls prevent the input and posting of incorrect business events/ transactions from information sub-systems. The authorisation system ensures that the users perform only those business processes for which they are authorised. 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 electronic system of the Ljubljana Stock Exchange (SEOnet) 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 2013 were:

Gorenjska banka d.d., Kranj	18.2 percent of voting rights (3,068,990 IEKG shares)
Raiffeisen banka d.d.	16.9 percent of voting rights (2,850,752 IEKG shares)
SKB d.d.	13.4 percent of voting rights (2,254,980 IEKG shares)
Luka Koper d.d.	8.0 percent of voting rights (1,344,783 IEKG shares)

Note on each shareholder entitled to special rights of control

Individual shareholders holding ordinary shares do not have special rights of control based on 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 2013, Intereuropa was holding 18,135 treasury shares (bearing the ticker symbol IEKG) in total book 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 2013.

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

1.7.9 Declaration on Compliance with the Corporate Governance Code of 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 8.2:
The Supervisory Board determines, by a special resolution, the scope of topics and deadlines that are to be observed by the Managing Board for reporting. In the opinion of the Supervisory Board, it is not necessary to integrate all these topics and deadlines into the rules of procedure.

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. 9. 4. 2013, 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 2013 and published on the website of Intereuropa at www.intereuropa.si.

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

Igor Mihajlović,
Chairman of the Supervisory Board

AUSTRIA

HUNGARY

BELGRADE

ZAGREB

RIJEKA

SARAJEVO

MOSTAR

PODGORICA

»We focus on the requirements and needs of our customers. Our responsibility is to listen, encourage, develop and seek for the best solutions. Our concern is to assure speed, safety and reliability of our deliveries. We wish to consolidate and strengthen the position of a leading market provider of comprehensive logistic services in Slovenia and countries of the former Yugoslavia.«

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 specialisation in logistic products, and strengthen our own corporate network on current markets. Process optimisation helps us achieving synergy effects of coordinated action. We implement comprehensive logistics projects tailored to the demand of our customers.

Development strategy for our core business incorporates development and specialisation of logistic products, process optimisation 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 based on 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 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 corporate network – subsidiaries in Slovenia, Croatia, Bosnia & Herzegovina, Serbia, Montenegro, Kosovo, Macedonia, Albania and in the Ukraine.

2.1.3 Implementation of strategic development goals and plans in 2013

Achieving strategic development goals

In the fourth year of implementation, the Group operated towards the 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 in the countries of the former Yugoslavia.

We have retained the position of the leading service provider of comprehensive logistic solutions in Slovenia and in the 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 optimisation in all business areas of the Group and within the consolidated companies.

We proceeded with the optimisation of processes that were launched in the past years. The respective activities were strongly intensified in the reporting year, due to the situation in the market, following the EU-accession of Croatia. For more details, please refer to the section 'Implementation of Business Plan.

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

At the year-end 2012, 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. In the reporting year, we maintained the financial stability on a high level and settled all the liabilities to suppliers and banks in due time. We dedicated particular attention to the management of trade receivables and we had to restrict doing business with certain risky customers due to increasing ill payment practices.

Goal 4: Establishing a strategic partnership in the company Intereuropa East, Ltd., Moscow.

This goal was achieved by the end of the year 2012 in the scope of financial restructuring of the Parent Company and of the 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.

After becoming the majority shareholders of the Group in 2012, the creditor banks expressed their intent to sell their shareholding. Although their intent was not accomplished in the reporting year yet, they signed in January 2014 the engagement letter regarding the sale of Intereuropa shares with two consultant firms.

Implementation of the business

For the reporting year, we have set the following financial goals:

- 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 accession of Croatia to the European Union;
- upgrading and modernization of information systems;
- efficient management with working capital, ensuring adequate liquidity for effective operation of the Group.

In view of the EU-accession of Croatia, we planned major operational alignment for our subsidiaries in Slovenia and Croatia. We achieved the goals set for alignment; some of them were even surpassed. The implementation of processes, both basic and supporting, was rationalised to the greatest extent in our Slovenian and Croatian subsidiaries. We restructured our range of customs services, introduced new services in groupage transports, adapted our pricing policy to new conditions and dedicated much effort to target-driven sales of logistics solutions to major customers, tailored to their specific needs. We continued developing an integrated information solution to support the business processes, and introduced digitalisation of incoming documents in the Parent Company also for operational units. Along with engagement in the management of credit risks involved in our customers, we succeeded in reducing our short-term operating receivables much below the level planned. The highest variance from plan was a considerable underachievement of sales turnover in the Parent Company and in some subsidiaries based in the area of former Yugoslavia; the setback was substituted by surpassing the planned sales turnover mainly in the Ukraine and Macedonia. However, the nature of sales revenues that substituted the drop in the planned sales turnover involved a very high portion of input costs and resulted in non-achievement of the envisioned profitability on the Group level. The levels of achievement of the goals set is shown in the table below.

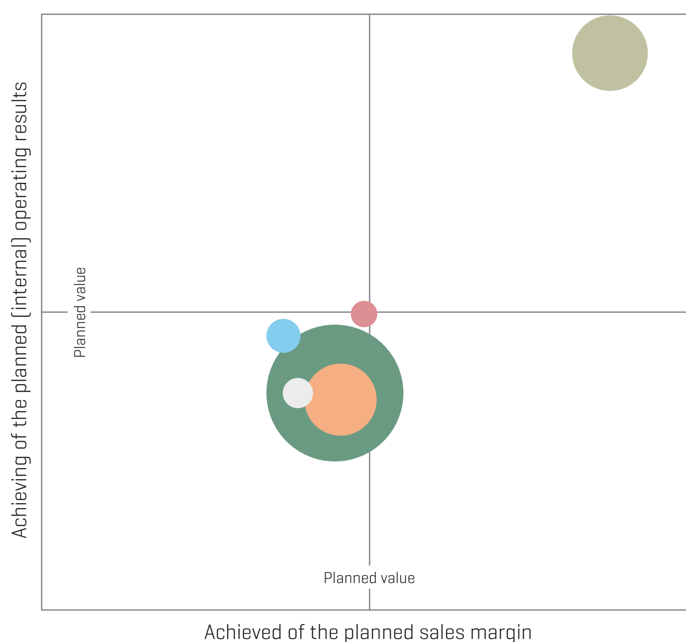
We have responded to the changed market situation and are committed to new business opportunities for further growth.

Table 5: Achieving financial goals

Index/Ratio	Target value	Achieved value
Sales revenues (€ million)	156.0	161.1
EBITDA (€ million)	15.9	13.8
Operating profit or Loss (€ million)	8.3	5.3
Net profit (€ million)	3.9	2.2
Investments (€ million)	3.8	2.2
No. of employees at the year-end	1,485	1,464

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 in major subsidiaries.

Chart 3: Achievement of financial / operating goals by major companies of the Group in 2013



- Intereuropa d.d., Koper
- Intereuropa RTC d.d., Sarajevo
- AD Intereuropa-logističke usluge Beograd
- Intereuropa, logističke usluge, d.o.o., Zagreb
- Zetatrans A.D. Podgorica
- TOV TEK ZTS, Uzhgorod

Note: The size of circles corresponds to the size of sales turnover of the respective company.

2.1.4 Goals and Plans for 2014

Baselines of the business plan

The business plan for 2014 is designed on the starting position of the Intereuropa Group at the end of 2013 and on the relevant socio-economic factors:

- essential decline in the demand for customs services in Slovenia and Croatia due to accession of Croatia to the European Union in 2013;
- aggravated liquidity situation in the markets, involving higher credit risk;
- pressure to optimise the logistical chains, resulting in lower income and reduced margins for logistics suppliers;
- increasing pressures of subcontractors on freight rates;
- trend of simplified customs procedures (local clearance, NCTS, etc.);
- northern Adriatic ports gaining importance in supplying the countries of Southeast and Central Europe;
- increasing demand on the part of foreign companies entering the Croatian market following the EU-accession;
- the Group is financially consolidated and able to settle all its liabilities in due time.

Business and financial goals

On these baselines we set the following business and financial goals for the Intereuropa Group in 2014:

Key goal:
- Maintain the income on the level of 2013 through intensified marketing and acquisition of new business.

Other goals:
- Retain and motivate our most promising staff;
- Achieving better purchasing terms from suppliers;
- Effective management of working capital;
- Proceed with development of the integrated information solutions supporting the logistics processes in our core activity, and digitalisation of documents in the Parent Company;
- Restrictive investing in projects with a short-term return that are indispensable for retaining the asset value or imposed by law;
- Disposal of non-operating assets.

Core financial goals:
- Sales turnover: € 158.8 million;
- EBITDA: € 15.4 million;
- Operating Profit (or Loss): € 8.6 million;
- Net Profit (or Loss): € 4.2 million;
- Investments: € 2.9 million;
- Number of employees at the year-end: 1,421.

In 2014, the Group will focus on intensified marketing activities and acquisition of new customers, process streamlining and quality improvement of logistics services.

2.2 Economic situation in 2013 and impact on performance of Intereuropa Group

In the prevailing globalisation and informatisation of the business, logistics has become a significant part of the cost price of a final product in the market lately. Despite shrunken goods flows reflecting the unfavourable economic situation, manufacturers turned to more distant geographical markets and made efforts to sell their products there. The organisation and optimisation of purchasing/selling channels became a significant competitive factor for manufacturers, and a challenge for logistics providers to offer customised logistics solutions that would preserve the quality of the products and improve the cost efficiency for their customers. All these trends had a bearing on the logistics market in the reporting year.

After the slow-down in 2012, the global economic activity and trade started to improve in the second half-year 2013. According to the forecasts by the International Monetary Fund, the world economic output in 2013 grew by 3.0 percent on average. Developed countries achieved a growth of 1.3 percent, while the remaining economies were growing at 4.7 percent on average.

The economies in the Euro zone gradually started to rise from the recession in the second half-year 2013. Such a very moderate recovery was largely attributable to improved exports, while domestic demand remained approximately on the same level. The growth of industrial output in the last quarter was slightly better than expected; nevertheless, it was still well over 10 percent below the pre-crisis level. Economic sentiment indicators were improving towards the year-end, so the international institutions made an upward revision of their forecasts for 2014. Despite major fluctuations during the year, the average oil price was 5.7 percent lower than in the preceding year, closing at € 81.7 per barrel.

Slovenia recorded mild signs of recovery in the last quarter 2013, thanks to the increase of exports, in real terms; imports improved subsequently, too. The exports of goods to the markets of Member States of the European Union increased, while the exports to non-European Union markets were gradually decreasing. Considering just the major trading partners, the exports improved most notably to Russia, Austria and Italy, but slightly less to Germany. The downturn trend of imports, in real terms, ended in October; otherwise, it was similar as the year before (2012). Apart from the aggravated business and financial environment, the GDP movement has depended mostly on export competitiveness and overcoming the obstacles that prevent the investment from starting. Competitors pressed on the sales prices and triggered higher prices for input components, which resulted in lower added value for enterprises.

European economies recorded first signs of recovery, though quite weak, in the second half year 2013.

Western Balkan countries had high unemployment rates, low consumption, on-going indebtedness, and low or negative economic growth; moreover, bureaucratic obstacles hindered the business for entrepreneurs on top of their developmental lag behind Western Europe.

Table 6: Economic trends in geographic markets of the Intereuropa Group in 2013

in %

	GDP growth (estimates)	Inflation	Export of goods growth	Import of goods growth
EU 27	**0.0**	**1.6**	**1.9***	**0.4***
CEE	**2.5**	**4.6**	**3.5**	**4.0**
Slovenia	-2.4	2.3	1.6	0.3
Croatia	-0.6	2.3	-1.9	-1.4
BiH	0.5	1.8	7.3	6.4
Serbia	2.0	5.0	12.0	3.7
Kosovo	2.6	1.6	8.0	8.4
Montenegro	1.5	2.8	0.4	0.1
Macedonia	2.2	2.2	3.9	4.9
Albania	1.7	2.5	14.6	3.8
Ukraine	0.4	0.8	-2.6	-6.4

* Data for the Euro zone.

The International Monetary Fund forecast a 3.7 percent growth globally, and for the Euro zone only one percent, though the recovery is expected to be distributed unevenly: weaker economies can hope for very modest growth rates. Large economies will remain vulnerable, with high indebtedness hindering a rise in domestic demand. Exports are viewed as the main leverage for economic growth, also for Slovenia, whose GDP for 2014 is expected to be slightly lower than in the reporting year (–0.8 percent, according to the Slovenian Institute for Macroeconomic Analysis and Development /UMAR). In a longer-term perspective, national and international institutions do not expect an economic growth for Slovenia before 2015. The countries of Western Balkans can hope for economic growth in the range from 0.5 to 2 percent, which will make their developmental lag behind Western and Central Europe even deeper.

After two years of downturn trend, the 2014 prospects for the Euro zone forecast to grow by one percent.

Table 7: Expected GDP growth 2014 – 2015 on geographical markets of the Group

in %

GDP growth forecast	2014	2015
EU 27	**1.3**	**1.6**
CEE	**2.8**	**3.1**
Slovenia	-0.8	0.4
Croatia	1.5	2.0
BiH	2.0	3.5
Serbia	2.0	2.2
Kosovo	4.2	4.5
Montenegro	2.2	2.3
Macedonia	3.2	3.6
Albania	2.1	2.5
Ukraine	1.5	1.5

Sources:
The Institute of the Republic of Slovenia for Macroeconomic Analyses and Development (UMAR), the Economic Mirror – January 2014, February 2014.
The Institute of the Republic of Slovenia for Macroeconomic Analyses and Development (UMAR), the Autumn Forecast of Economic Trends for 2013, September 2013.
International Monetary Fund, World Economic Outlook, »Transitions and Tensions«, October 2013
International Monetary Fund, World Economic Outlook Update, »»Is the Tide Rising?«, January 2014.

2.3 Marketing and Sales

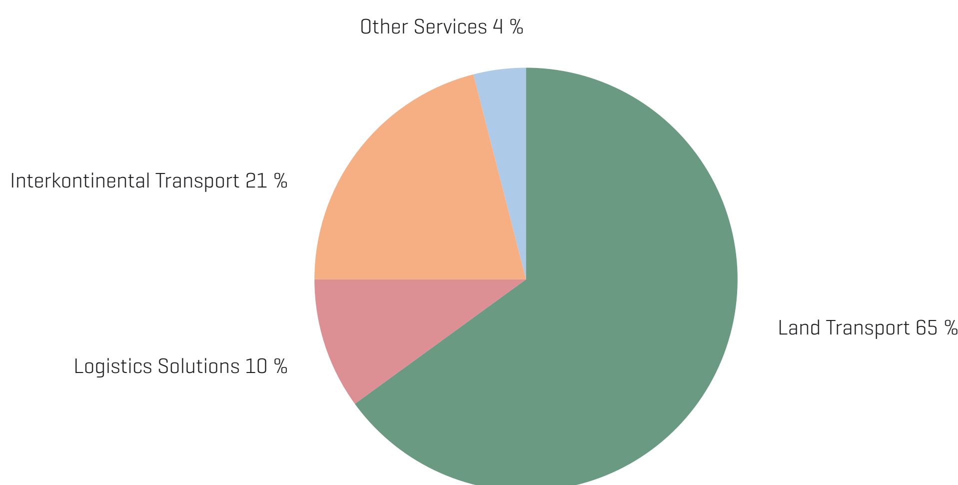
Total sales of the Group in 2013

In 2013, the Group recorded sales revenue at € 161.1 million.

In the reporting year, the economic activity and overall economic situation in Slovenia were not favourable, but turned for the better in the last quarter of the year. The markets in the west of Balkans did not see any improvement yet; on the other hand, the EU-accession of Croatia brought about changes in the area of customs services for both parts of the Intereuropa Group – Slovenia and Croatia. Accordingly, the first half-year was spent on intensive preparations, after the accession numerous activities were launched towards the restructuring of customs service area. During the year, we were looking for new opportunities in the market of logistics, along with upgrading our range of services. Particular attention was dedicated to management of current assets and we had to restrict doing business with certain risky customers due to increasing ill payment practices.

In the reporting year 2013, the Intereuropa Group generated a sales turnover of € 161.1 million from the sale of services and exceeded the plan by 3 percent. 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 2013



Our sales plan for 2013 already envisioned certain impacts of Croatia's accession to the European Union (decline in customs services), of the disposal of our logistics centre in Russia (reducing the volume of car logistics) and of the slashed volume of storage and road transport services supplied to a major customer; on the other hand, we did not expect much stronger sales of railway services in our Ukrainian subsidiary, and the downturn in our sea freight segment.

For Intereuropa, the accession of Croatia to the European Union meant the need for restructuring in the area of customs services to both parts of the Group – Slovenia and Croatia.

The best performing business area was land transport: we outstripped the sales target by 14 percent. In that scope, we would highlight the results of our Ukrainian subsidiary, which increased the sale of railway transport services by more than 30 percent, and the improvement achieved by our Macedonian subsidiary in road transport.

Table 8: Sales revenue of the Intereuropa Group in 2013 by business area

in € thousand

	Business area	Jan - Dec 2013	Structure	Index 2013/plan	Index 2013/2012
1	Land Transport	104,895	65 %	114	94
2	Logistics Solutions	16,289	10 %	94	72
3	Intercontinental Transport	33,214	21 %	82	70
4	Other services	6,662	4 %	108	100
	Total Sales Revenue	**161,061**	**100 %**	**103**	**85**

Compared with the year ago, the total sales turnover was 15 percent lower. On top of all the a.m. factors, lower sales also resulted from a general downturn in the manufacture of automobiles and a considerable fall of sea-freight rates for containers in the second half-year.

The structure of sales revenue by country and location of Group members changed only slightly from the year 2012. Slovenian subsidiaries achieved € 89.0 million of sales revenues, or 55 percent in the sales structure of the entire Group. Greatly improved sales were recorded in our subsidiaries in Macedonia, the Ukraine and in Kosovo.

Table 9: Sales revenue of the Intereuropa Group in 2013 by country*

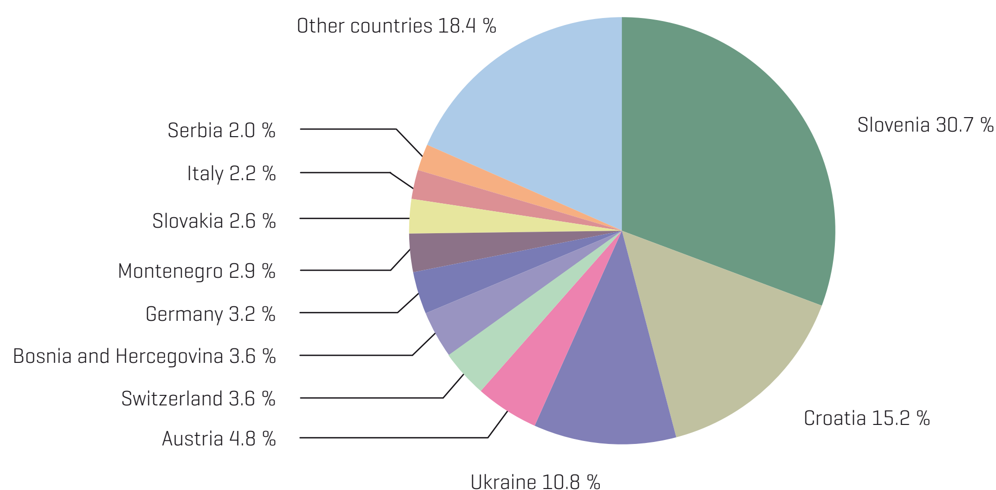
in € thousand

		Jan - Dec 2013	Structure	Index 2013/plan	Index 2013/2012
1	Slovenia	88,956	55 %	95	84
2	Croatia	26,974	17 %	100	87
3	Bosnia & Hercegovina	5,708	4 %	96	95
4	Serbia	3,391	2 %	98	96
5	Macedonia	3,071	2 %	201	194
6	Kosovo	2,237	1 %	118	128
7	Montenegro	4,946	3 %	92	91
8	Albania	519	0 %	91	87
9	Ukraine	25,258	16 %	157	129
	EU countries**	115,930	72 %	96	85
	Non EU countries	45,131	28 %	129	87
	TOTAL:	**161,061**	**100 %**	**103**	**85**

* Sales Revenue is presented by the country of establishment of the Group member.
** The yearly turnover for Croatia is shown under »EU Member States«.

The nature of our services involves a wide customer portfolio from numerous countries. In the reporting year, 31 percent of our sales revenues originated from the sales to Slovenian customers, 38 percent from other EU Member States (including Croatia), and 10 percent from the countries of former Yugoslavia.

Chart 5: Sales revenue structure by countries in 2013 by the customer's country of establishment



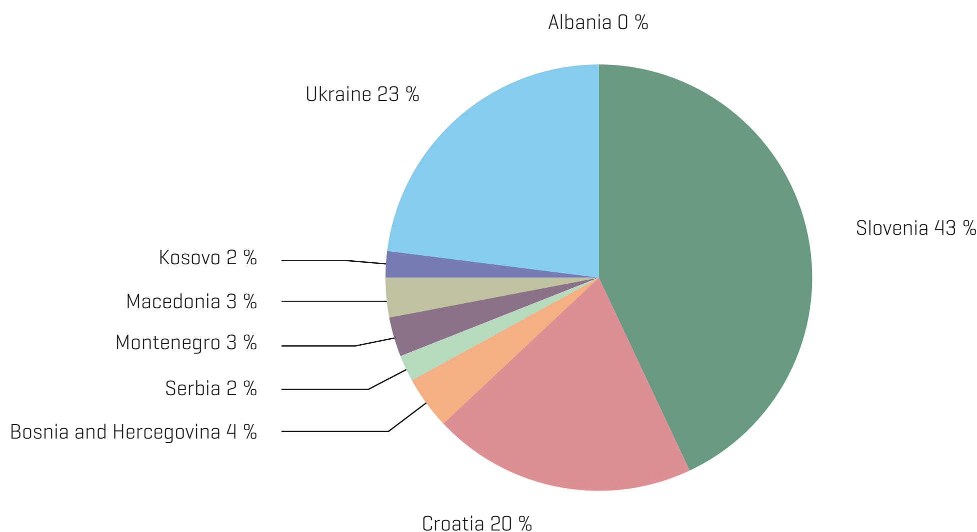
2.3.1 Land Transport

Land Transport has the highest share (65 percent) in the Group's sales structure. This share rose 6 percentage points above the achievement of the year 2012. The sales turnover of the Land Transport Area amounted to € 104.9 million in the reporting year. The greatest part thereof (43 percent) was earned by the Parent Company in Slovenia.

Compared with the year 2012, the sales revenue was expectedly 6 percent lower. Such a drop was mainly attributable to the accession of Croatia to the European Union, which affected the revenue from customs broking. Further two factors relevant for the lower operating revenue were the disposal of logistics centre in Russia (drop out of the revenue from road transport) and the loss of a major customer in Slovenia (already since 2012), which had a bearing on lower earnings from road transport and customs services. Slovenia saw the worst setback, whereas the Ukrainian subsidiary TOV TEK ZTS Uzhgorod recorded the highest surpass over the preceding year in the railway transport segment.

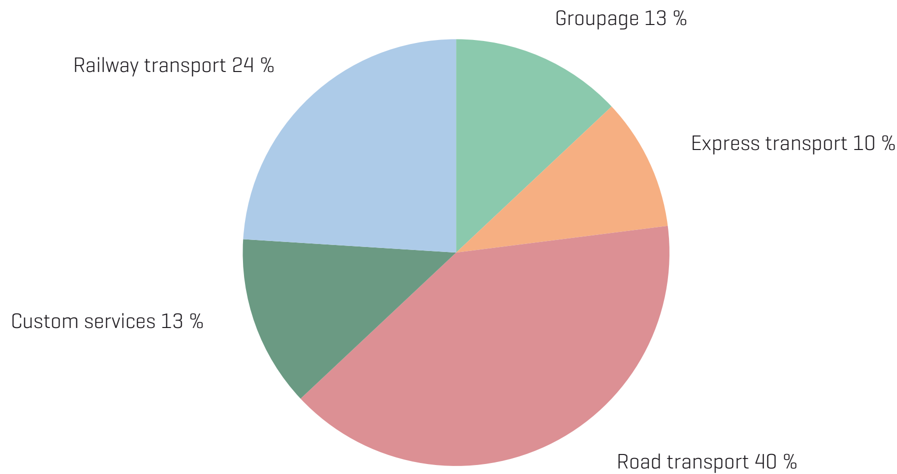
We exceeded all the targets by 14 percent. The strongest surplus over the plan was achieved by the subsidiary TOV TEK ZTS, Uzhgorod. Also Intereuropa d.d., Intereuropa Skopje DOO, Skopje (Macedonia), Zetatrans A.D., Podgorica (Montenegro), and Intereuropa Kosova L.L.C., Prishtina (Kosovo) performed better than planned. On the other hand, the subsidiaries in Croatia, Bosnia and Herzegovina, and Serbia were underperforming.

Chart 6: Sales revenue structure in Land transport by country



The year 2013 was marked by the accession of Croatia to the European Union, which had the greatest impact on our operations. We were preparing intensively for that situation: numerous activities were conducted to adapt to the new situation (such as restructuring of customs services, introducing new services in groupage transports, and adaptation of pricing policy to new market conditions). We also proceeded with the activities leading to cost efficiency and operational optimisation. For 2014, we plan to transfer the new information solution supporting the Land Transport products to the subsidiary in Croatia. 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.

Chart 7: Sales revenues structure by product



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. That share remained unchanged from the preceding year. The Parent Company Intereuropa d.d. generated the highest share (65 percent) of total sales revenue.

On the Group level, the sales turnover surpassed the plan by 14 percent, but remained 8 percent below the turnover of 2012, which was attributable to the disposal of our subsidiary in Russia and in part, to the loss of a major customer in Slovenia (since mid-year 2012).

Fierce competition in pricing policy led to reduce the sales margins in the organization of road transport.

Key goals for 2014:

- better 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;
- strengthening the role of centralized purchasing and building up a centralized supplier management;
- cost management, reducing the share of direct costs in the sales structure.

Customs Services

Customs services stand for an important support service in the Group. The Slovenian company recorded the highest share in the sales revenue of this product in 2013, the Croatian subsidiary was second. Both these companies combined earned more than 65 percent of total revenues from customs broking in the Group. Following the EU-accession of Croatia, we expect this revenue structure to change slightly, in favour of subsidiaries outside the European Union. After 1 July 2013, when Croatia joined the European Union, the revenues from customs services (customs broking and border despatch) were slashed in both countries.

Key goals for 2014:

- current activities to align the operations with the new market situations in the Parent Intereuropa d.d. and in the subsidiary in 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 2013, the sales revenue from groupage services fell 2 percent below the preceding year. The Slovenian part of the Group still generates as much as three quarters of all revenue in the Group. The subsidiaries in Serbia, Macedonia, and Kosovo achieved growing operating revenues due to rising volumes of goods carried. Following Croatia's accession to the European Union, the activities to align the operations to the new market situation continued in both countries, in Slovenia and in Croatia. With 1 July 2013, we established two even more competitive and attractive daily groupage lines between Slovenia and Croatia with guaranteed delivery on the next working day. We also aligned the prices for Croatia and the countries of the SE Europe to the new market situation.

Key goals for 2014:

- 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 optimisation and improved traceability of shipments for our customers;
- further enhance the level of service quality, using appropriate performance indicators.

Express transport

Sales revenue maintained the level of 2012, as planned. The Slovenian company saw a decline in revenue, but the shortage was compensated by our subsidiaries outside Slovenia. The highest sales turnover is still earned by the subsidiary in Croatia (61 percent), followed by the companies in Slovenia (24 percent), Bosnia and Herzegovina (10 percent) and Serbia (4 percent). Activities to achieve cost efficiency and enhance the standardisation of operations were conducted in all parts of the Group. Much effort was dedicated to the restructuring of sales segments and the optimisation of operations. In the Slovenian part of the Group, our customers are offered to enter their orders by on their own, as well as trace their consignments. Based on a new sales concept for smaller shipments between Slovenia and Croatia that was applied after Croatia's accession to the EU, we were able to reduce the travel time of such shipments. We wish to be the top choice for our customers as a provider of parcel distribution between Slovenia and Croatia.

Key goals for 2014:

- use the advantages of our new IT support in Slovenia and transfer this IT solution to Croatia;
- development of distribution services in countries in which Intereuropa is established;
- on-going process optimisation, cost management and optimum implementing solutions that will retain the quality of service on the highest level.

Railway Transport

We outstripped the sales target for this product by 50 percent, as well as the result achieved a year ago: the biggest contributor was the subsidiary TOV TEK ZTS, Uzhgorod with his key customer Lukoil. The Ukrainian subsidiary generated as much as 24 percent of total sales revenues in the Land Transport Area.

The company Intereuropa-FLG, d.o.o., Ljubljana, in which Intereuropa holds a 50 percent-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. It surpassed the goals set for the reporting year and performed better than a year ago. All other subsidiaries remained behind the plans.

Key goals for 2014:

- using the synergies of joint ownership of Intereuropa-FLG d.o.o., Ljubljana;
- 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 situation in our key markets continues towards declining volume of goods flows and increasing competition, which pushes the margins down. Our customers are working very hard to reduce their costs, so it is difficult to compete in international tenders. That compels us to an on-going streamlining of our operations on the one hand, and to continual presence in the market, with blanket coverage, in order to struggle for every shipment. We have witnessed ill payment practices on a large scale and financial difficulties of large and small businesses, and need to be cautious in acquiring new business.

Among Land Transport products, Railway Transport and Road Transport products recorded the highest overachievement of targets in 2013.

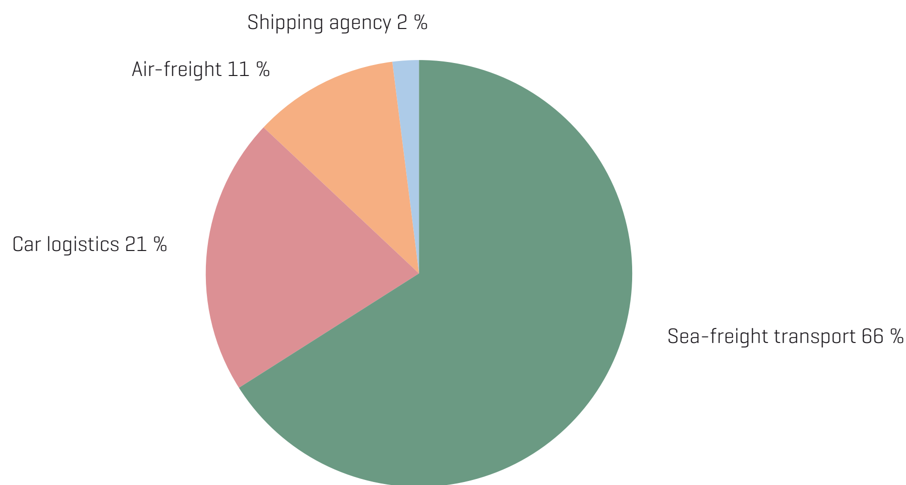
Despite such adverse conditions in logistics trade in the region covered by Intereuropa, we set very ambitious goals for the coming year. We envision substituting almost the entire 50-percent loss of customs services in both Member States, Slovenia and Croatia, after the EU-accession of Croatia, by increasing the operating revenue in other products. To this end, we will intensify our marketing activities to acquire new business and align the cost management in all cost groups, focusing on direct costs.

2.3.2 Intercontinental Transport

The sales revenues in the products of our Intercontinental Transport came to € 33.2 million. That result was below the sales targets for this Area. On account of shrunken revenues from car logistics, the share of sales revenues from the Sea-freight product rose to 66 percent in the sales structure of the Intercontinental Transport. Better performance than a year ago was recorded in the air-freight and shipping agency segments.

The trend of aggravated business in the key markets of this Area continued in the reporting year. Also certain ship-owners, airlines and intermodal operators perceived an adverse situation and some of them suspended their own service to the Eastern Adriatic ports and to the airports of the Balkans.

Chart 8: Structure of sales revenues in Intercontinental Transport Area



Sea-freight

The products of the Sea-freight segment include container transports – full container loads and consolidated container loads (FCL, LCL), the transport of conventional goods, the Ro-Ro /Ferry services, and the Shipping Agency – in Slovenia pursued by our subsidiary Interagent d.o.o., Koper.

The sea-freight and shipping agency segments stood for 14 percent of the Group's sales revenue in the reporting year. The Sea-freight contributed € 22.6 million of sales revenue, which was 11 percent lower than the result of the year ago. Lower sales were reported from all our markets except Serbia, which has only a minor share in the sales structure of this segment.

On the Group level, conventional cargo represented nearly one half of the sales in the sea-freight turnover. We were 13 percent behind the sales target, and 14 percent below the achievement of this segment in the year 2012. In the container transport products, the setback behind the year before was slightly lower, by 6 percent. Sea-freight rates oscillated considerably during the year, as the ship-owners and operators were adjusting their shipping terms to the demand in the market. Some of them decided to discontinue their service to some of the Adriatic ports. Similar development affected the RO-RO line for Albania, which had a significant impact on our operations in the RO-RO service. We achieved only 65 percent of the planned sales revenue from this product.

Our shipping agency was performing on the level of the year ago, however, behind the plan baselines. Non-achievement of the sales targets has resulted from too ambitious expectations for the development of a container service, which the respective ship-owner did not realize in the reporting year. We represented 264 ships and maintained the leading position among shipping agencies in the number of ships represented in the Port of Koper.

Development of sea-freight in the companies of our Group remains the key guideline for this Area in the coming year, too. The development will focus on enhanced commercial activity of all sea-freight offices/ business units, coordinated operations with our continental business units, and on strengthening the partnership connections with overseas offices of our partners in business.

Sea-freight contributes 14 percent in the sales structure of the Group. A large portion of income comes from the services via the Koper port. The products of conventional and container transport remain promising for the future, offering some potential for growth in other ports on the Eastern Adriatic coast.

Car logistics

For the last few years, the Car Logistics segment has been under strong pressure of the declining output of the automotive industry and the resulting car manufacture, in Europe and other continents, which was strongly felt in our Car Logistics product in the reporting year: we remained 30 percent behind the plan. After the disposal of our car terminal in Russia, Slovenia remains our key market: we operate two company-owned car terminals and keep the cars of various carmakers in store. Car storage is also offered in Serbia, where we acquired a new customer with another automotive brand at the end of the year.

Despite the revenue drop out, Car Logistics remains an important segment for the Intercontinental Transport and for our Group: we handle more than 100 thousand vehicles per year. Upon favourable conditions and a recovery of automotive industry, there are prospects for the development of this product in other countries covered by our Group.

Airfreight

This segment exceeded the result of the preceding year by 8 percent. A significant 23-percent growth was recorded in Slovenia, which brings 65 percent of revenue in the sales structure of this segment. Growth was also achieved in two minor markets: Macedonia and Kosovo. On the other hand, our second biggest market – Serbia, saw a decline that was attributable to a lower number of organised export charter flights.

Also this year our cooperation with our partner network proved to be of key importance for air-freight services, along with intensified marketing of this product with our current and potential customers, given that it is a specific organisation in the functioning of supply chains. The shipments contain cargo of higher value that requires a shorter delivery time, as well as short response times to the demand and enquiries of customers. With an organised sales concept we approached to the needs of customers in the very specific and restricted market of the Balkans. That region is known for a strong competition of international logistics providers, which in addition fragments the relatively closed circle of customers and cargo available.

Our air-freight segment has resisted the aggravated situation in the rather closed and fragmented market of the Balkans and achieved a significant growth of sales revenue, despite fierce competition of international logistics players. In the coming year, we see potential for growth in further development of our product in the Eastern Balkans.

Plans for 2014

Plans for 2014 are based on the guidelines for the business area and the dedicated sales strategy. Core activities include:

- strengthening the sales activities on Sea-freight products in the sea-freight offices /business units of the Group, and enhancing the cooperation with back-offices on the continent;
- on-going active development of logistics via Koper, focusing on more complex logistics operations in and outside Slovenia;
- strengthening the cooperation with air carriers in the region;
- inclusion of agency representation for our container ship owner in integral supply chains on the markets of our Group;
- carrying on the activities to acquire the agency for a container ship operator in other ports on the Eastern Adriatic Coast;
- development of IT support to Sea-freight products in Slovenia;
- further development of partner network and stronger cooperation in the Sea-freight and Air-freight products.

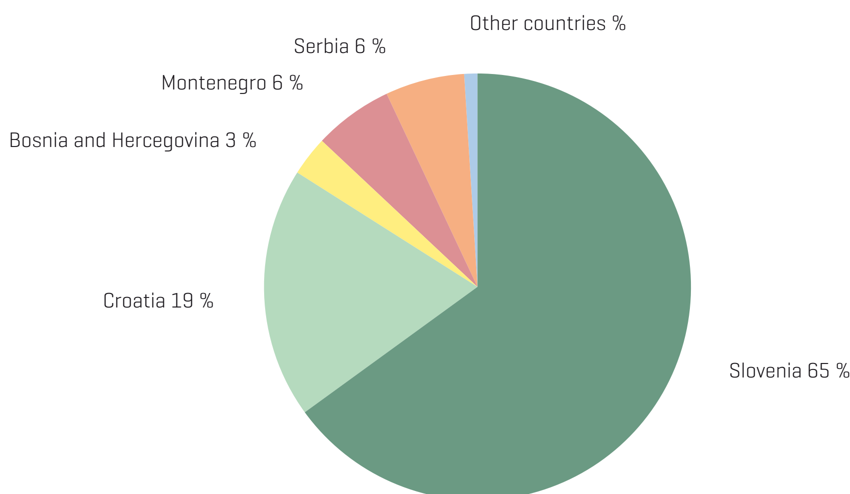
2.3.3 Logistics Solutions

The Logistics Solutions area had to cope with tough economic situation that slashed the volume of goods flows. Our customers of warehousing and distribution services adapted to adverse market situation also by increasing downward pressures on prices for our services, or changed the logistics concept for distribution. Such trends resulted in essentially reduced volumes of cooperation with some customers.

We recorded a fall in the sales volume lying 6 percent below the targets and 28 percent below the last year's results. Logistics solutions stood for 10 percent in the sales structure of the Group, and yielded € 16.3 million of sales revenues.

Lower sales volumes were recorded in all our markets, in particular on two key markets: Slovenia and Croatia. Both these markets represent 84 percent in the sales of logistics solutions and are worst hit by adverse economic trends of recession and financial crisis.

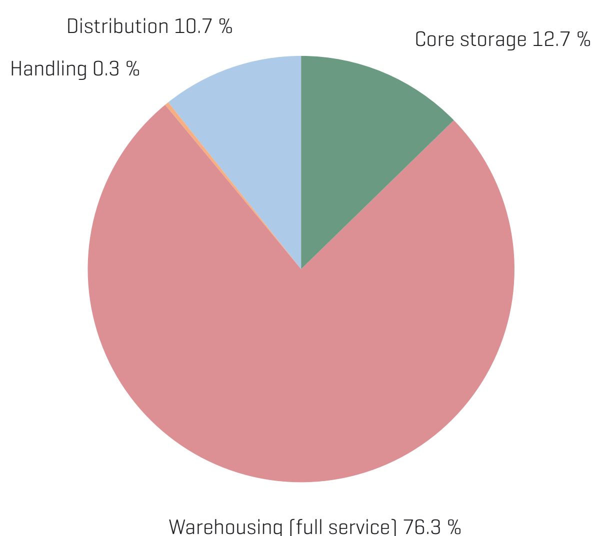
Chart 9: Logistics Solutions Sales revenue structure by country



Other subsidiaries operating warehouses also perceived a considerable fall on the demand side for logistics solutions. Generally, recession and financial crisis slashed the demand in these markets, and the surplus of unoccupied storage and industrial capacities on the supply side led to tougher competition. 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 16 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 the course of the reporting year.

Chart 10: Sales revenues structure by product



Products of Logistics Solutions Area

The best sales result was achieved in the Warehousing product, representing 76.3 percent in the sales revenue structure of the segment. Core storage services (12.7 percent), occupying the storage space for a fixed term, is gradually being replaced by the so-called complex logistics offer for handling the goods under way from manufacturer to buyer. The revenue structure of other two products: Distribution of goods from warehouses (10.7 percent of the sales) and Handling (0.3 percent) remain unchanged.

In 2013, we dedicated much effort to target-based sales of logistics solutions and optimisation.

Logistics projects

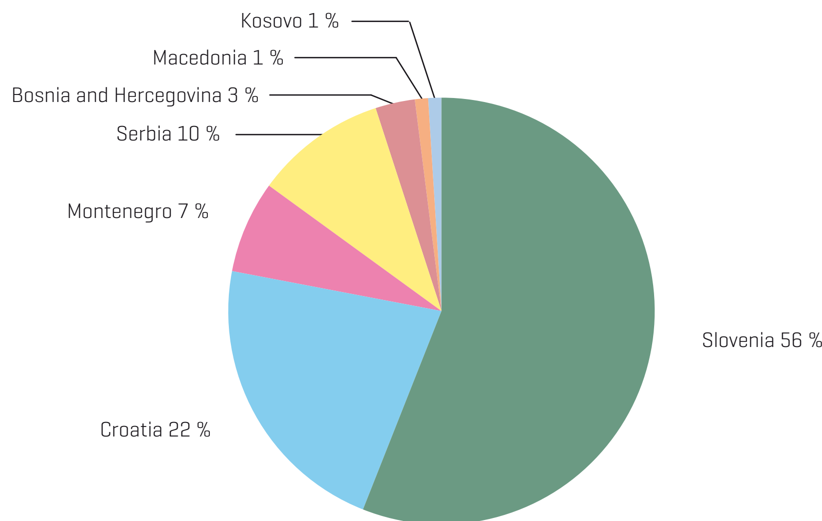
As an experienced logistics provider, we undertake technical analyses, process planning and control to assure that individual needs of our customers are achieved. Our services tailored to customer comprise various products of our Group, such as storage, groupage services, distribution, sea- and air-freight, customs broking. Such logistics services are very complex and demand expertise and project-based approach. A partner-like relationship is established with the customer at the beginning of the project. The project team usually includes the specialists on the part of the customer as well as ours. In the implementation of logistics projects, we provide for computer-aided tracking and tracing of goods: computer data exchange allows for a full control over the location and status of your goods.

Storage capacities

As of 31 December 2013, the Group was using 248,894 square meters (m²) of storage facilities, thereof 235,130 m² own and 13,764 m² hired capacities.

Relevant changes to storage capacities in 2013:
- The warehouse in Vrtojba was adapted to a facility with undercooled regimes (400 m2) for the storage of nutritional supplements, cleansing materials and cosmetics for Italian market;
- In Ljubljana, we installed racks in the warehouse and gained 1,700 sqm of storage area for car components – headlights for automotive industry;
- We improved cost efficiency by introducing LED-based illumination in storage facilities in Ljubljana (3,200 m² + 4,000 m²) and in Celje (2,000 m²).

Chart 11: Structure of logistics terminal area by country, in the Group



Plans for 2014

Key activities for the Logistics Solutions Area in 2014 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 in Slovenia and Croatia;
- development and introduction of IT support to logistics solutions in Slovenia and Croatia;
- implementing the measures to improve energy efficiency (LED-base illumination; increasing the number of electric forklift trucks);
- acquiring the SEVESO status for larger quantities of dangerous goods (for our locations Maribor, Celje);
- continued specialisation and optimisation of logistic processes by commodity category.

Conventional storage services are gradually being replaced by the complex logistics offer – warehousing, which brings 76.3 percent of total sales turnover in this segment.

2.4 Analysis of operation

2.4.1 Operating efficiency of the Group

The reporting year has not brought an improvement to economic environment in our key markets yet. We were still faced with strong pressures on prices and poor liquidity of our corporate customers. A great impact on our operations was the accession of Croatia to the European Union, which brought a considerable drop out in revenue from customs broking services in our biggest markets: Slovenia and Croatia. Moreover, competition has increased in other services in the Slovenian and Croatian markets after Croatia joined the European Union. We launched activities to address the new situation already in the first half-year and were looking for new opportunities in the market of logistics solutions, along with upgrading our range of services in the course of the year. We have greatly reduced the costs of labour and of indirect costs of services; however, we did not succeeded to achieve the same with direct costs of services sufficiently to allow for maintaining the profitability of operations on the high level of 2012.

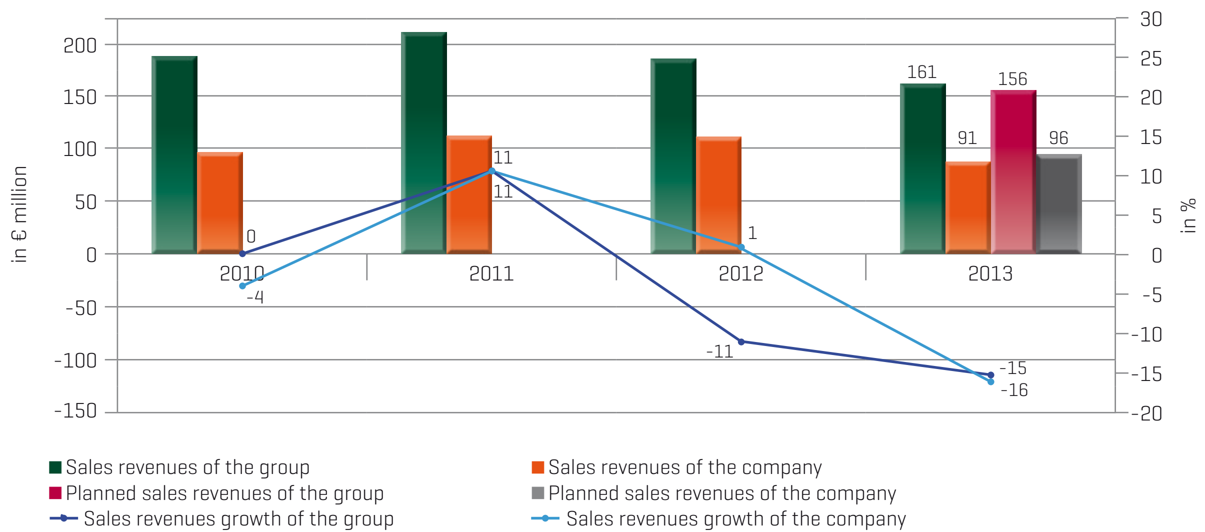
For the Intereuropa Group, the year 2013 was the first financial year after the completion of financial restructuring for the Parent Company; hence, our financial expenses and those involved in restructuring of the Group were greatly reduced. At the year-end 2013, we recorded the expenses from revaluation of Property, Plant and Equipment and of Intangible Assets at € 1.2 million. In the past years, these expenses and the expenses arising from the operational restructuring of the Group were essentially higher. For example, in the year 2012 the operating expenses involved in the disposal of the subsidiary Intereuropa-EAST Ltd, Moscow, totalled € 19.7 million. Furthermore, we presented lower interest expenses (amounting to €¸3.6 million) than in 2012 thanks to the completion of financial restructuring for the Parent Company. As a result, the Intereuropa Group and the Parent Company closed the year 2013 with a profit.

Sales revenue

The Group recorded for the second successive year a decrease in the sales turnover: by € 27.3 million, or 15 percent respectively. Like in the previous year, a great deal of the sales dropout was attributable to the portfolio restructuring in the Group members. Namely, our subsidiary Intereuropa East Ltd, Moscow was sold towards the end of 2012. The impact of that disposal was a lower sales turnover of the Group in 2013, slashed by € 13.5 million; that amount stands for 49 percent of the entire fall in the sales of the Group compared with the year before (2012). An even bigger impact on the sales was attributable to the EU-accession of Croatia mid-year 2013, which affected the sales turnovers of our subsidiaries based in Slovenia and Croatia. Their total sales were € 22.0 million (by 16 percent) lower than a year ago (2012). All the remaining subsidiaries combined recorded a rise in their sales at € 6.6 million or 16 percent, respectively. The highest growth rates were perceived in Macedonia, the Ukraine and Kosovo. Albania reported a 3-percent growth, whereas the remaining countries in which our subsidiaries operate suffered a fall in the sales.

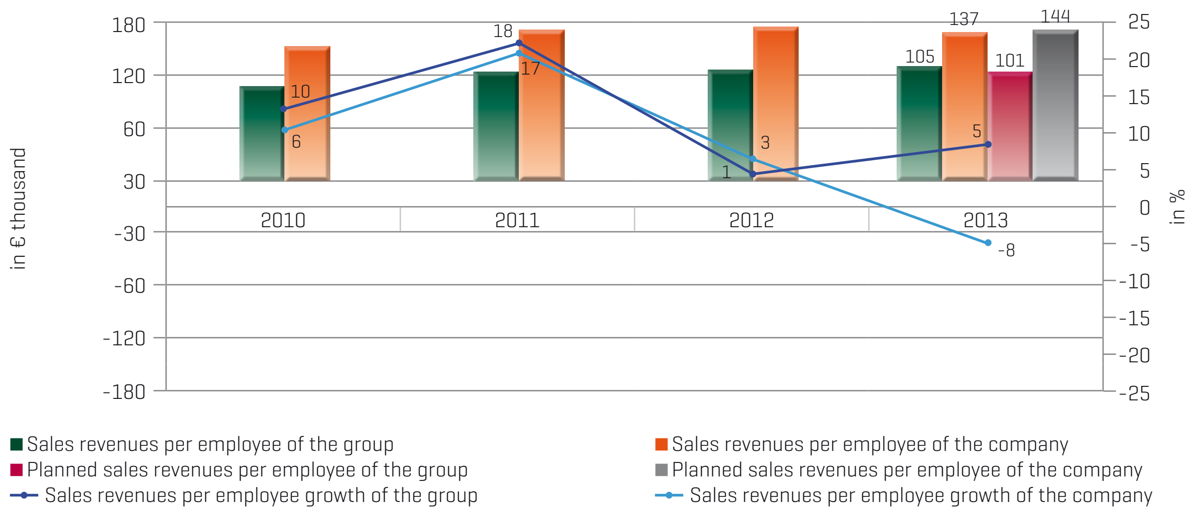
Looking at the sales trends by business areas, we find to have suffered the worst downturn in the sales in the Intercontinental Transport area, by 30 percent. The underlying reasons were the disposal of the subsidiary Intereuropa-East Ltd., Moscow, in 2012, and weaker sales in Slovenia. A similar drop (28 percent) was reported by our business area Logistics Solutions. and was also attributable to the disposal of Russian subsidiary and weaker sales in Slovenia. Our largest core business area, Land Transport, recorded a 6-percent drop in the sales. The outcome was not as high as expected due to considerably better achievement of said business area in Macedonia and the Ukraine. The Land Transport was the only core business area that was performing better than planned, which contributed decisively to outstrip the sales targets on the Group level. Please refer to the chapter Marketing and Sales for more detailed overview and analysis of sales results by business area and service group, and by particular market of the Intereuropa Group.

Chart 12: Sales revenues of the Group and Parent Company, 2010 – 2013



Despite the setback in sales revenues, we succeeded in enhancing the sales efficiency on the level of the Group; on the other hand, we were not able to improve the efficiency in the Parent Company, although a considerable number of staff was made redundant.

Chart 13: Sales revenues per employee of the Group and the Parent Company, 2010 – 2013

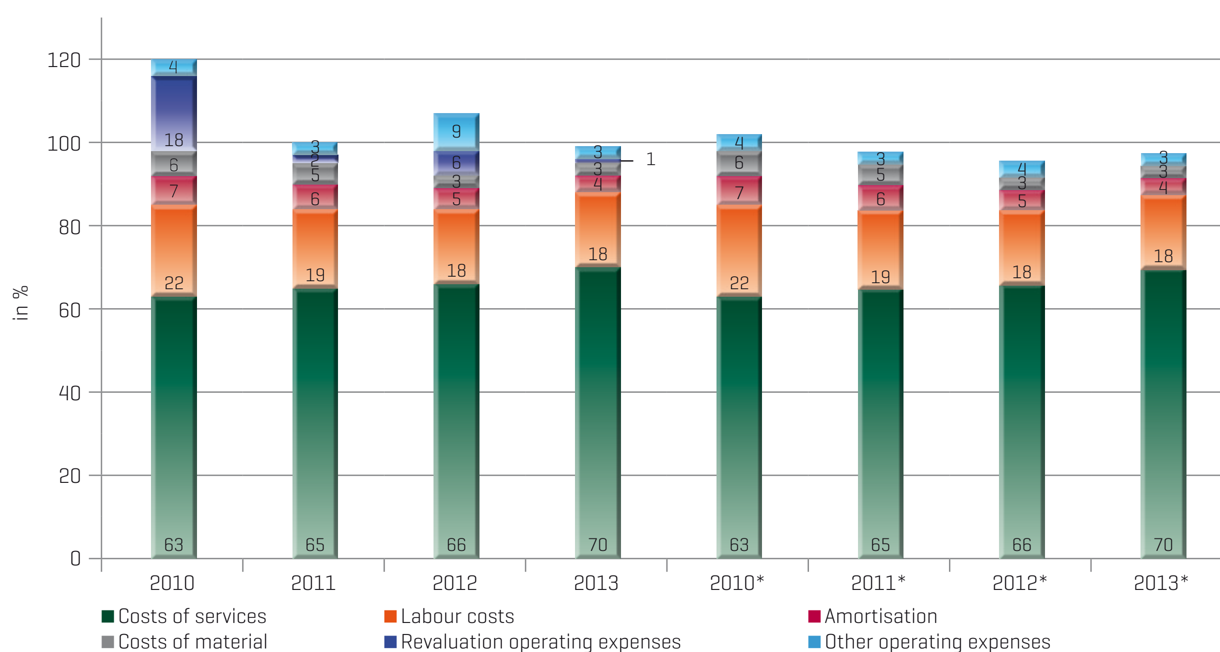


Operating expenses, EBITDA, and Operating Profit or Loss

The structure of operating expenses in the reporting term was rather stable, only the growth of cost of services was outstanding. The cost of services and labour costs represented the highest burden. Such a structure was expected, given that the bulk of the Group's income is generated in freight forwarding. In the cost group for services, the highest share (90 percent) fell to direct cost of services.

Notable were a rise in the costs of services and a decline/ stagnation 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 lower share of labour costs resulted from portfolio restructuring in the Group and from downsizing of staff in other subsidiaries – primarily in Croatia and Slovenia. 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, 2010 – 2013



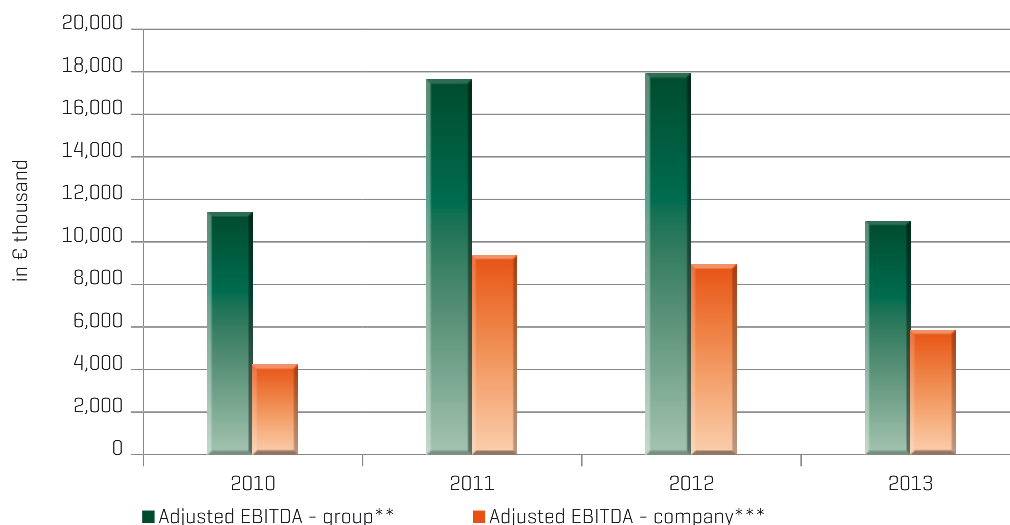
* Excluding operating expenses from revaluation and other operating expenses arising from disposal of Intereuropa East Ltd., Moscow.

High amounts of revaluation expenses from impairment of fixed assets were posted in 2010 due to presentation 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 (on the right half) presents the structure of costs exclusive of operating expenses from revaluation and operating expenses involved in the sale of Intereuropa East Ltd., Moscow.

Taking into account all the exclusions, Chart 14 also shows the decreased share of operating expenses in sales revenues, or an increased EBIT margin in the years 2010 – 2012, respectively. That achievement resulted from successful optimisation and streamlining of operations after 2009 on the level of the Group. This trend discontinued in the reporting year, the share of operating expenses in the sales revenues rose again on account of higher cost of services. The essential causes for that trend go back to the loss of lucrative revenues from customs services upon Croatia's accession to the European Union mid-year 2013, the loss of highly profitable revenues from the subsidiary Intereuropa-East Ltd., Moscow, and the large increase in low-profitable revenues from the railway transport services.

In view of expected revenue drop-out, we proceeded with streamlining of operations in the reporting year. We were able to reduce the cost of labour and indirect cost of services by 18 or 31 percent respectively; the share of these costs was reduced both in the structure of operating expenses and in the structure of sales revenues, however, it was not sufficient to substitute the loss of a.m. highly profitable revenues. Accordingly, the adjusted EBITDA and the adjusted operating profit/loss were lower in the reporting year, as shown in graphs 15 and 16.

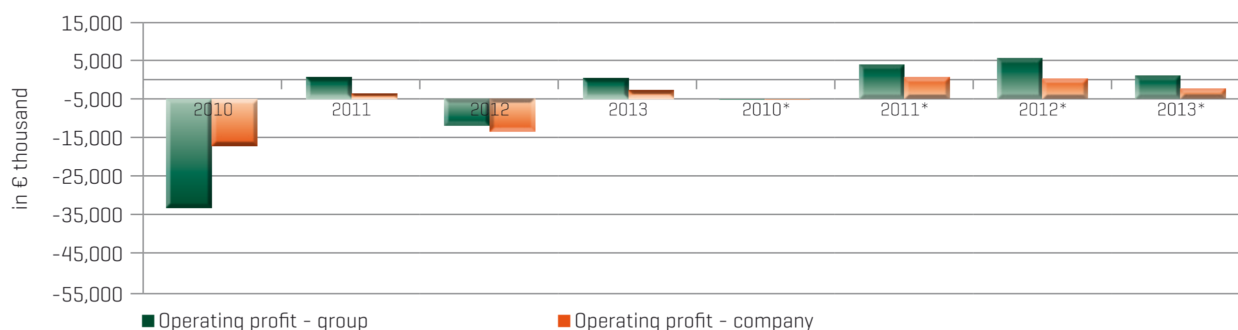
Chart 15: Movement of adjusted EBITDA of the Group and Parent Company, 2010 – 2013



** Excluding other operating revenues and other operating expenses arising from the disposal of Intereuropa-East Ltd., Moscow, in 2013 the allowances for other operating revenues.

*** Excluding other operating revenues and impairment/ write-offs of receivables, and other operating expenses arising from subsidiaries and the disposal of Intereuropa-East Ltd., Moscow, in 2013 the allowances for other operating revenues.

Chart 16: Movement of Operating Profit/Loss of the Group and of Parent Company, 2010 – 2013



* Group: Excluding other operating revenues, operating expenses from revaluation of Intangible assets and Property, Plant and Equipment, Expenses for the allowances for, and write-offs of receivables, and operating expenses arising from the disposal of Intereuropa East Ltd., Moscow. The 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.

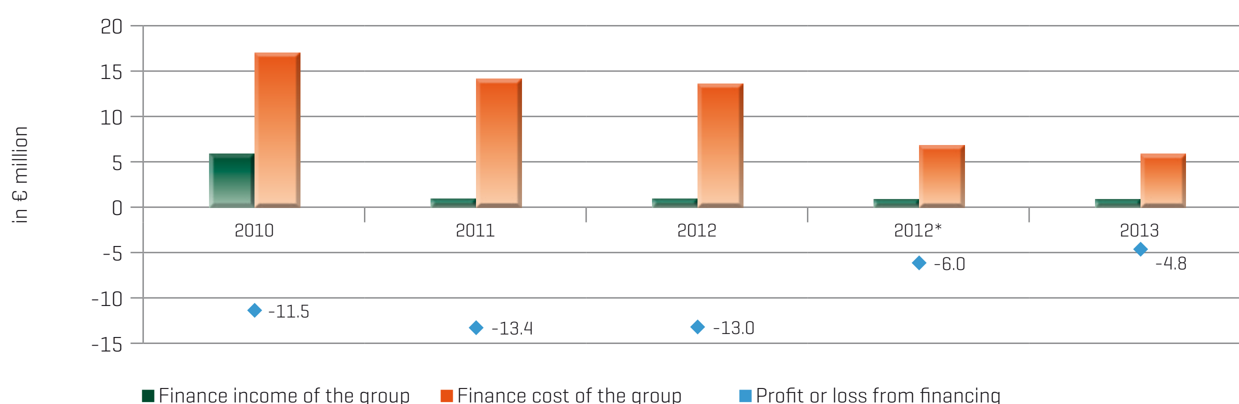
The results achieved in 2013 were significantly attributable to the accession of Croatia to the European Union (July 2013), the disposal of subsidiary Intereuropa-East Ltd., Moscow, in 2012, and adverse economic situation in our key markets. Our activities for restructuring of operations in individual companies of the Group mitigated the decrease in revenues to a certain extent, however, not to sufficiently to retain the profitability on the level of 2012.

Financial revenues and expenses

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

In the reporting year, we recorded considerably lower financial expenses, whereas financial revenues were on the level of preceding year. The greatest portion of the decrease is mostly attributable to foreign exchange differences, on account of the disposal of Russian subsidiary 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 graph below shows the financing profit or loss of the Group, also excluding that transaction. In addition to that impact, we recorded this year a decrease in interest expenses by € 3.6 million due to lower volume of loans and lower interest rates than a year ago (2012), originating from the a.m. financial restructuring of the Parent Company in 2012.

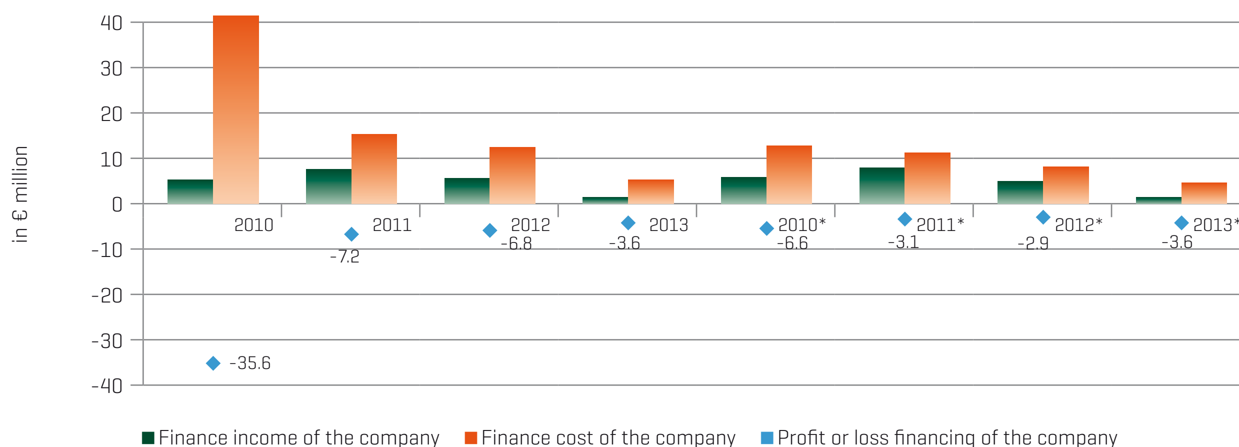
Chart 17: Financing Profit or Loss of the Group 2010 – 2013



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

Before the year 2013, financial expenses in the Parent Company 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 2010 – 2013



* 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 in the Parent Company was € 0.7 million lower than in 2012. Similarly as in the Group, we can see a notable decrease in interest expenses (€ 3.6 million). The financial expenses of € 1.3 million resulted from the impaired investments in entities outside the Group (Cimos d.d., Banka Celje d.d., Aero d.d.). On the other hand, the financial revenues in the year 2013 were down by € 4.6 million. That mainly related to revenues from loans granted to Group members and to revenues from shares in Group members. Despite a negative financing result, we recorded a positive net operating result both in the Group and in the Parent Company.

For the first time after 2008, the Intereuropa Group closed the financial year 2013 with a profit.

Structure of consolidated Statement of Financial Position

The Balance Sheet Total has been decreased for the fourth successive year. In the year 2013, the decrease was mainly "organic", unlike in the year before (2012), when our assets were considerably decreased following the disposal of subsidiary Intereuropa-East Ltd., Moscow, which changed the structure of the Liabilities side of the Balance Sheet by implementing financial restructuring in the Parent Company. At the year-end, the structure of the Assets and Liabilities side was very similar to that from the end of 2012.

Table 10: Structure of Consolidated Statement of Financial Position (Group) 2010 – 2013, in absolute terms

in € thousand

	2010	2011	2012	2013
ASSETS	**425,428**	**407,207**	**322,969**	**313,419**
A. NON-CURRENT ASSETS, of which	**351,801**	**331,390**	**267,212**	**259,370**
Property, plant and equipment	322,865	300,849	234,727	226,852
Long-term investments	3,896	3,767	3,295	2,030
B. CURRENT ASSETS, of which	**73,627**	**75,817**	**55,757**	**54,049**
Short-term operating receivables	56,303	46,053	35,630	32,872
Cash	12,216	17,651	8,390	7,126
EQUITY AND LIABILITIES	**425,428**	**407,207**	**322,969**	**313,419**
A. EQUITY	**148,163**	**140,988**	**154,893**	**153,763**
B. NON-CURRENT LIABILITIES, of which	**196,506**	**51,033**	**132,347**	**126,117**
Non-current financial liabilities	175,765	30,122	111,663	105,611
C. CURRENT LIABILITIES, of which	**80,759**	**215,186**	**35,729**	**33,539**
Current financial liabilities	31,098	172,688	7,680	6,652
Short-term operating liabilities	49,660	42,498	28,048	26,887

Chart 19: Asset Structure of the Group 2010 – 2013

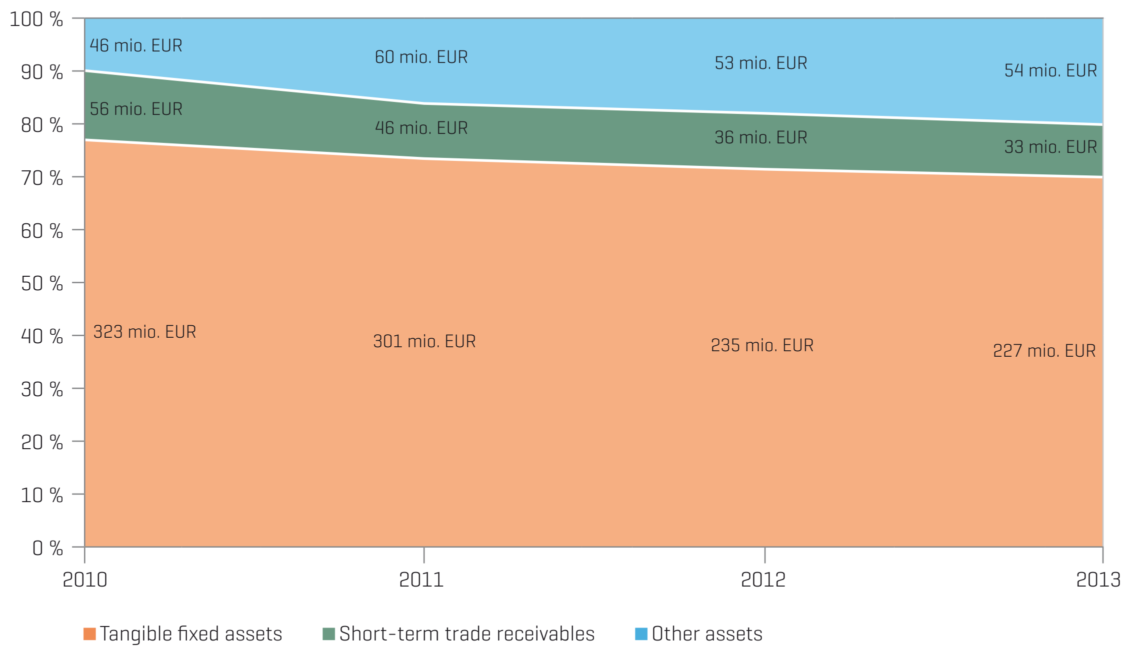
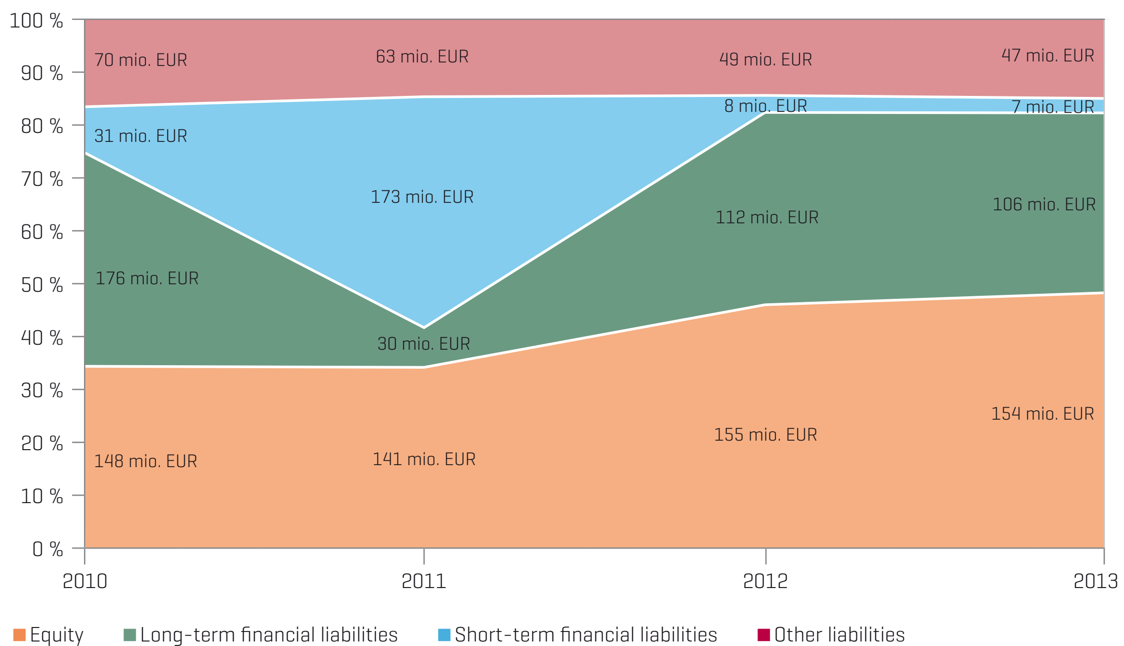


Chart 20: Structure of Equity and Liabilities of the Group, 2010 – 2013



Structure of Statement of Financial Position (Parent Company)

Compared with the year ago (2012), there were no major changes in the structure of the Statement of Financial Position either in the Group or in the Parent Company. The heaviest drop on the Assets side was seen in the item Plant, Property and Equipment due to the fact that investments were lower than depreciation. On the Liabilities side, the decrease in long-term financial liabilities was most remarkable, resulting from repayment of loans to banks.

Table 11: Structure of Statement of Financial Position of Parent Company, 2010 – 2013, in absolute terms

in € thousand

	2010	2011	2012	2013
ASSETS	**313,950**	**312,409**	**244,758**	**240,974**
A. NON-CURRENT ASSETS, of which	**254,628**	**244,600**	**206,020**	**203,886**
Tangible fixed assets	146,353	142,629	128,804	125,862
Long-term financial investments, of which	90,934	83,293	50,656	50,136
Investments in subsidiaries	50,797	49,842	47,481	47,347
B. CURRENT ASSETS, of which	**59,322**	**67,809**	**38,738**	**37,088**
Short-term operating receivables	25,795	29,149	23,209	22,375
Current financial investments	33,337	29,250	11,870	11,101
LIABILITIES IN BROADER SENSE	**313,950**	**312,409**	**244,758**	**240,974**
A. EQUITY, of which	**88,398**	**84,645**	**100,887**	**100,712**
Share capital	32,976	32,976	27,489	27,489
Equity reserves	0	0	18,455	18,455
Revaluation surplus	50,848	50,793	54,068	52,815
B. NON-CURRENT LIABILITIES, of which	**181,549**	**39,478**	**122,502**	**117,871**
Long-term financial liabilities	166,862	23,633	106,279	101,202
C. CURRENT LIABILITIES, of which	**44,003**	**188,286**	**21,369**	**22,391**
Short-term financial liabilities	18,460	163,054	3,194	3,397
Short-term operating liabilities	25,543	25,233	18,175	18,994

Chart 21: Asset Structure of the Parent Company, 2010 – 2013

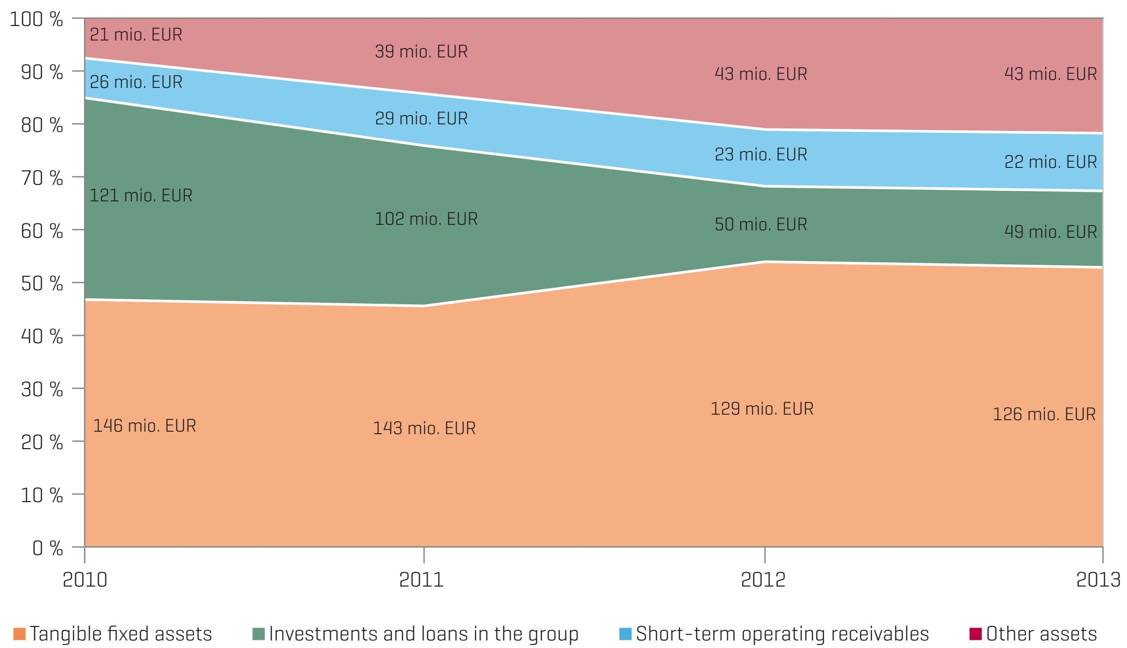
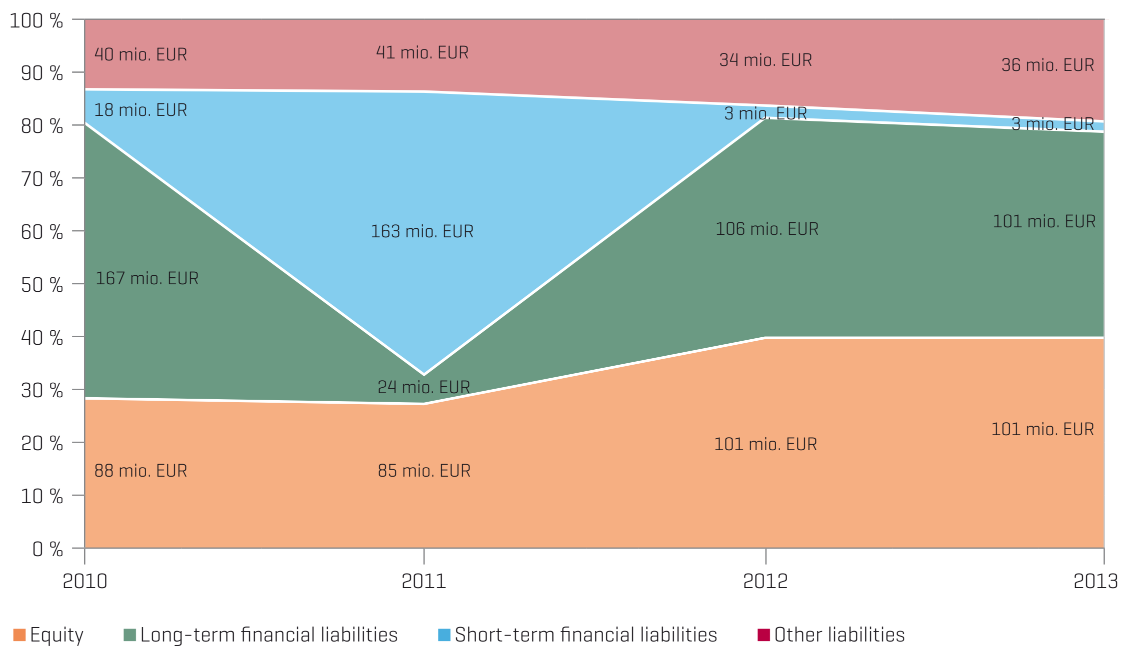


Chart 22: Structure of Equity and Liabilities of the Parent Company, 2010 – 2013



Operation Highlights, 2010 – 2013

Table 12: Information on Performance, 2010 – 2013

in € thousand

	Group				Company			
	2010	2011	2012	2013	2010	2011	2012	2013
Sales revenues	190,624	211,880	188,409	161,061	96,427	107,406	108,222	90,994
EBITDA	20,415	21,382	12,693	13,755	-4,111	6,299	5,960	6,760
Share in sales (in %)	10.7	10.1	6.7	8.5	-4.3	5.9	5.5	7.4
adjusted EBITDA*	11,448	17,732	17,969	11,083	4,211	9,380	8,984	5,907
share in sales (in %)	6.0	8.4	9.5	6.9	4.4	8.7	8.3	6.5
EBIT	-28,334	5,510	-7,226	5,301	-11,618	1,253	-8,558	2,602
share in sales (in %)	-14.9	2.6	-3.8	3.3	-12.0	1.2	-7.9	2.9
adjusted EBIT**	137	8,516	10,555	5,578	18	5,326	5,320	2,531
share in sales (in %)	0.1	4.0	5.6	3.5	0.0	5.0	4.9	2.8
Net profit or loss	-39,193	-5,410	-13,430	2,152	-46,398	-3,712	-6,619	1,000
share in sales (in %)	-20.6	-2.6	-7.1	1.3	-48.1	-3.5	-6.1	1.1
Assets	425,428	407,207	322,969	313,419	313,950	312,409	244,758	240,974
ROA (in %)	-8.6	-1.3	-3.7	0.7	-12.8	-1.2	-2.4	0.4
Equity	148,163	140,988	154,893	153,763	88,398	84,645	100,887	100,712
ROE (in %)	-20.8	-3.7	-8.7	1.4	-34.2	-4.2	-6.9	1.0
Investment in fixed assets	2,008	2,648	2,009	2,180	549	659	843	824
No. of employees at the end of the year	2,232	2,114	1,702	1,464	773	768	720	644

* Group: Excluding other operating revenues and other operating expenses arising from the disposal of subsidiary Intereuropa-East Ltd., Moscow, in 2013 the expenses from allowances for receivables in connection with other operating revenues. The Company: Excluding other operating revenues and impairment of receivables, and other operating expenses, both arising from subsidiaries and the disposal of Intereuropa-East Ltd., Moscow, in 2013 expenses from allowances for receivables in connection with other operating revenues.
** Group: Excluding other operating revenues, operating expenses from revaluation of Intangible assets and Property, Plant and Equipment, Expenses for the allowances for, and write-offs of receivables, and operating expenses arising from the disposal of Intereuropa East Ltd., Moscow. The 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 € 12.5 million of cash flow from operating activities, which was 35 percent less than in the preceding year (2012). Net cash flow from investing activities was negative, at € –2.3 million. After covering the negative cash flow from financing activities at € 11.5 million, the Group closed the year 2013 with € 1.3 million less cash than a year ago. As at 31st December 2013, the Group members had € 7.1 million cash and cash equivalents.

Table 13: Cash flow 2010 – 2013

in € thousand

	Group				Parent Company			
	2010	2011	2012	2013	2010	2011	2012	2013
Cash flow from operating activities	26,950	23,425	19,282	12,503	5,959	6,846	8,819	7,162
Cash flow from investing activities	13,069	-3,059	43,942	-2,294	18,434	10,107	50,450	1,240
Casf flow from financing activities	-33,114	-14,925	-72,465	-11,467	-24,863	-7,737	-65,191	-8,445
Exchange differences in cash assets	-7	-6	-20	-6	0	0	0	0
Cash flow in the period	6,898	5,435	-9,261	-1,264	-470	9,216	-5,922	-43

In the reporting year, the Parent Company generated € 7.2 million of cash flow from operating activities, which is almost 19 percent (or nearly € 1.7 million) less than in 2012. The Parent Company achieved, also in the scope of investing activities, a positive net cash flow at € 1.2 million. The cash flow from financing activities continued to be negative in 2013, by € 8.4 million, which has resulted from repayments of financial liabilities and interest expenses for loans. At the year-end, the Parent Company had € 3.4 million in cash, which was € 43 thousand less cash than at the end of 2012.

2.5 Shares and Ownership structure

The situation and development in the Slovenian economic and banking sector reflected on the volume of trading in securities on the Ljubljana Stock Exchange. Despite a rise in the prices of most shares, the share-trading turnover was one percent lower than a year ago. On the contrary, the trading volume in Intereuropa IEKG share in 2013 strengthened and recorded a notable increase after five years of downward trend.

Due to the falling trend in the first half-year, the share lost 20 percent of its market value and recorded the closing rate at € 0.44.

Shares of Intereuropa d.d.

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

The share capital of the Company remained unchanged in the reporting year and amounted to € 27,488,803 at the year-end. It was divided into 16,830,836 ordinary freely transferable no-par value shares and 10,657,965 preference shares.

Ordinary IEKG shares are listed in the Prime Market of the Ljubljana Stock Exchange, whereas preference shares are not traded on the regulated securities market.

Table 14: Key Data on Shares

	2010	2011	2012	2013
Number of shares	7,902,413	7,902,413	27,488,803	27,488,803
Number of preference shares IEKN	0	0	10,657,965	10,657,965
Number of ordinary shares IEKG	7,902,413	7,902,413	16,830,838	16,830,838
- of which no. of treasury shares	18,135	18,135	18,135	18,135
Share book value in € (31 December)	11.21	10.74	3.67	3.67
Data on trading				
Closing price in € (31 December)	3.9	0.43	0.55	0.44
Weighted average price	4.49	2.62	0.64	0.50
Highest price in €	5.96	3.99	1.32	0.85
Lowest price in €	3.35	0.4	0.30	0.32
Market capitalisation in € thousand	30,819	3,398	9,257	7,406
Turnover in € thousand	1,774	433	223	938
Indicators				
Earnings per share in €	-5.88	-0.47	-0.77	0.05
Cash flow per share in €	-5.23	0.17	-0.07	0.19
Gross dividend per share in €	0.00	0.00	0.00	0.00
P/BV	0.35	0.04	0.15	0.12
P/CF	-0.75	2.53	-7.44	2.32
P/E	-0.66	-0.91	-0.71	8.80
Capital gain	-31.0 %	-89.0 %	27.9 %	-20.0 %
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %
Total return	-31.0 %	-89.0 %	27.9 %	-20.0 %

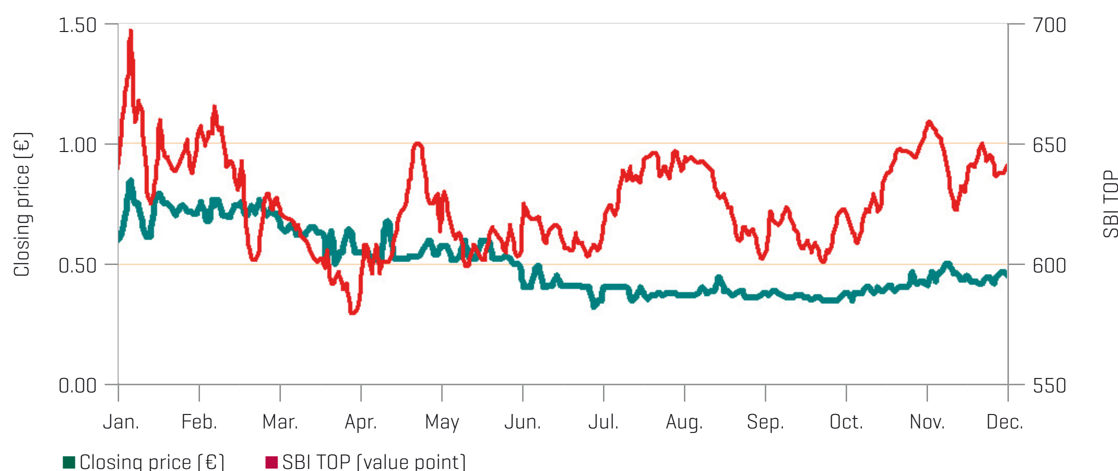
Explanatory Notes:
Book value = equity/ (number of ordinary shares – number of treasury shares).
Market capitalisation = closing price as at the year-end x number of listed shares.
Earnings per share = net profit/(number of ordinary shares – number of treasury shares).
Cash flow share = (Net profit – dividends + depreciation) / (number of all 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 share

Since 2007 the trading volume in Intereuropa share had been falling drastically, until 2013, when we recorded growth and slightly better liquidity of our shares. Compared with 2012, the share trading volume in the reporting year was four times bigger, amounting to € 938 thousand. The market price of the IEKG share fluctuated between € 0.32 and € 0.85 per share. The price was taking a negative trend in the first half-year, then it levelled off at about € 0.40, with minor oscillations. It ended with € 0.44 on the last trading day in the reporting year. In one year, the share lost 20 percent of its value, while the Slovenian Stock Exchange Index (SBITOP Index) recorded a 3.2 percent rise in the same period. The market capitalization closed the year at € 7.4 million, which stands for 0.3 percentage points of the market capitalization of all shares on the Ljubljana Stock Exchange.

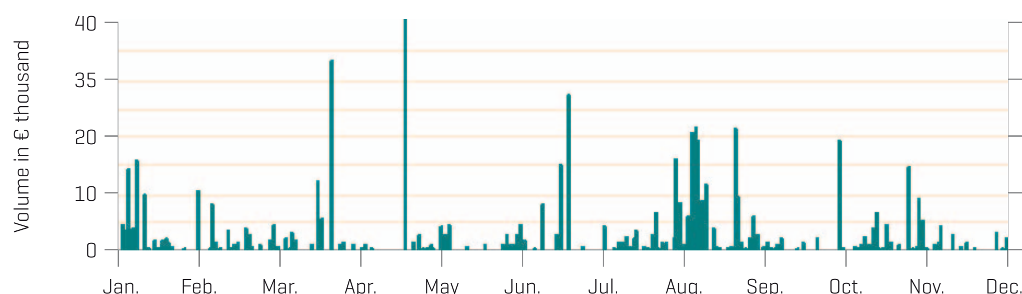
After several years of weak liquidity, the reporting year saw a four times bigger turnover with the IEKG shares than a year ago.

Chart 23: Movement of average price of Intereuropa Share and the SBITOP index in 2013



The number of shares changing owners in 2013 was 1,836,281 IEKG shares in 947 transactions. In April, the Port of Koper corporation "Luka Koper" sold 615,730 IEKG shares to its daughter company Luka Koper INPO d.o.o., for tax optimisation; the former held 1,344,783 IEKG shares at the end of the year. The trade in that sole transaction amounted to € 320 thousand; the overall turnover of trades with our shares in the reporting year totalled € 938 thousand. The average daily turnover was € 3.8 thousand, or € 2.5 thousand if the a.m. transaction is excluded.

Chart 24: Trades with Intereuropa Share in 2013



Ownership structure of the Company

In the reporting year, a new shareholder entered among the top ten shareholders of Intereuropa, after having purchased the shares: Luka Koper INPO d.o.o., the daughter company of the current shareholder Luka Koper d.d. The second change in the top ten shareholders was the transfer of shares owned by the bank NKBM d.d. until December 2013 to the newly established Bank Asset Management Company (DUTB d.d.). As at 31 December 2013, the top ten shareholders held in total 81.9-percent shares in equity of Intereuropa.

The reporting year ended with 5,340 shareholders in the Shareholders' Register of Intereuropa d.d., or 3 percent less than a year ago. The shareholdings held by foreign investors fell by 0.2 percentage points and amounted to 0.8 percent as of the end of the reporting term.

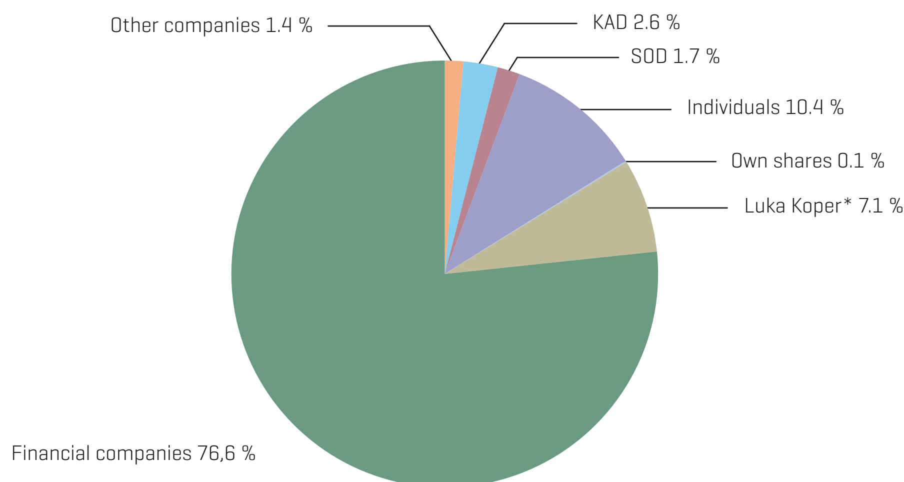
Table 15: Top ten major shareholders as of 31 December 2013

No.	Shareholder	No. of shares 31. 12. 2013	Share in % 31. 12. 2013
1.	SID banka d.d.	4,942,072	17.98 %
2.	NLB d.d.	4,770,601	17.35 %
3.	Gorenjska banka d.d., Kranj	3,068,990	11.16 %
4.	Raiffeisen banka d.d.	2,850,752	10.37 %
5.	SKB d.d.	2,254,980	8.20 %
6.	Luka Koper d.d.	1,344,783	4.89 %
7.	DUTB d.d.*	1,185,292	4.31 %
8.	Banka Koper d.d.	753,703	2.74 %
9.	Kapitalska družba d.d.	719,797	2.62 %
10.	Luka Koper INPO d.o.o.	615,730	2.24 %

* In December 2013, the transfer of title from the bank NKBM d.d. to the Bank Asset Management Company (DUTB d.d.)

In 2013, the daughter company of Luka Koper d.d. entered among the top ten shareholders of Intereuropa; before the year-end, the shares owned by the bank NKBM d.d. were transferred to the Bank Asset Management Company (DUTB d.d.)

Chart 25: Ownership structure of Intereuropa as at 31 December 2013



* Inclusive of Luka Koper d.d. and its 100-percent-owned daughter company Luka Koper INPO d.o.o.

Table 16: Top 10 major shareholders of ordinary shares with voting rights of Intereuropa as at 31 December 2013

No.	Shareholder	No. of shares 31. 12. 2013	Share in % 31. 12. 2013
1.	Gorenjska banka d.d., Kranj	3,068,990	18.23 %
2.	Raiffeisen banka d.d.	2,850,752	16.94 %
3.	SKB d.d.	2,254,980	13.40 %
4.	Luka Koper d.d.	1,344,783	7.99 %
5.	Banka Koper d.d.	753,703	4.48 %
6.	Kapitalska družba d.d.	719,797	4.28 %
7.	Luka Koper INPO d.o.o.	615,730	3.66 %
8.	Slovenska odškodninska družba d.d.	474,926	2.82 %
9.	INFOND d.o.o. Infond Global mešani	300,401	1.78 %
10.	NLB d.d.	240,000	1.43 %

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. 12. 2013.

Table 17: Number of IEKG shares held by Supervisory Board members as at 31 December 2013

	No. of shares	Share in %
Nevija Pečar	4,185	0.053
M.Sc. Maša Čertalič	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. Intereuropa d.d. had € 16,488,092.56 of unused authorised capital as at 31 December 2013.

Dividend policy

No dividend was distributed in the reporting year. The Managing Board will re-define its dividend policy depending on the implementation of the strategic goals set and following the improvement of operating results.

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 were 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 2014

Date of publication	Publication of event
7. 2. 2014–5. 3. 2014	No-communication period
6. 3. 2014 Thursday	Publication of the unaudited business report of Intereuropa d.d. and the Intereuropa Group for 2013
17. 4. 2014 Thursday	
1. 5. 2014–14. 5. 2014	No-communication period
15. 5. 2014 Thursday	Publication of the unaudited business report of Intereuropa d.d. and the Intereuropa Group for the first quarter of 2014
20. 6. 2014 Friday	
15. 8. 2014–27. 8. 2014	No-communication period
28. 8. 2014 Thursday	Publication of the unaudited business report of Intereuropa d.d. and the Intereuropa Group for the first half of 2014
7. 11. 2014–19. 11. 2014	
20. 11. 2014 Thursday	Publication of the unaudited business report of Intereuropa d.d. and the Intereuropa Group for the first three quarters of 2014
18. 12. 2014 Thursday	Presentation of plans of Intereuropa d.d. and the Intereuropa Group for 2015

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

During the silent periods, Intereuropa d.d. publishes no information on its operations.
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.

2.6 Risk Management

In risk management, the central goal is to systematically and effectively reduce the exposure to particular risk type and thereby contribute to better operating performance of the Company. Twice a year (mid-year and at the year-end) we reassessed the overall exposure to individual risk types; on the quarterly basis, we monitored the implementation of respective measures aimed at reducing the exposure to risk. As the key risks we identified: sales risk, liquidity and credit risk, risks involved in staff (HR) and IT, and strategic risks.

2.6.1 Risk Management System

Intereuropa defines risk as any uncertainty concerning the future events/transactions that 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:

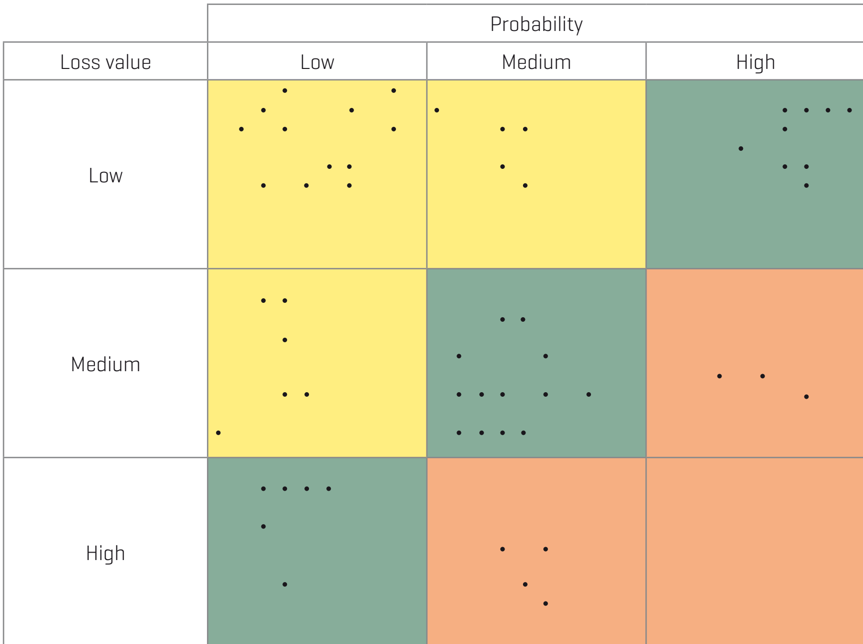
- financial risks;
- business risks;
- inherent risks.

There were 58 types of risk identified in 2013 in the company Intereuropa d.d., Koper, and their effect on the Company's operations were assessed. Thereof, we shortlisted 7 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.

After the successful completion of financial restructuring in 2012, by which the appropriate financial stability of the Company was assured, the sales risk became the most significant and key area to be addressed by measures and monitoring. The sales risk has been increasing due to continual downward pressures on prices and decreasing demand for certain services. In line with our corporate structure, we respond by intensified marketing activities, expanding our range of services and improving the efficiency.

Sales risk is becoming our key concern to be observed and addressed by measures aimed at reducing the risk.

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



Key risks in 2013

The key risks in 2013 comprised:
- liquidity risk;
- sales risk;
- personnel risk;
- risks involved in information-communication technologies (ICT);
- strategic risks.

Liquidity Risk: Overall financial and economic situation and poor financial discipline are two main reasons for exposure to liquidity risk, which is determined as one of key risks. After completion of financial restructuring of the Parent Company in 2012, which laid down foundations for financial stability for the whole Group, the exposure to liquidity risk was essentially reduced.

Financial restructuring in 2012 and current fulfilment of all liabilities to commercial banks provide a sound basis for lower exposure to liquidity risk of the whole Group.

Sales risk stands for our top key risk. We manage it by flexible, customer-sensitive and individual relations with all customers. Prices and other conditions on the logistics market are even more volatile, therefore, we are adapting to the new circumstances while providing a high quality level of service and execution thereof. Due to great dispersion of our customers, we assessed this 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 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) were 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. 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 year 2014, we will examine and reassess the exposure to all risk types at the half-year and at the year-end, both for the Parent Company and for the majority of Group members. Hedging measures for each risk type will continue to be applied, aimed at reducing individual risks to an acceptable level. The focus will remain on managing the key risks. Among them, the sales risk is in the forefront as our most relevant risk area.

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 2013, 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.

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 exchange rate fluctuation 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. The cash flows of those cases are quite 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 that 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.

Only active management of financial risks enables us to control cash flows of the companies in the Group and thus assure financial stability of the entire Group.

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 persisting low EURIOR values at the end of 2013 and the implicit growing trend, 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 address that risk by planning and active management of cash flows in the Group. After the successful completion of financial restructuring of the Parent Company in 2012, by which the sound basis for financial stability of all Group members was assured, the liquidity risk was reduced in the whole Group. Such a situation was further maintained during the reporting year, in which we were settling all the liabilities to commercial banks on a current basis. 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 escalated in a fierce competition and downward pressures on prices, as well as in increasing transport costs; in Intercontinental Transport, the problem occurs in achieving the appropriate terms with 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 pricing pressures due to excess warehousing capacities, which has been successfully managed by cost containment and additional marketing activities.

Land Transport

Risks arising from overall economic recession
Intereuropa is a logistics provider acting globally. The risks we face in the Land Transport Area are inherent in the economic situation in Slovenia and in Europe. Given that the bulk of our revenue in land transport is achieved in Slovenia, any mitigation of that risk largely depends on the recovery of Slovenian economy.

The shrunken flow of goods as an outcome of recession has fuelled the price competition among providers of transport services. The customers endeavour to reduce their costs for logistics, too. The risk involved herein is identified as incapacity to maintain the volume of revenues and levels of margin.

Like before, the key measures for managing the risk remain process optimisation and seeking synergies among the companies of the Intereuropa Group, supported by intensified sales activities on the market. We observe the trends and development of our customers, and match the range of our services to be offered. Particular attention is dedicated to monitor the markets in which we operate, and keep pace with our major partners in foreign trade. 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
Analyst cannot agree in their forecasts on the movement of energy prices. Oil prices will undoubtedly depend on the future economic situation globally and in the Middle East. Current forecasts for 2014 do not envision any major rise for oil prices. Any increase in fuel prices poses a high risk because the fuel costs stand for nearly one third of transport cost. Price changes in the market of energy products are beyond our control. We can only address this risk by choosing the most favourable supplier, or by changing our selling prices. The control of this risk is assumed by the management of the business area, assisted by heads of individual organizational units.

Risk related to unforeseen changes in the network of partners

In logistics, acquisitions and disposals of companies are very common. It can happen that our partner in business sets up a company in our market, or takes over one of our competitors, or our competitor acquires one of our partners. For the sake of facilitating their position to compete with global logistics players, medium-sized family enterprises associate in alliances. 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 highest risk in our Land Transport is associated with the impacts of economic recession and unforeseeable changes in our partner networks.

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 address 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 expected risks involved in doing business with customers and suppliers turned out to be significant, as well as most probable risks. Unstable global market and uncertainty in Europe were felt and reflected in shrunken turnover of some key customers. Concurrently, the uncertain financial situation pressed on sea and air carriers to raise their freight rates. Similar situation is expected in the year 2014, too. The probability of risk materialising in Intercontinental Transport Area is assessed as moderate.

Risks involved in operation with customers

We expect the aggravated situation in our key markets to persist and reflect on poor financial discipline in some customers as well. In general, customers will expect extended payment terms and more active current informing on the status of shipment or cargo. The risk of operations with customers remains a key business risk for the products of Intercontinental Transport Area: globalisation and relocation of manufacturing facilities may soon cause a change in the strategy and business of major customers, such as in car logistics. We assess this risk as moderate and impact on operations as medium. Risk management is organised on the level of heads of individual organizational units and sales executives. Screening and reporting is made at regular meetings of the management of organisational units and of the Forwarding and Logistics Area on a monthly basis.

Risk associated with suppliers and partner-agency network

The risk was moderate and such is estimated for the year 2014, too. Sea and air carriers are changing the freight rates and adapting them to the current demand in the market. That brings about continual fluctuations in the terms and conditions of purchasing and renders a comparison of the terms offered with the terms of other competitors more difficult. Some carriers decide to discontinue their service lines, or reduce departure frequency. The market of SE Europe is in particular exposed to such decisions. The situation in the market involves a moderate risk for doing business with suppliers and partner network. Levers for monitoring, communication and assessment were established on the level of individual products. On the Group level, the risk is managed by the product manager; in the Parent Company, the risk is controlled by heads of organizational units. Reporting and resolving on the action to be taken is held once per month. The risk has a medium impact on operations.

Risk associated with competition in the logistics market
The competition in our key markets is already strong and is still increasing by the arrivals of well-established and global logistics players. Customer migration among the logistics operators is frequent and involves continual downward pressures on prices for logistics services. It is all the more difficult to retain the market share for our products and the situation significantly aggravates any growth of income and physical volume of operations. Similar trend is expected for the year 2014. The risk is further assessed ad moderate, with a medium impact on our operations. We address our exposure to this risk by careful monitoring the operations of our competitors. More attention is focused on foreign logistics providers. Activities are carried out in individual organizational units, on the level of the Company they are conducted by the product manager. The management of the Company is informed currently if any higher risk is perceived, as well as on the measures taken; as a rule, reporting is scheduled monthly.

Higher exposure to risks associated with customers is expected in the products that are more dependent on economic developments in Europe and globally. As regards the involvement of suppliers, the risk is assessed as medium on account of quite indefinite forecasts for prices and services of ship operators and air carriers for the year 2014.

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 subject to scrutiny, by careful screening of 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.

The focus in the Logistics Solutions Area was on measures reducing the sales risks and the risks associated with availability of warehousing capacities.

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 associated with economic crisis may involve a high impact on operations and are highly probable.

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 arrangements with customers and internally directing the demand to appropriate locations, including the cost management of other products. Accordingly, customers do not feel any cost impact of warehousing 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 has 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 acceptance /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 action 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 Inherent Risks

The inherent risks are associated with the implementation and supervision of business processes. They are managed through internal controls, insurance, organizational measures, and by processes. The key inherent risks include:

- risks associated with implementation of strategic plan;
- risks involved in information-communication technologies (ICT);
- risks associated with personnel (HR) 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:

- successful fulfilment of arrangements agreed with banks on loan restructuring;
- extending short-term loans for financing of working capital;
- successful implementation of disinvestment according to plan;
- provision of sufficient cash flow from operating activities to repay all financial liabilities.

In the reporting year, we complied with financial assurances to creditor banks stipulated in the Contract on Financial Restructuring from the year 2012. Considering the critical downturn in the real estate market, we undertook only one major disinvestment and several minor disposals of real estate. Thanks to our consistent implementation of the Financial Restructuring Plan, we were able to reduce our exposure to strategic risk. In the second half-year, we were exposed to the risk incurred upon the EU-accession of Croatia, associated with the alignment of operations of the Parent Company to cope with the drop out of income and profits. That risk exerted a negative impact on the performance of the whole Group.

Risks involved in information-communication technologies (ICT)
In the Parent Company, we maintained the risks associated with information-communication technologies on an acceptable level, despite downsizing of staff in our 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 /spent equipment for information-communication technologies (ICT). The measures adopted in the ICT segment address the modernisation of ICT infrastructure and agreements with suppliers for timely delivery of ICT 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 associated with personnel management

This type of risk is 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 development in logistics industry.

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. The risk materialising is assessed as medium, involving a considerable impact on performance.

Picture 3: Risk 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 risksa						
Strategic risks	x				x	
ICT risks		x				x
Personnel risks		x				x

In the reporting year, we perceived that the overall exposure of Intereuropa d.d. to risks decreased, however, there was an increase in our exposure to the sales risk, additional downward pricing pressure on the part of customers, a decreased demand for our services, and an upward pressure on input prices on the part of suppliers. We estimate such an economic situation to persist in the year 2014, too.

Our response to such market situation is by individual approach to customers and by enhancing the sales activities and our presence on the market. We achieve a higher productivity in our employees by better and more effective organization of work and by successful introduction of IT solutions to support logistics products; by on-going streamlining of operations we expect to achieve a better economy and cost management, reducing the cost per unit.

2.7 Development and Investments

2.7.1 Development of informatisation of operations

In the Slovenian part of the Group, our department for computerisation (informatisation) of operations concentrated on development of information platform for operational support to logistics and to the processes in sea-freight. We did the preparatory work for introduction and integration of the new IT system for Logistics Solutions (the ISPRO WMS module) and for testing the new computerisation system for the Sea Freight (the ISPRO SeaFreight module), incl. preparation of specifications for the latter module. Concurrently we worked on the analysis and preparation of specifications underlying for introducing the ISPRO Project to our subsidiaries in Croatia.

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

Within the project on digitalisation of incoming documentation involved in the implementation of operational services, we established the connection between documentary system and the information platform for operational support to processes in road transport, logistics and sea-freight, enabling also the e-control and e-liquidation of incoming invoices.

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.

In 2013, we updated our websites aiming to support the migration to new technologies and simplify users' experience, facilitating the access to general information as well as to the information on our services and Internet-based services for our customers and suppliers. In the scope of that, our Internet-based service was upgraded for our customers, allowing them to track the status and trace their consignments, as well as find some additional information; our service was further enhanced to satisfy the needs of our suppliers, providing for additional functionalities to enter the statuses and documents online.

Also our Intranet portal was renewed: it is designed on the MS Sharepoint 2010 platform and allows our employees in the Parent Company a single entry point and integrated website hub comprising the Internet, Intranet and application access, enabling the Portal users an easy and quick access to dedicated information.

In our Croatian subsidiary Intereuropa, logističke usluge, d.o.o., Zagreb, we completed the "Fiscalisation Project", integrating the changes in tax legislation and introducing the fiscal "certified cash registers"; we further adapted the system to cashless payments and foreign exchange invoices. Also the EU-Customs Project was completed, introducing the new information solution to support customs operations, which is accessible to users on border passes on the central server, also introducing the standardised solution EBA of the Intereuropa Group for digitalisation of incoming invoices that provides for better transparency and supervision of the work flow in invoice management.

In the frame of financial and business goals of the Group, we proceeded with aligning the IT structures to match the current capacities and operational needs of the companies in the Group. The Department for Computerisation of Operations was reorganised accordingly, outsourcing the maintenance of the SAP environment to an external contractor.

Plans for 2014

For the year 2014, the computerisation of operations envisions to develop the following segments:
- introduction and integration of the new computerisation system for Logistics Solutions;
- beginning of the introduction of the new computerisation system for Seafreight;
- introducing digitalisation for the entire operational documentation and integration with the remaining systems;
- preparation of specifications for the introduction of IT solution supporting the operational business in the subsidiary Interagent d.o.o., Koper;
- beginning of the introduction of the IT solution to support operational business in the Croatian subsidiary Intereuropa, logističke usluge, d.o.o., Zagreb;
- introduction of the standardised IT solution for recording of working time in the subsidiary Intereuropa, logističke usluge, d.o.o., Zagreb;
- upgrading the ERP IT system in the Ukrainian subsidiary TOV TEK ZTS, Uzhgorod;
- further development of online service supporting the customers in e-capture of orders.

In infrastructure, the focus in 2014 will be placed on:
- integration of the ICT-network of Slovenia and Croatia;
- modernisation of communication infrastructure;
- upgrading the computer equipment and system infrastructure (servers);
- further development of the intranet platform – for internal use of employees;
- optimisation and unification of equipment for printing, scanning and telefax messaging.

2.7.2 Participation in European Projects

Intereuropa started to cooperate in a new European project B2MOS (Business to Motorways of the Sea), co-financed by the European Union, with the project term ranging from 1 July 2013 to 31. 12. 2015. The purpose of the project was to improve the interoperability of electronic messages and systems for document exchange and renewed logistics processes, aiming to raise efficiency of the door-to-door sea-borne logistics chain and facilitate trading within the European Union. The project also involves the subsidiary Interagent d.o.o., Koper, to study /analyse the necessary adjustments to comply with the requirements of the "Directive 2010/65/EU on reporting formalities for ships arriving in and/or departing from ports of the Member States" establishing the national maritime single windows.

2.7.3 Investments in Fixed Assets

The Intereuropa Group

On the Group level, we realized investments in fixed assets in the amount of € 2.2 million, thereof € 530 thousand in real estate and € 1.7 million in equipment and intangible assets. The annual plan of investments was exhausted to the level of 58.1 percent.

The greatest portion of funds were spent on the purchase of commercial – freight vehicles and cars (€ 823 thousand), for warehousing equipment (€ 255 thousand), development and modernisation of information technology (€ 380 thousand), and restoration and improved energy efficiency of buildings (€ 348 thousand).

Table 18: Overview of Investment Plan implementation in 2013*

in € thousand

	Real property		Plant & Equipment		Total investments		
	Plan	Reealization	Plan	Reealization	Plan	Reealization	Reealization in %
Intereuropa d.d.	1,050	165	1,050	659	2,100	824	39.2
Subsidiaries	258	365	1,397	991	1.655	1.356	81.9
Total Group	**1,308**	**530**	**2,447**	**1,650**	**3,755**	**2,180**	**58.1**

* Breakdown of items Property, Plant and Equipment, and Intangible assets:
of total investments at € 2.2 million in the Group, € 2.0 million were invested in Property, Plant and Equipment, and € 208 thousand in Intangible assets.

Investments in the Parent Company Interopa d.d.

Major investments in the Parent Company Intereuropa d.d. were as follows:
- in development of integrated information solution to support logistics processes;
- to modernise illumination in warehouses in Ljubljana, Celje, Maribor, and Jesenice;
- purchase of forklift trucks and racks for the warehouse in Ljubljana;
- reconstruction of a part of warehouse in Vrtojba and in Dravograd for the needs of maintaining the adequate conditioning regime (cold store);
- restoring a part of roof of warehouse in Maribor;
- purchase of computer equipment (laptops, communication equipment and software, upgrading and enhancing the capacity of PC's and server);
- completion of the fire alert system for the warehouse in Ljubljana;
- layout for car terminal in Koper;
- renovation of business premises in the office building in Maribor.

The major portion of the Intereuropa Group investing budget for 2013 was spent on purchases of means of transport.

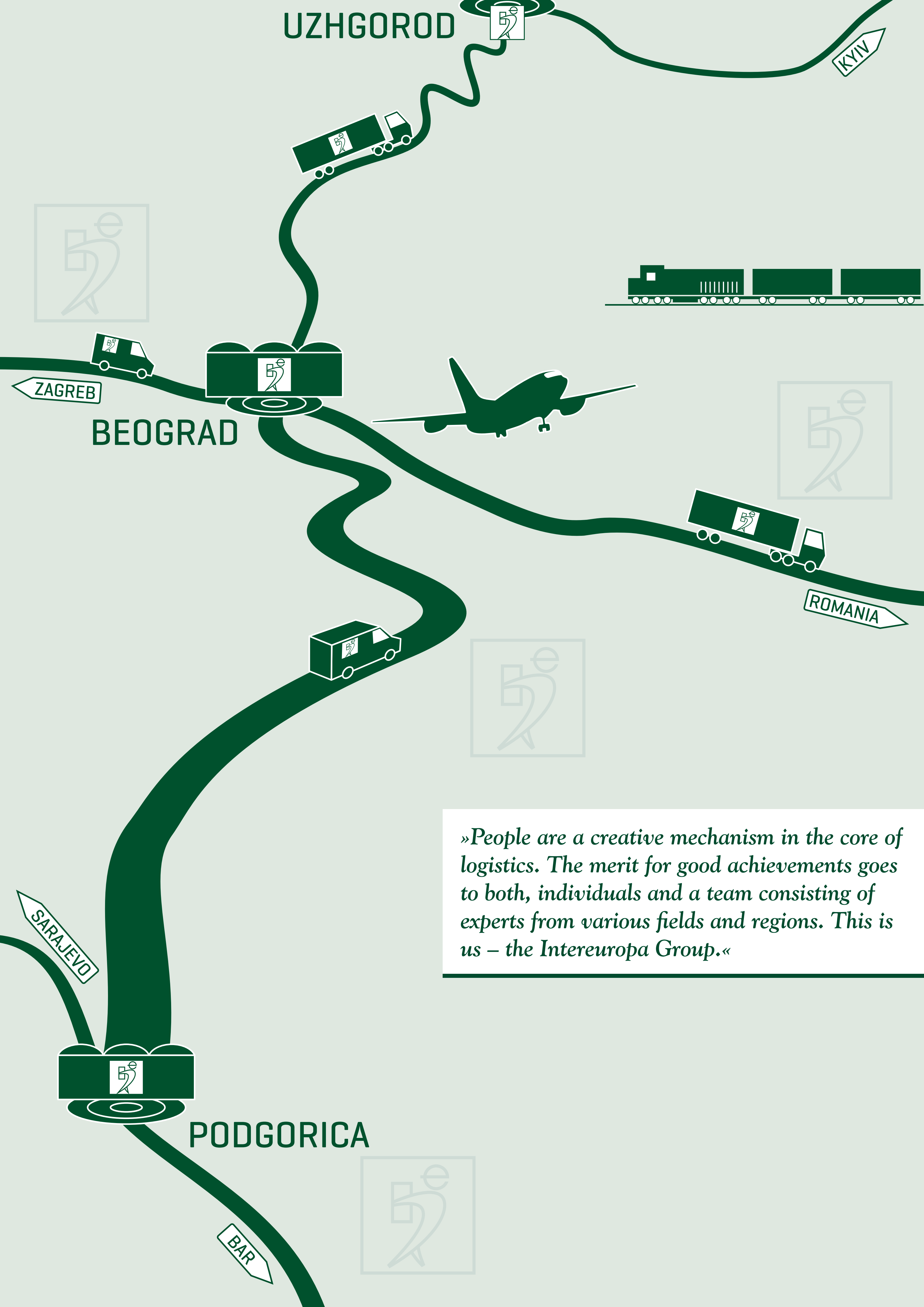
Investment in subsidiaries

Major investments implemented in the subsidiaries of the Intereuropa Group:
- purchase of trucks in subsidiaries in Croatia and the Ukraine;
- reconstruction of the roof in Samobor (ZG area);
- purchase of computer equipment (PC, printers, bar-code readers, etc.);
- purchase by exchange of land lot in Sarajevo (BiH);
- finalising work on business premises in Podgorica (Montenegro);
- purchase of vehicles (cars, delivery vans);
- intangible assets (licences);
- purchase of warehouse equipment (racks, containers, manual carts for pallets);
- reconstruction of a part of warehouse in our subsidiary in Kosovo for the needs of maintaining the adequate conditioning regime (cold store);
- purchase of furniture, office equipment, and mechanisation.

Plans for 2014

Investments on the level of the Group are planned at € 2.9 million, comprising mostly investments in IT (licences, computer equipment/hardware), means of transport and warehouse equipment (forklift trucks, warehouse racks, ramps, gates). The Parent Company Intereuropa d.d., has earmarked investments at approximately € 1.9 million.

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



»People are a creative mechanism in the core of logistics. The merit for good achievements goes to both, individuals and a team consisting of experts from various fields and regions. This is us – the Intereuropa Group.«

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:

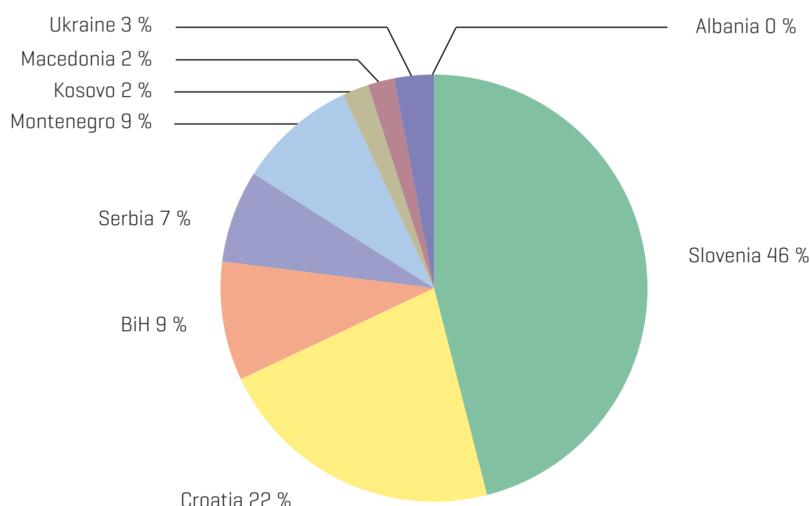
- ethical conduct in respect of our employees, the natural environment, the local community and society at large;
- care and attention to the needs of the environment;
- strict compliance with the law, and
- concern for consumers and meeting their requirements for better quality of service, also complying with the high social and environmental standards.

3.1 Employees

3.1.1 Number of employees

At the end of the year 2013, the Intereuropa Group had 1,464 employees. Thereof, 45.4 percent were employed in Slovenia, 21.7 percent in Croatia, 32.9 percent in the remaining subsidiaries abroad. Compared with the end of 2012, the number of our employees was 14 percent (or 238 employees) lower.

Chart 26: Number of staff by country in which the subsidiaries of Intereuropa are based



3.1.2 Changes in employee numbers

In the reporting year, the accession of Croatia to the European Union and the respective abolition of customs frontiers brought about a big loss of customs services for Intereuropa, which resulted in layoffs in the Parent Company and in our Croatian subsidiaries. In total, 352 employees left the Intereuropa Group, and only 114 new employees were recruited.

We matched the structure and number of employees to current operational needs in the Company. In the Slovenian part of the Group, there were 128 employees transferred to a new area of work.

We applied more flexible employment forms (such as sole traders, HR agencies, the Students' Job Centre) to cope with temporary needs for staff mostly for work in warehouse operations. In this way, 115 persons had work in our Group, representing additional 8 percent of the workforce as at 31. 12. 2013.

Chart 27: Changes in employee numbers, 2010 – 2013

The Group closed the reporting year with 95 percent of staff on a permanent and full time basis, and 5 percent on a temporary employment basis.

Comparison of employee numbers by companies in the Group in the years 2013 and 2011 is presented in the table below:

Table 19: Number of employees in the Group by companies

	31. 12. 2012	31. 12. 2013	Difference 13-12	I 13/12
Intereuropa d.d., Koper	720	**644**	-76	89
Interagent, d.o.o., Koper	17	**18**	1	106
Interzav, d.o.o., Koper	3	**3**	0	100
Slovenia	**740**	**665**	**-75**	**90**
Intereuropa, logističke usluge, d.o.o., Zagreb	446	**311**	-135	70
Intereuropa Sajam, d.o.o., Zagreb	15	**7**	-8	47
Intereuropa RTC d.d. Sarajevo	131	**127**	-4	97
AD Intereuropa - logističke usluge Beograd	108	**106**	-2	98
Intereuropa Kosova L.C.C., Priština	25	**24**	-1	96
Zetatrans A.D. Podgorica	153	**139**	-14	91
Intereuropa Skopje, DOO Skopje	33	**35**	2	106
TOV TEK ZTS, Užgorod	49	**48**	-1	98
Intereuropa Global Logistics Service Albania shpk, Durres	2	**2**	0	100
Other Countries	962	**799**	-163	83
Total	**1,702**	**1,464**	**-238**	**86**

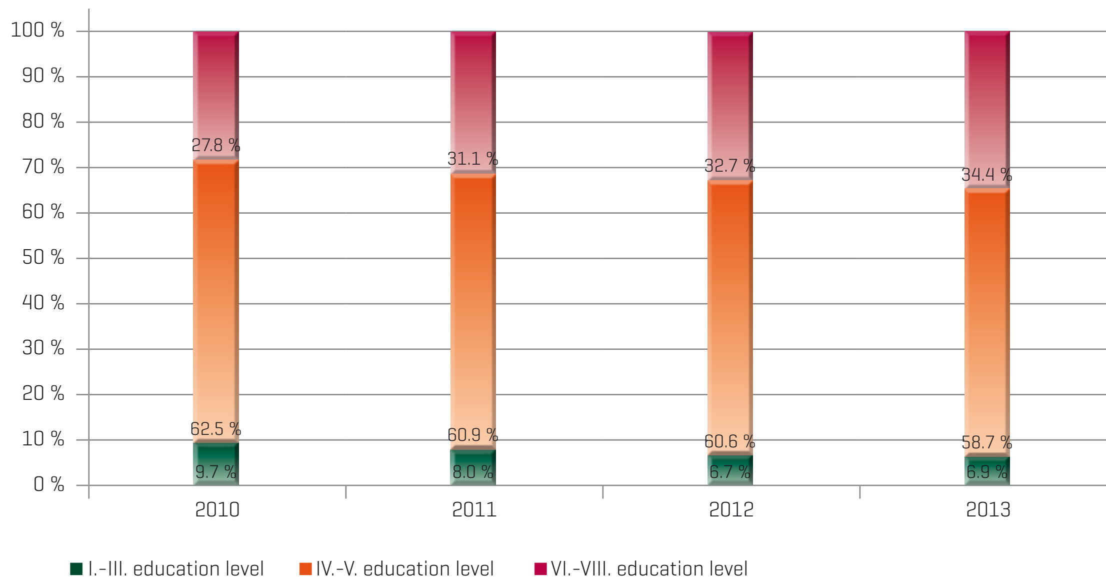
* Subsidiary Intereuropa Transport d.o.o., Koper, in liquidation since 17 January 2012.

3.1.3 Employee structure

Qualification structure of employees

Inter-year comparison of the qualification structure in the Intereuropa Group reveals that the staff with post-secondary vocational education or higher (university) education has been gradually increasing, The share of staff with secondary school education was 2 percent lower, resulting from lower needs for staff employed in operational tasks – customs broking, both in the Slovenian and Croatian part of the Group.

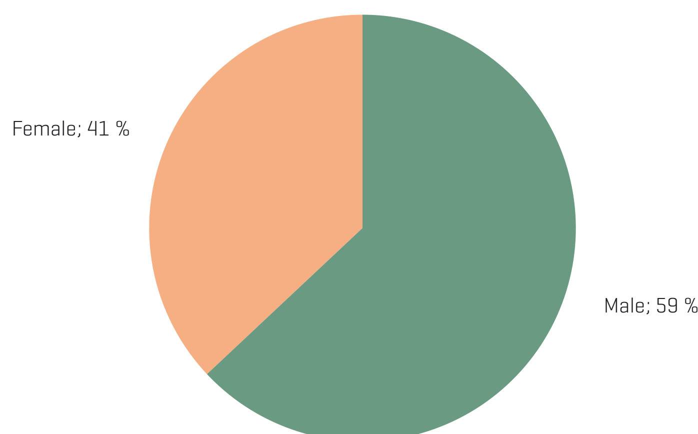
Chart 28: Qualification structure of staff in the Intereuropa Group, 2010 – 2013



Employee structure by age and sex

There are 63 percent of male and 37 percent of female employees in the Intereuropa Group. In the Slovenian part of the Group, the staff ratio by sex is more balanced: 55 percent of male, and 45 percent of female employees. The average age is gradually rising, which reflects the changed legislation that raises the retirement age, and economic situation restricting new employments. In the year 2013, the average age in the Parent Company was 45.

Chart 29: The management structure (under service contract) by sex in the Intereuropa Group, in 2013

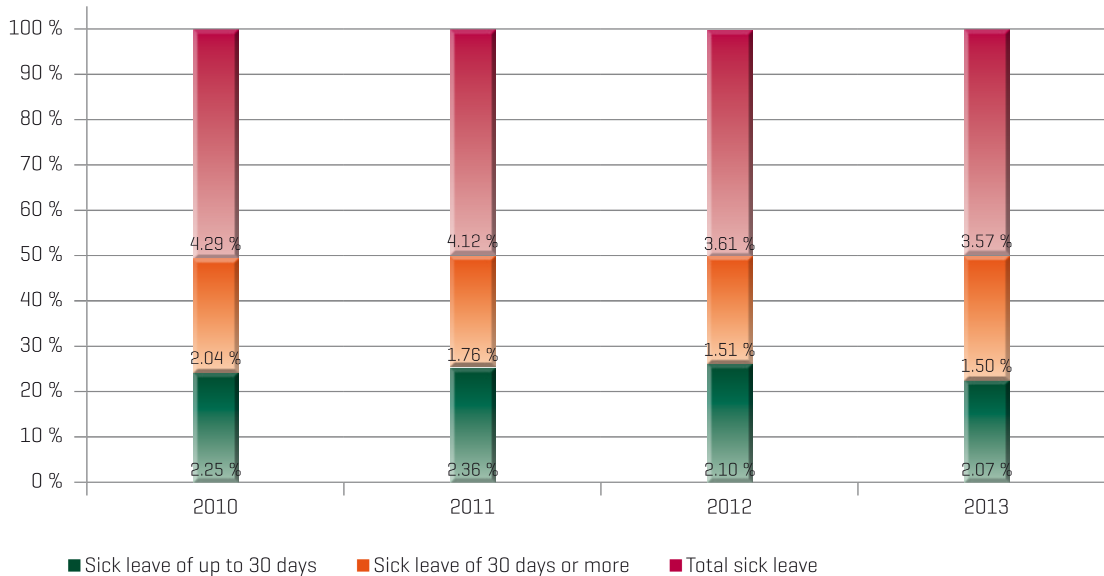


Compared with the year 2012, the number of employees under individual service contract fell from 64 to 61, proportional to downsizing of the workforce.

3.1.4 Work Time Utilisation, and Sickness Absenteeism

In the Parent Company, the utilisation of work time was 77.2 percent, or 2 percent lower than a year ago (79.4 percent). The main reason for that is the use of a bigger share of annual leave in the current year.

Chart 30: Shares of sickness absenteeism in Intereuropa d.d., 2010 – 2013



We maintain the sickness absenteeism within a manageable scope by preventive measures under the Occupational Health and Safety requirements, and the absenteeism is declining.

3.1.5 Training and development of employees

We further the professional and personal development of our employees by a dedicated system promoting on-going education/ training. Our employees take part in various forms of education or training, respectively. In-house training schemes, as well as training forms provided by external collaborators are tailored to the needs of work, the requirements imposed by the law (e.g. addressing occupational health and safety, which are particularly strict and obliging), and responding to the interest of staff as much as possible.

We allocated 17,572 hours to education/ training for our human resources to acquire new knowledge and skills, or in terms of budget € 55,637, which means that 89 percent of employees were involved. On the Group level, the average amount of training was 12 hours per participant: in the Parent Company 7 hours, in the Croatian subsidiary as much as 39 hours. In other subsidiaries abroad, the average amount of training was 2 hours per participant. On the Group level, more than one-half our dedicated funds were spent on education and training (€ 56 thousand out of the budget of € 94 thousand), involving internal lecturers in two thirds (66 percent) of training forms in the reporting year.

Table 20: Education / training in the Group, 2012 / 2013 comparison

	2012	2013
Hours of functional training (seminars, courses, technical meetings, etc.)	9,026	17,572
Number of hours of training per employee (internal education)	3,361	11,612
Number of participants	908	1,297
*Funds spent on education & training (total)	68,158.0	55,637.0
*Funds spent on education & training per employee	40.0	38.0

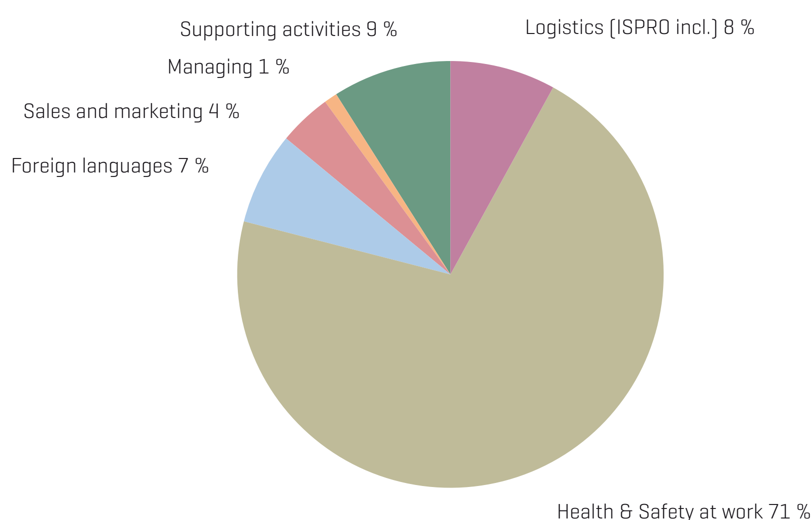
* This amount only includes tuition and participant fees (in €).

According to the subject of instruction, the highest share of training forms was dedicated to acquiring new knowledge and skills in the field of occupational safety and health, such as: fire safety, transport and handling with dangerous goods, first aid, training for workers on the railway – shunters, etc. In the Parent Company and the subsidiaries in Slovenia, 696 employees (incl. students and workers hired through agencies) were involved in training dedicated to Occupational Health and Safety, and 854 employees on the Group level. Our subsidiary in Croatia was on top of the trend, with as many as 10,864 hours of such training in total, or 34 hours per employee. By dedicated and continual training we aim to improve the professional capability and concern of the individual in safe work and good health, which enhances their productivity, reduce the risk of accident at work leading to injury or health impairment for our workforce.

Also the number of training hours dedicated to sales skills exceeded the same term a year ago.

In addition to this field of training, we increased the number of hours dedicated to sales skills over the same term a year ago. Other subject fields were included on a smaller scale than a year ago due to a late start of intensive training forms (towards the year-end) in the Slovenian part of the Group, on account of the Competencies Model and the Training Programme, designed in the frame of the "Competence Centre for HR Development in Logistics" project earlier in the year.

Chart 31: Education & Training structure by content



3.1.6 The »Competence Centre for HR development in Logistics« Project

For the term 2013 – 2015, Intereuropa d.d. is the leading partner for the project »Competence Centre for HR Development in Logistics«, involving 15 partner entities in the Project, next to Intereuropa. The project is funded by the European Social Fund and by Slovenia (the Fund of Republic of Slovenia for HR Development, and the Ministry of Labour, Family, Social Affairs and Equal Opportunities).

Intereuropa d.d. is the leading partner for the project »Competence Centre for HR Development in Logistics«, involving 15 partner entities in the Project, next to Intereuropa.

The project aims to assure the appropriate qualification of employees for work; after the competences for individual workplaces are laid down, training forms will be held in order to compensate for any shortcomings in the level of competence measured in a particular employee.

A Project Office of the consortium, currently staffed with 2 employees in the Personnel Department of the Parent Company, is financed in the scope of the project.

In the reporting year, the "Competencies Model" and the training programmes were first prepared in the Slovenian part of the Group, in the scope of said project; in the autumn we held lengthier training forms for the sales and executive staff, in which the participants were acquiring skills for sales promotion and motivation raising to achieve the target results. We organised internal training forms on the law and claims in logistics, on customs operations, courses of foreign languages, training on occupational safety and health, etc. All the educational/ training forms are financed largely by public funds.

3.1.7 Care for Employees and broader social environment

Despite cost containment and restricted financial resources in all areas, we endeavour to maintain a good work atmosphere for our employees. We achieve that by the following measures:

- Presentations of achievements and of good business practices in individual business units and by individual employees, published on the intranet;
- Comments and memos /summaries from training forms attended by our employees;
- Sending a letter of congratulation to a round birthday anniversary, signed by the President of Managing Board, expressing our attention and appreciation to employees;
- In the Slovenian part of the Group, 147 children received a € 30 gift coupon for a children's shop, as a New Year /holiday season present;
- At least 92 employees were awarded on the occasion of a round anniversary of service, on the Group level;
- Our present and retired employees are offered to spend a holiday in our holiday accommodation facilities at favourable prices; the occupancy in 2013 was 38 percent, or 2 percent better than a year ago;
- financial aid in total amount of € 31,811 was granted to 59 our employees who were affected by difficult health condition or had to cope with inferior financial position or death of a family member;
- Additional voluntary pension insurance is paid for 623 (94 percent) of our employees in the Slovenian part of the Group, on average amounting to € 37.70 per month and employee;
- We cultivate our relations and connections with educational institutions in the local and broader environment: we provided obligatory work practice to 53 secondary school and tertiary level students; it can also be arranged that students select topics for seminar papers or diploma thesis, incl. technical assistance;
- Our employees are encouraged to take part in recreational activities to maintain and promote health, and team-building events within or among individual business units.

3.1.8 Golden Tread ("Zlata nit")

At the end of 2013, we started to measure the quality of employees' relationship to the organization (referred to as the Golden Tread/ "Zlata nit"). These measurements are taken every second year, starting in 2007. The results of this research are underlying for our preparation of improvement measures in the Company.

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.

On average, the results of the latest measurement are better than the preceding one in 2011 (by 0.1 points). Our principal action for the coming term will be focused on Personal growth and development.

3.1.9 Occupational Safety and Health

Occupational safety and health is pre-requisite for a successful operation of an enterprise. The concern for health and safety at work is one of the key principles of our thrift corporate management policy.

Occupational health promoting project

In our companies Intereuropa d.d. and Interagent d.o.o., Koper, we joined the occupational health promoting project that is conducted by the Institute of Occupational Safety (ZVD d.d., Ljubljana) and the Slovenia Productivity Institute, co-financed by the Slovenian Health Insurance Institute of Slovenia.

This occupational health promoting drive is viewed as an opportunity to improve the organization of work and work environment, raise awareness on a healthy life-style at work, encourage the employees to take part in healthy activities, enabling them to choose a healthy life style resulting in lower sickness absenteeism in the long run.

Our companies Intereuropa d.d. and Interagent d.o.o., Koper, joined the occupational health- promoting project.

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 359. In the Slovenian part of the Group, we organised vaccination against flue: 76 employees took part.

Injuries at work

In the Group, there were 23 injured in accidents at work (2 with severe outcome), which was 10 accidents less than a year ago. In the Slovenian part of the Group, there were 5 light injuries, which is 15 less than at the year-end 2012, and no casualty. This has been the lowest number of injuries in the last 20 years. That improvement is also attributable to continual raising awareness in our employees, as well as training on a correct and healthy approach to work, focusing on the risks leading to accidents in a particular workplace.

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, 1,674 sets of different working assets/ equipment were examined and tested, or 1,795 in the whole Group. In future, more attention to this issue will be needed in the subsidiaries outside Slovenia: the number of inspections, examinations and tests conducted on the work and protective equipment and machinery was very low (121 sets).

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 June 2013, we carried out a practical exercise of evacuation of employees and tenants/ lessees of the premises in BU Ljubljana, and organised a training for employees on fire-fighting at an early stage of brand, with fire extinguishers.

3.2 Energy Efficiency and Responsibility for 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, comprising:

- 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 are applied to achieve energy efficiency:

- regular cleaning and servicing of furnaces, chimneys and air-conditioning appliances;
- regular servicing of work machinery/mechanisation and other equipment;
- regular replacing of spent air conditioning appliances and work machinery;
- regulation of heating installations and additional regulation of heating on work days and non-work days;
- restoration and additional thermal insulation of roof on warehouse and office buildings;
- replacing energy sources by alternative heating sources.

In our Croatian subsidiary Intereuropa, logističke usluge, d.o.o., Zagreb, we allowed installing a solar plant on the rooftop of our storage-commercial facility at Dugopolje-Split, with a total power of 300 kWp. Thereby we will contribute to reduce the CO_2 emissions by 300 tons per year. The energy so generated is estimated to meet the electricity requirements of almost 100 households. This was the sixth solar plant on the rooftops of Intereuropa facilities, with a total power of 5,355 kWp, sufficient to meet the electricity requirements for 1,485 households. Our contribution to lower CO_2 emissions is 3,640 tons per year. The utilisation rate and energy output from the solar plants on rooftops is compliant with the business plans of investors.

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

In our Croatian subsidiary Intereuropa, logističke usluge, d.o.o., Zagreb, we restored 5,500 m² of roof surfaces of the warehouse in Samobor and contributed to a better energy utilisation, or lower consumption of the power source for heating the storage and office areas, respectively.

Also in our warehouse facility in Maribor we provided for installing a system for co-production of thermal and electrical energy. We envision this investment will able us to use the effects of co-generation and cover 50 percent of our entire needs for heat.

In some storage facilities and office premises in Ljubljana, Celje and Maribor, we replaced the lighting equipment with more economical, energy-saving LED-base illumination equipment. That is compliant with the European guidelines and environmental Directives, and we expect at least 70-percent savings in the electricity consumption. We applied for a tender to acquire non-refundable grants and received a positive reply.

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.

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 sub-contractors as a relevant criterion for selection.

We followed the guidelines of energy efficiency also in the purchase of forklift trucks, having replaced the existing gas-powered forklift trucks with 5 electric forklift trucks. We expect to contribute to reducing the negative impact on the environment, energy consumption and maintenance costs.

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 6,200,000 kWh of electricity in the reporting year, which was 12 percent less than a year ago. In addition to measures referred to above, lower consumption was also attributable to a lower volume of work in certain org. units. During the last heating season, we used 146,000 litres of heating oil, which was 16 percent below the consumption of the preceding heating season; savings were recorded for the second successive year. In addition to very careful energy management, better weather conditions added to the favourable result as well. The consumption of natural gas for heating was 10 percent lower than a year ago. We expect additional benefits in reduced consumption from the co-generation system.

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 2014

In the coming year (2014), we will proceed with the measures addressing energy efficiency of commercial buildings and work machinery, issue the rules of conduct with energy, and upgrade the existing waste management plan. These optimisation measures addressing the energy consumption and investments in energy efficiency of warehouse facilities and office buildings are expected to result in lower consumption of electricity, heating oil and natural gas in the coming year.

3.3 Responsibility to social environment

We endeavour that the activities in the projects we support would be associated with our core activity and local environment, in which we live and operate. That principle applies to all the companies in the Group who act as sponsors or donors aiming to contribute to a higher quality of life for the broader community. The purpose of sponsoring is primarily turning to such opportunities that strengthen the reputation and corporate identity of Intereuropa in the European space.

The funds earmarked for sponsoring and donations remained on the same level as in 2012. All areas of society are treated on equal footing, within the limits of our financial position. However, the economic situation in 2013 had an impact on the performance of Intereuropa and slashed the funds that were originally earmarked for sponsoring and donations. Nevertheless, we supported some projects to the welfare of society.

The Intereuropa Group is committed 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 2013 was marked by successfully completed external audits in our two certified companies.

At present, 65.2 percent of our total staff work in the companies certified under the ISO 9001:2008 quality standard (Intereuropa d.d., Koper, and Intereuropa, logističke usluge, d.o.o., Zagreb), which is 14 percent less than a year before.

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.

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

The value of complaints in the reporting year was 32 percent lower than in 2012; also the number of complaints fell by 15 percent. Our inherent operating risks are insured with our subsidiary, the insurance brokerage Interzav d.o.o., Koper.

The speed of international consignments delivery remained on the same level as before. A positive trend in punctuality was recorded in domestic operations: it improved slightly – almost by one percent. More than 97 percent of consignments were delivered on time, i.e. on the next workday.

Internal auditing of service quality

Over the whole year, we conducted internal audits in both certified companies. The findings of internal audits are dealt with at the management review; if required, measures are introduced.

Internal Verification of the HACCP System for foodstuffs

Our warehouses in Maribor, Dravograd, Celje and Ljubljana have established the HACCP System for foodstuffs (Hazard Analysis and Critical Control Point for Foodstuffs); the same is true for 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 four recommendations relating to cleanliness and equipment.

External audit on quality of service

Table 21: Overview of external audits

Company	Standard	Certification body	Month of external audit	Non-compliance	Recommendations
Intereuropa d.d., Koper	ISO 9001:2008	SIQ	March	0	16
Intereuropa, logističke usluge, d.o.o., Zagreb	ISO 9001:2008 ISO 22000:2005	SIQ	June	0	13

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

In addition to audits of quality management system on the part of certification authorities, we also had an audit under the "other party" principle. The quality of operations was audited by the customer Renault. The audit did not detect any non-compliance, but issued 15 recommendations relating to prescribing the processes and assuring a full substitution.

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 No. 834/2007 was conducted for the seventh time in sequence. The auditor did not find any non-compliance and issue any recommendation.

Plans

After a successful introduction of the modern IT solution and standard procedures into the business processes of our Land Transport Area, we aim to upgrade our software equipment and thereby the work procedures in the Logistics Solutions Area.

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 important 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.

Suppliers of major business areas are assessed annually and included in appropriate lists (as authorised or non-authorised) based on a uniform methodology and applicable criteria (price and payment terms, quality and deadline/ 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. An important factor in selecting a supplier is also the possibility of compensation of services, which contributes to a faster settlement of mutual outstanding liabilities and further cooperation.

Goals for 2014

Our goal for purchasing aims at procurement of services or materials for the work process at the best possible price and in appropriate quality, in view of establishing and maintaining long-term business relations with suppliers, annual supplier assessments and review of pricing terms, as well as seeking the possibility for compensation (offset) of mutual services.

3.6 Communication with key public

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.

We strengthen the confidence of target public in an open dialogue, and contribute to the identity and reputation of Intereuropa on all the markets in which our Group operates.

Through communication with all interested publics who enter into contact with Intereuropa – our investors, customers, employees, media and the social environment – we build up and cultivate our relations. Their confidence is strengthened in an open dialogue, improving the identity and reputation of Intereuropa on all the markets in which our Group operates.

The outstanding achievements and novelties in the operations of the Intereuropa Group are in the forefront of communication activities of the Company; occasionally we responded to topical issues or situations and to the needs of the market. The operations of Intereuropa d.d. are transparent and the Company provides all the relevant information to the environment.

Communication with financial audiences

Intereuropa d.d. is listed on the Ljubljana Stock Exchange: a section of this Report is dedicated to the share and shareholder structure of the Company. 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 2013, 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.

Communication with the media

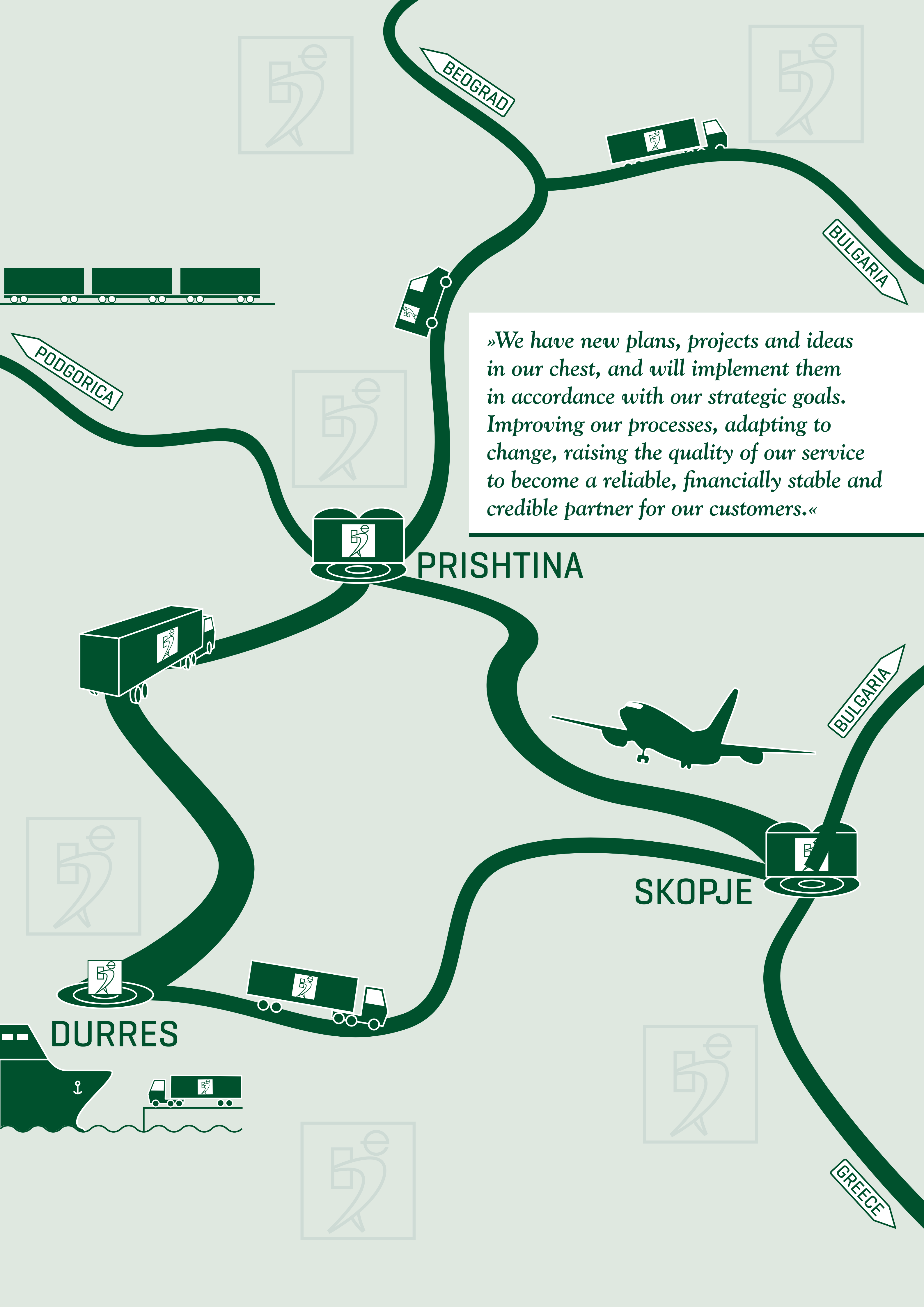
Our underlying principle is a comprehensive and active communication with all segments of the public linked to the Intereuropa Group. We are committed to a correct and balanced two-way communication and responsibly open a dialogue with the environment in which we operate. Through the media, we provide consistent information that is disseminated to the general public, thus contributing 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 (Sharepoint Portal, established in 2013). The internal e-newspaper InterInformator provides the employees with current information on events and situation in the Company. 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 2013, we also arranged expert meetings and events that were well attended by both sides.


BEOGRAD
BULGARIA
PODGORICA
»We have new plans, projects and ideas in our chest, and will implement them in accordance with our strategic goals. Improving our processes, adapting to change, raising the quality of our service to become a reliable, financially stable and credible partner for our customers.«
PRISHTINA
BULGARIA
SKOPJE
DURRES
GREECE

1 FINANCIAL REPORT of the Intereuropa Group and of the parent company Intereuropa d.d. for the financial year 2013

Introductory Notes to Compilation of Financial Statements

The Intereuropa Group comprises the Parent Company Intereuropa d.d., Koper with its subsidiaries and a joint venture (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., 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 2013

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. 12. 2013. 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.

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

Table 1: Subsidiaries and joint venture as at 31. 12. 2013

in € thousand

	Country of registered office	Stake in % as at 31 Dec 2013	Total equity of the company	Pertaining net profit or loss for 1 Jan - 31 Dec 2013
Direct subsidiaries of the parent company Intereuropa				
Intereuropa Transport, d.o.o., Koper*	Slovenia	100.00	-1,236	7
Interagent, d.o.o., Koper	Slovenia	100.00	838	73
Interzav, d.o.o., Koper	Slovenia	71.28	69	24
Intereuropa, Logističke usluge, d.o.o., Zagreb	Croatia	99.96	51,711	-100
Intereuropa sajam, d.o.o., Zagreb	Croatia	51.00	694	10
Intereuropa Skopje, d.o.o., Skopje	Macedonia	99.56	1,739	96
Intereuropa RTC, d.d., Sarajevo	Bosnia and Herzegovina	95.77	15,099	451
A.D. Intereuropa-logističke usluge, Belgrade	Serbia	73.62	6,764	208
TOV TEK ZTS, Uzhgorod	Ukraine	89.93	601	452
Intereuropa Kosova L.L.C., Prishtina	Kosovo	90.00	359	33
Zetatrans A.D. Podgorica	Montenegro	69.27	21,389	413
TOV Intereuropa-Ukraina, Kiev	Ukraine	100.00	916	-63
Intereuropa Global Logistics Service, Albania, Durrës	Albania	100.00	56	1

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

Joint venture included by the equity method:

Joint venture				
Intereuropa-FLG, d.o.o.	Slovenia	50.00	233	34

In the given term, the subsidiary Intereuropa Transport d.o.o. was in liquidation proceedings; the liquidation of the subsidiary Intereuropa Transport & Spedition Gmbh, Troisdorf, was closed and the company was finally deleted from the Register of Companies in June 2013. Capital increase was undertaken in the Ukrainian subsidiary TOV Intereuropa-Ukraina, Kiev; on the other hand, the registered capital was decreased in the Croatian subsidiary Intereuropa Sajam d.o.o., Zagreb.

Table 2: Consolidated Income Statement of the Intereuropa Group for 2013

in € thousand

	Notes	2013	2012
Sales revenues	**1**	**161,061**	**188,409**
Other operating revenues	2	3,748	4,556
Costs of materials and services	3	-117,768	-128,978
Labour costs	4	-28,372	-34,725
Depreciation	5	-11,270	-21,669
Other operating expenses	6	-2,098	-14,819
Operating profit		**5,301**	**-7,226**
Finance income	7	817	1,037
Finance costs	7	-5,608	-14,083
Profit from financing activities		**-4,791**	**-13,046**
Profit or loss from investments recognised by the equity method	8	34	34
Profit from continuing operations		**544**	**-20,238**
Corporate income tax (including deferred taxes)	9	1,608	6,808
Net profit for the period		**2,152**	**-13,430**
Net profit - non-controlling interest		352	368
Net loss - controlling interest		1,800	-13,798
Basic and diluted earnings / loss per ordinary share (€)	**19**	**0.10**	**-1.60**

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 2013

in € thousand

	Notes	2013	2012
Net profit for the period		**2,152**	**-13,430**
Other comprehensive income	**19**	**-2,887**	**8,108**
Items that will be reclassified to profit or loss		**-592**	**4,926**
Change in fair value of available-for-sale financial assets	16	18	112
Transfer of revaluation surplus related to available-for-sale financial assets to revenues/expenses (from the disposal of financial investments)		12	0
Deferred tax in revaluation surplus related to available-for-sale financial assets	23	-4	-29
Conversion exchange differences	19	-618	4,843
Items that will not be reclassified to profit or loss		**-2,295**	**3,182**
Change fair value of land	10	-1,376	0
Transfer of surplus from revaluation of land to retained earnings (in sale of land)		-54	0
Deferred tax in surplus from revaluation of land	23	-986	3,186
Retained earnings from revaluation of land (in sale of land)		54	0
Assessed tax from retained earnings		-4	0
Actuarial gains / losses from severance pay benefits and anniversary bonuses recognized in retained profit / loss		71	0
Other changes in retained earnings		0	-4
Total comprehensive income		**-735**	**-5,322**
Total comprehensive income - non-controlling interest		343	201
Total comprehensive income - controlling interest		-1,078	-5,523

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. 12. 2013

in € thousand

	Notes	31 Dec 2013	31 Dec 2012
ASSETS			
Property, plant and equipment	10	226,852	234,727
Investment properties	11	6,345	6,585
Intangible assets	12	7,124	7,513
Other non-current assets	13	175	317
Deferred tax assets	23	16,843	14,775
Long loans and deposits	14	83	54
Investment in a joint venture	15	135	135
Other financial assets	16	1,813	3,106
TOTAL NON-CURRENT ASSETS		**259,370**	**267,212**
Inventories		241	143
Short loans and deposits and cerificates of deposits	14	13,132	10,779
Short-term trade receivables	17	32,872	35,630
Current income tax assets		678	815
Cash	18	7,126	8,390
TOTAL CURRENT ASSETS		**54,049**	**55,757**
TOTAL ASSETS		**313,419**	**322,969**
EQUITY			
Equity - controlling interest		**144,282**	**145,361**
Share capital		27,489	27,489
Equity reserves		18,455	18,455
Revenue reserves		3,840	2,804
Revaluation surplus		68,777	71,176
Translation exchange differencies		-6,937	-6,339
Transferred net profit		31,865	38,955
Net profit		793	-7,179
Equity - non-controlling interest		**9,481**	**9,532**
TOTAL EQUITY	**19**	**153,763**	**154,893**
LIABILITIES			
Provisions and long-term deferred revenues	20	5,647	7,034
Long-term loans and financial leases	21	105,611	111,663
Long-term operating liabilities		668	434
Deferred tax liabilities	23	14,191	13,216
TOTAL NON-CURRENT LIABILITIES		**126,117**	**132,347**
Short-term loans and financial leases	21	6,192	5,975
Other current financial liabilities	22	460	1,706
Short-term operating liabilities	24	26,650	27,904
Current corporate income tax payable		237	144
TOTAL CURRENT LIABILITIES		**33,539**	**35,729**
TOTAL LIABILITIES		**159,656**	**168,076**
TOTAL EQUITY AND LIABILITIES		**313,419**	**322,969**

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 2013

in € thousand

	Note	2013	2012
Cash flows from operating activities			
Net profit for the period		**2,152**	**-13,430**
Adjustments for:			
- depreciation		7,245	9,165
- impairment tangible fixed assets and intangible assets		1,098	881
- revaluation operating revenues from disposal of tangible fixed assets and investment property		-591	-1,328
- revaluation operating expenses from disposal of tangible fixed assets and investment property		111	9,873
- impairment of receivables		2,815	1,750
- non-cash expenses		397	11,295
- non-cash revenues		-626	-962
- finance income		-817	-1,037
- profit or loss from the joint venture recognised by the equity method		-34	-34
- finance costs		5,608	14,083
- corporate income tax		-1,608	-6,808
Operating profit before working capital changes and tax		**15,751**	**23,448**
Changes in working capital and provisions			
Change in receivables		-169	6,586
Change in inventories		-98	98
Change in operating liabilities		-1,578	-8,812
Changes in provisions and long-term deferred revenue		-1,183	-525
Corporate income tax paid		-220	-1,513
Net cash flows from operating activities		**12,503**	**19,282**
Cash flows used in investing activities			
Sale of a subsidiary net of cash acquired		0	43,177
Interest received		888	1,086
Dividends and other profit participations received		38	1
Proceeds from sale tangible fixed assets		967	5,324
Proceeds from granted long-term deposits		14	28
Expenditures for acquisition of property, plant and equipment		-1,625	-1,945
Expenditures for acquisition of intangible assets		-179	-119
Expenditures for granted long-term deposits		-50	-11
Expenditures from an increase in short-term loans		-48	-77
Expenditures from an increase in short-term deposits and cerificates of deposits given		-2,299	-2,180
Expenditures from settlement of derivatives		0	-1,342
Net cash flows used in investing activities		**-2,294**	**43,942**
Cash flows from/(used in) financing activities			
Proceeds from received long-term loans and financial leasing		698	547
Interest paid		-4,023	-8,882
Expenditures for repayment of long-term loans and financial leasing		-5,299	-49,243
Expenditures for a decrease in short-term loans		-1,203	-12,217
Expenditures for a decrease in other short-term financial liabilities		-1,267	-2,317
Dividend paid and payment of the reduction of the share capital of subsidiaries		-373	-353
Net cash flows from financing activities		**-11,467**	**-72,465**
Opening balance of cash and cash equivalents		**8,390**	**17,651**
Exchange difference in cash		-6	-20
Net cash flow from continuing operations		**-1,264**	**-9,261**
Closing balance of cash and cash equivalents	**18**	**7,126**	**8,390**

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 2013

in € thousand

	Notes	Share capital	Capital reserve	REVENUE RESERVES				Revaluation surplus	Translation exchange differences	RETAINED EARNINGS		Equity - controlling interest	Equity - non-controlling interest	Total equity
				Legal reserves	Reserves for treasury shares	Treasury shares (deductible)	Statutory reserves			Transferred net profit	Net profit of period			
Opening balance as at 1 Jan 2013		**27,489**	**18,455**	**2,601**	**180**	**-180**	**203**	**71,176**	**-6,339**	**38,955**	**-7,179**	**145,361**	**9,532**	**154,893**
Total comprehensive income		**0**	**0**	**0**	**0**	**0**	**0**	**-2,399**	**-598**	**119**	**1,800**	**-1,078**	**343**	**-735**
Net profit or loss for the year		0	0	0	0	0	0	0	0	0	1,800	1,800	352	2,152
Other comprehensive income		0	0	0	0	0	0	-2,399	-598	119	0	-2,878	-9	-2,887
Transactions with shareholders														
Transfer of net profit/loss for the previous year to transferred net profit		0	0	0	0	0	0	0	0	-7,179	7,179	0	0	0
Payment of dividends and profit participation		0	0	0	0	0	0	0	0	0	0	0	-305	-305
Payment of the reduction of the share capital of subsidiaries		0	0	0	0	0	0	0	0	0	0	0	-89	-89
Payment from liquidation of the subsidiary		0	0	1,028	0	0	9	0	0	-37	-1,000	0	0	0
Changes in equity		0	0	53	0	0	-53	0	0	0	0	0	0	0
Coverage of losses from previous years		0	0	0	0	0	0	0	0	7	-7	0	0	0
Closing balance as at 31 Dec 2013	**19**	**27,489**	**18,455**	**3,682**	**180**	**-180**	**158**	**68,777**	**-6,937**	**31,865**	**793**	**144,282**	**9,481**	**153,763**

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 2012

in € thousand

	Notes	Share capital	Capital reserve	REVENUE RESERVES				Revaluation surplus	Translation exchange differencies	RETAINED EARNINGS		Equity - controlling interest	Equity - non-controlling interest	Total equity
				Legal reserves	Reserves for treasury shares	Treasury shares (deductible)	Statutory reserves			Transferred net profit	Net profit of period			
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	**19**	**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.

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 31st December 2013 include the Company, its subsidiaries (hereafter jointly referred to as the Group), and an interest in a joint venture (jointly controlled company). 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 25 February 2014.

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 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.

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 is 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. 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;
- recoverable amount serving for comparison with the book value (carrying amount) in test of asset impairment;
- useful life of depreciable assets;
- residual value of Property, Plant and Equipment;
- 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

In 2013, the accounting estimate on the impairment of some receivables involved in lawsuits and executions changed - increased by 5 percentage points. The impact of that accounting estimate change resulted in € 106 thousand. There were no other changes to accounting estimates.

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 the reporting year, there was a change in the accounting principle governing the provisions for termination benefits on retirement, for which we recognised the actuarial gains /losses in the Retained Net Profit/ Loss based on the amended International Accounting Standard (IAS) 19, and the cost of years-of service and interest in the Profit or Loss; in the preceding year, these items were recognised directly in the Profit or Loss Statement. We estimate the respective change to have no relevant impact on financial statements.

(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 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.

Joint Venture

A joint venture (jointly controlled entity) 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 joint venture, 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 reference exchange rate of the European Central Bank (ECB) 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.

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, 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	2013		2012	
		Closing exchange rate in €*	Average exchange rate in €*	Closing exchange rate in €*	Average exchange rate in €*
Montenegro, Kosovo	€	-	-	-	-
Russia	RUB	-	-	40.330	39.926
Croatia	HRK	7.627	7.579	7.558	7.522
Macedonia	MKD	61.936	61.932	61.487	61.626
Bosnia and Herzegovina	BAM	1.956	1.956	1.956	1.956
Serbia	RSD	114.140	112.940	113.390	113.000
Ukraine	UAH	11.202	10.808	10.636	10.437
Albania	ALL	140.700	140.330	139.830	139.280

* 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 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 of the Group, dividends are recognised in the period in which the General Meeting adopted a resolution od 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. The revalued amount is a fair value as at the revaluation date, decreased by any subsequently accumulated loss owing to impairment. 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 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 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 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 3-10 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 the finite useful life is accounted under the method of straight-line amortisation during 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.

Depreciation and 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, 15 and 33 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, we apply the model of procurement value under which an investment property is presented at procurement value less any allowance for depreciation and any accumulated impairment loss. 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

Impairment of operating receivables

Operating receivables are impaired by establishing a 100-percent value adjustment for all receivables overdue by more than 180 days, or exceptionally (e.g. if supported by reliable - impartial evidence that the account receivable will be paid) by assessment of recoverability of individual receivables In the impairment of receivables involved in legal actions, execution proceedings, bankruptcy and compulsory composition, and similar, 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 following the finally resolved (completed) bankruptcy proceedings, approved compulsory compositions, unsuccessful execution proceedings, and ascertained irrecoverability 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 either in case the market price has 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 % 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.

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). 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 employee benefits

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.

Provisions are recognised inclusive of the corresponding costs or expenses, except gains and losses arising from increases or decreases of the present value of an obligation for certain employee benefits due to changes in actuarial assumptions and experiential adjustments that are recognised directly in the Retained Net Profit/ Loss. 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

Under the Long-term deferred revenues are presented the deferred revenues that will cover the expected expenses in a period exceeding one year. Donations and government grants received for the acquisition of fixed assets belonging to Property, Plant and Equipment are also classified under the long-term deferred revenues. They are being used up by way of transfer to operating revenues in the amount of depreciation costs for such assets.

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 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).

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 systematically recognised as revenues in the useful life of the asset.

(p) Leases

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 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, 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 (JV) in the amount, which will probably not be eliminated in the near 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 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.

(t) Net earnings/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 the weighted average number of ordinary shares in the financial year for the effect of all dilutive potential ordinary shares representing convertible bonds and share options of employees. The Group 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 use it as the basis for decision-making on the resources to be allocated to a particular segment and assessing performance of the Group; separate financial data are to be available for such particular 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 resulting business segment so combined, and other segments, the consolidated financial statements also present the information for the Intereuropa Group and 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 2013

The accounting policies used in compiling the consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended at 31. 12. 2012, with the exception of newly adopted or changed standards and interpretations entering into force on 1. 1. 2013 and listed below.

Newly adopted standards and interpretations

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

The amendment will apply to annual periods beginning on or after 1 July 2012. The amendment to said standard changes the grouping of items presented in other comprehensive income. Items of other comprehensive income, which may be "transferred" to the income statement in future periods (e.g. upon derecognition or settlement), have to be presented separately from those never recognised in the income statement. The amendment does not change the nature of items that are recognised in other comprehensive income and does not affect the decision whether the items of other comprehensive income will be in future "transferred"to income statement or not. The change only influences the presentation of items, but does not affect the financial position or operation of the Group.

IAS 19 Employee Benefits

The revised standard brings numerous amendments comprising basic requirements/ changes and clarifications/ interpretations that simplify the use of the standard, and changed wording. Major changes include: removing the corridor approach ("mechanism") in deferred recognising actuarial gains and losses from a defined benefit plan. The revised standard further introduces new or revised requirements for disclosures, incl. quantitative disclosures on sensitivity of liabilities in a defined benefit plan to reasonably possible changes of each significant actuarial assumption; termination benefit liability is recognised at the earlier of the following dates: when the entity can no longer withdraw the offer of those benefits, or when the entity recognises the related costs for a restructuring under IAS 37; distinguishing between short-term and other long-term employee benefits depends on the date expected for settlement and not on the entitlement to such benefit. The standard shall apply to annual periods beginning on or after 1 January 2013. We estimate the respective change to have no relevant impact on financial statements.

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. Said amendment requires the disclosure of information on the rights to offset and the arrangements involved therein (e.g. insurance contracts). These disclosures should provide the users with information useful to estimate the net or potential effect of offsetting on the financial position of the entity. The requirement for new disclosures shall apply to all the recognised financial instruments that are offset under the IAS 32 Financial Instruments: Presentation. Disclosures are also required for the recognised financial instruments that are subject to a general executable arrangement on offsetting, or to a similar arrangement, irrespective of whether the financial instruments were offset in accordance with the IAS 32 or not. The revised standard does not affect the financial position of the operations of the Group, but requires additional disclosures.

IFRS 13 Fair Value Measurement

IFRS 13 introduces a single framework for measuring fair value of all items. The new standard does not change the requirement on when an entity has to measure its items at fair value, but it clarifies how an entity should measure fair value in accordance with the IFRS, when the standards so require or allow for it.

The IFRS 13 defines fair value the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (e.g. an "exit price"). The "fair price" as used in the IFRS 2 "Share-based payment" and IFRS 17 "Leases" does not fall under the framework of this Standard.

Numerous areas are clarified herein, such as:
- the concepts "highest and best use" and "valuation premise" only apply to non-financial assets;
- any adjustment for quantitative factors (package discounts) is forbidden in all fair value measurements; and
- describes the approach to measuring fair value in markets that are less active.

The standard introduces new disclosures on fair value measurement also to facilitate understanding of valuation techniques and inputs in the measurement of items at fair value, as well as the effect of items measured at fair value on Profit or Loss. The standard does not have a significant impact on the financial statements of the Group.

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 mine. There can be two benefits accruing to the entity from the stripping activity: a) usable ore that can be used to produce inventory in the current period and/or b) improved access to further quantities of material / ore that will be mined in future periods: the costs associated with that component can be recognised within the item of non-current assets only where certain criteria are met (a "stripping activity asset"). A stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. A stripping activity asset is initially measured at cost or its revalued amount less depreciation or amortisation and impairment losses according to the nature of the existing asset of which it forms part. The explanatory note is effective for annual periods beginning on or after 1 January 2013. It does not affect the financial position of the operations of the Group.

New standards and interpretations not yet effective or approved by the EU

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, and is presently analysing the effect of the non-binding standards and interpretations that will enter into effect after approval by the EU with 1 January 2014.

IAS 28 Investments in Associates and Joint Ventures

The standard was amended due to the introduction of revised standards IFRS 11, IFRS 12 and IAS 28, and it clarifies the use of equity method in recognising financial investments in associates and joint ventures. The revised standard does not have a significant effect on the financial position of the operations of the Group.

IAS 32 Financial instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)

In December 2011, the International Accounting Standards Board (IASB) published amendments to IAS 32 to provide clarifications on the application of the offsetting rules and to ensure uniform application thereof in practical usage. The standard is effective for annual periods beginning on or after 1 January 2014. The amendment clarifies that the "legally enforceable right to set-off" in ordinary operations does not suffice, and the entity needs a legally enforceable right of set-off also in case of a default (non-fulfilment of liabilities), bankruptcy or insolvency of all the counterparties involved, including the reporting entity. In accordance with the IAS 32 criteria for offset, the reporting entity shall have the intent whether to settle an asset on a net basis, or with simultaneous realisation and settlement. The amendment clarifies that only gross settlement mechanisms with features that either eliminate or result in insignificant credit and liquidity risk and that will process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, would meet the net settlement criterion. The Group does not expect any impact of these amendments on financial statements.

IAS 36 Impairment of Assets (Recoverable amount disclosures for non-financial assets)

The amendment clarifies in detail the requirements for disclosure of fair value less costs of disposal. With its original amendment to IAS 36 "Impairment of Assets" that resulted from the issue of IAS 32, the Board (IASB) intended to introduce a requirement for disclosure of information on recoverable amount of impaired assets in case the entity calculated the recoverable amount on the basis of fair value less costs of disposal. Following the unexpected outcome from that amendment to the standard, an entity ought to disclose the recoverable amount of each cash-generating unit (CGU) containing goodwill or intangible assets with indefinite useful lives if the carrying amount thereof is relevant in respect of the total carrying amount of any goodwill or intangible assets with indefinite useful lives. As a result, the Board withdrew that requirement from the standard.

In addition, the Board published two further requirements for disclosure:

- disclosure of additional information on measurements of fair value of impaired assets if fair value less costs of disposal is the basis for recoverable amount;
- disclosure of discount rate applied by the entity in determining the fair value, taking into account fair value less costs of disposal, using a present value technique. The amendment harmonises the disclosure requirements for values in use and fair value less costs of disposal.

The amended standard is effective for annual periods beginning on or after 1 January 2014. The Group does not expect any impact of that amendment to financial statements.

IAS 39 Financial instruments: Recognition and Measurement

The amended standard introduces an exemption from the requirement for discontinuation of hedge accounting in certain circumstances in which a novation (change in the counterparty) of an existing instrument would lead to its derecognition.

The exemption applies in cases when the novation:

- happens as a consequence of laws or regulations or the introduction of laws or regulations where the original parties to a hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties to the novated derivative (exchange of counterparties); and
- the changes in terms of the novated derivative do not arise from the changed terms of the original derivative except those directly attributable to novation of a counterparty for the sake of a settlement.

In that exemption, hedge accounting can continue provided that all the a.m. criteria are met. The new standard relates to novation to central counterparties and brokers, such as clearing counterparties or their clients who are brokers. In the changes not meeting the criteria for an exemption, entities have to assess the novation to hedging instrument by considering the requirements for derecognition of financial instruments and the general terms for a continuation of hedge accounting.

The amended standard is effective for reporting periods beginning on or after 1 January 2014. The Group does not expect any impact of that amendment to the financial statements of the Group.

IFRS 9 Financial Instruments – Classification and Measurement

The IFRS 9 was published in November 2009 and replaced the IFRS 39 Financial Instruments: Recognition and Measurement. The revised standard introduces new requirements regarding classification and measurement of financial assets and liabilities. In October 2010, the Board published an addendum to IFRS 9 addressing the requirements for classification and measurement of financial liabilities and derecognition of financial assets and liabilities, but the requirements for classification and measurement of financial liabilities and derecognition of financial assets and liabilities from IAS 39 remained unchanged. The standard eliminates two groups of financial instruments that are presently in the scope of the IAS 39: financial assets available for sale and financial assets held to maturity. According to the IFRS 9, all financial assets and liabilities are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition.

Financial assets

Unless the entity exercises the fair value option, it can measure debt instruments subsequent to initial recognition at the amortised cost, provided that the following requirements are satisfied:

- entity holds an asset in order to obtain the cash flow as per contract; and
- as of a particular date set, the contractual terms on the financial asset ensure sufficient cash inflows for principal payments and interest due for the principal.

Other debt instruments not complying with said terms are measured at fair value, subsequent to initial recognition.

All investments in equity instruments are measured at fair value or in the other comprehensive income, or in profit or loss. Equity instruments held for trading have to be recognised at fair value in profit or loss. In all other investments in equity instruments, the enterprise has an irrevocable choice to recognise the changes to fair value of each equity instrument either in the comprehensive income or in profit or loss.

Financial liabilities
In financial liabilities measured at fair value, any change to fair value of a liability that may be attributed to changed credit risks has to be recognised in the comprehensive income. Other changes to fair value are recognised in the profit or loss, unless the recognition of a change to fair value including the liability for the associated credit risk in the comprehensive income either cause or increase the accounting mismatch in the profit or loss statement.

Hedge accounting
In the framework of the IFRS 9, the Board published a new chapter dealing with hedge accounting, which means a significant revision thereof. Thereby it introduced a new model that brings important improvements primarily in significantly reduced accounting mismatch between accounting of hedged items and risk management, and additional improvements regarding information disclosure on hedge accounting and risk management.

The Board has not stated the effective date for application yet, or deferred its decision until the release of the final version of the IFRS 9, respectively. Said standard was not approved by the EU yet.

The adoption of the IFRS 9 will affect the classification and measurement of financial assets and liabilities of the Group. The Group will evaluate that impact, along with the impacts of other amendments to said standard when released, to get a more thorough picture of impacts of these amendments to consolidated financial statements.

IFRS 10 Consolidated Financial Statements

This standard supersedes the IAS 27 Consolidated and Separate Financial Statements in the part dealing with consolidated financial statements and also addressing the issues summed up in SIC-12 Consolidation – Special Purpose Entities, and the resulting withdrawal of SIC-12. The revised IAS 27 is also limited to accounting treatment of investments in subsidiaries, joint ventures and associates in separate financial statements.

The IFRS 10 introduces a uniform management model for all types of entities, incl. Special purpose entities. The changes introduced by IFRS 10 will demand important assessments in identifying the subsidiaries which the parent has to include in consolidation. The Standard also amends the definition of control, by which an entity controls the other entity, provided that an investor:

- has power over the investee (i.e. under IFRS 10, when the investor has existing rights that give it the ability to direct the relevant activities of the entity);
- is exposed to, or has the rights to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect the amount of the investor's returns.

The EU approved the standard and set the ultimate effective date for annual periods beginning on or after 1 January 2014. The Group does not expect the standard to have a significant influence on the shares held in the companies; it can affect any future takeover, though.

IFRS 11 Joint arrangements

The new standard supersedes the IAS 31: Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers.

The revised standard defines joint control as a contractually agreed sharing of control of a joint arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The definition of "control" in the term "joint control" is taken from the IFRS 10. Concurrently, the IFRS 11 changes the accounting for joint arrangements: unlike the IAS 31, which deals with three investment groups, the revised standard identifies only two groups of investments eligible for joint control:

- Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise their assets, liabilities, revenues and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly); and
- The new standard defines a jointly controlled entity (joint venture) as an arrangement in which the parties have rights to the net assets of the arrangement. Investments in jointly controlled entity are recognised according to the equity method of accounting for investments. The new standard abolishes the option of "proportionate consolidation" to account for jointly controlled entities under IAS 31, which only allows for equity method of consolidation.

In accordance with the definition of new groups of investments, an entity has to consider in its classification of a joint arrangement as a joint operation or a jointly controlled entity (joint venture) not only the structure and form of the arrangement, but also other facts – unlike in IAS 31. Under IFRS 11, the parties have to determine whether a separate entity exists: if so, they have to consider the structure and legal form, the terms agreed by the parties in the contractual arrangement, and other facts and circumstances of a separate entity.

The EU approved the standard and set the ultimate effective date for annual periods beginning on or after 1 January 2014.

The Group does not expect the standard to have a significant influence on the shares held in the companies; it can affect any future arrangements, though.

IFRS 12 Disclosure of Interests in Other Entities

This standard is a consolidated disclosure standard requiring a wide range of disclosures comprised in the IAS 27, IAS 28 and IAS 31 about an entity's interests in subsidiaries, joint arrangements (joint ventures), associates and unconsolidated "structured entities". Some most extensive qualitative and quantitative disclosures under the IFRS 12 include: a high-level summary of the main requirements – financial information for each subsidiary in which the Company holds a significant non-controlling share; description of significant judgements and assumptions of the management in determining whether it controls another entity or has joint control of an arrangement or significant influence over another entity, and the type of joint arrangement (i.e. joint operation of joint venture); summary of financial information for each significant joint venture or associate; and description of risk associated with the entity's interests in unconsolidated structured entities.

The EU adopted the standard and set the ultimate effective date for annual periods beginning on or after 1 January 2014.

The change only influences the presentation of items, but does not affect the financial position or operation of the Group.

Investment Entities (Amendments to standards IFRS 10, IFRS 12, IAS 27 and IAS 28)

In October 2012, the IASB issued amendments to IFRS 10, IFRS 12 and IAS 27 standards that enter into effect for annual periods beginning on or after 1 January 2014. The amendments relate to investments held by the reporting entity that meets all the criteria for an investment entity in subsidiaries, joint ventures and associates. An investment entity has to recognise its investments in subsidiaries, associates and joint ventures at fair value in the profit or loss under the IFRS 9 (or IAS 39), except for investments in subsidiaries, associates and joint ventures providing services that relate only to the investment entity, which would be consolidated or accounted for under the equity method. An investment entity has to recognise the investments in a controlled investment entity at fair value. Accordingly, a non-investment entity parent of an investment entity must "unwind" the fair value accounting of its investment entity, at which the affiliated investment entities recognise their investees who are in their control. Non-investment entities have retained the option to measure their investments in associates and joint ventures at fair value in the profit or loss, as foreseen by IAS 28. We do not expect any major impact on the financial position and operation of the Company from that change to the standard.

IFRIC 21 Levies

The interpretation provides guidance on levies not covered by other standards (e.g. IAS 12), fines and other penalties arising from the breach of law. Fines or penalties are defined as a decrease in assets /outflows for levies imposed on entities by governments in accordance with laws and/or regulations. This interpretation provides detailed guidance on recognition of a liability to pay levies upon occurrence of an obligating event resulting in a levy in accordance with laws and/or regulations. The entity may recognise the liability to pay a levy progressively if the obligating event occurs over a period of time as provided by the law. If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached. The interpretation does not deal with how to account with costs arising from the recognition of a liability to pay a levy. Entities have to find the solution in other standards and determine whether the recognition of a liability gives rise to an asset or expense. The interpretation is effective for annual periods beginning on or after 1 January 2014. The Group is analysing the impact thereof on its financial position and operations.

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

Subsequent to recognition, land is measured at a revalued amount equalling fair value as at the revaluation date (i.e. the price to be achieved in a disposal of an asset or paid for the transfer of a liability in an ordinary transaction on the main (or most favourable) market among the participants involved in the market on the date of measurement under the current market terms, regardless of the fact whether the price can be directly monitored or estimated by another valuation technique. Depending on the circumstances or situation, the fair value of land is measured by one or several valuation methods, such as market-based, cost-based and return-based approach. Revaluation is made every five years or more frequently if there are indications of impairment.

Assets available for sale

Fair value of 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.

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 stated) 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 the financial statement were considered the data from the Consolidated Income Statement for 2013, items of the Consolidated Statements of Financial Position as at 31. 12. 2013 and 31. 12. 2012, and other necessary data.

NOTE 1: Sales revenue

Table 9: Sales revenue

in € thousand

	2013	2012
Sales revenues	161,061	188,409

NOTE 2: Other operating revenue

Table 10: Other operating revenue

in € thousand

	2013	2012
Revaluation operating revenues from disposal of tangible fixed assets and investment property	591	1,328
Income from reversal of provisions	141	837
Received state support	335	70
Income from the reversal of allowances for receivables and recoveries of written-off receivables	990	947
Revenues from extinguishment of debt	109	28
Other operating revenues	1,581	1,346
Total	**3,748**	**4,556**

Other Operating Revenues of the reporting year mainly represent the proceeds from damages received from the settlement of customs duty on account of an incomplete transit procedure under the Decision by the Customs Administration of the Republic of Slovenia (amounting to € 1,076 thousand), for which the provisions made in the preceding year were used. The Group estimates that the collection of said compensation for damages, which was invoiced in advance, be aggravated, therefore we impaired this account receivable in full amount (the impairment is presented under the Depreciation/Write-Offs). We received € 263 thousand from state grants awarded for co-financing of projects, and € 72 thousand for incentives and funds obtained from employing disabled persons above the quota (€ 70 thousand in comparable year).

In the scope of revenues from the elimination of allowances for receivables and collected written-off receivables, the revenues from the former amounted to € 961 thousand (see Note 17) and from the latter € 29 thousand, respectively.

NOTE 3: Cost of materials and services

Table 11: Cost of materials and services

in € thousand

	2013	2012
Cost of material	4,242	5,389
Cost of services	113,526	123,589
Direct costs	101,990	106,902
Telephone costs	541	741
Maintenance costs	2,487	3,416
Insurance premiums	811	1,149
Training and education costs	54	64
Cost of intellectual services	511	731
Other costs of services	7,131	10,586
Total	**117,768**	**128,978**

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

Other costs of services mostly relate to refunds of work-related travel expenses to employees, costs of public utilities, rentals/leases and fees for payment transactions.

NOTE 4: Labour costs

Table 12: Labour costs

in € thousand

	2013	2012
Wages and salaries	20,139	24,657
Pension insurance costs	2,527	2,876
Other social security costs	2,073	2,303
Other labour costs:	3,632	4,889
Holiday allowances	606	918
Travel and meal allowances	2,233	2,523
Other labour costs	793	1,447
Total	**28,372**	**34,725**

Lower amount of labour costs resulted from a lower number of staff (downsizing) than a year ago.

The number of employees in the Group is disclosed in section 3.1 of the Business Report.

NOTE 5: Depreciation and amortisation

Table 13: Depreciation and amortisation

in € thousand

	2013	2012
Amortisation of intangible assets	591	688
Depreciation of property, plant and equipment and investment properties	6,654	8,476
Revaluatory operating expenses of intangible and tangible fixed assets	1,209	10,754
Expenses from revaluation adjustments and written-off receivables	2,815	1,750
Total	**11,270**	**21,669**

Operating expenses from revaluation of Intangible and Tangible Assets (property, plant & equipment) amounting to € 1,209 thousand relate to losses resulting from the disposal of items of Tangible Assets (€ 111 thousand, compared with € 9,873 thousand in 2012), and to impairment and write-offs thereof (€ 1,098 thousand, compared with € 881 thousand in 2012) mostly arising from the appraisals of land of the Intereuropa Group (see Note 10).

The item Expenses from value adjustments and write-offs of receivables comprise € 2,717 thousand of the former (Note 17), and € 98 thousand of the latter.

NOTE 6: Other operating expenses

Table 14: Other operating expenses

in € thousand

	2013	2012
City land tax and similar expenses	1,199	1,150
Provisions	110	5,725
Expenses from sale of subsidiary	0	5,520
Other operating expenses	789	2,424
Total	**2,098**	**14,819**

In the previous financial year (2012), the major portion of Provisions (€ 5,233 thousand) represents the provisions made to cover the liabilities from the past operations relating to the claim for customs duty on account of an incomplete transit procedure (€ 1,073 thousand) and for the liabilities arising from contracted assurances (€ 4,160 thousand).

Other Operating Expenses comprise the expenses from revaluation of labour costs, i.e. the accrued expenses for employee profit-sharing scheme (€ 287 thousand) and other expenses, such as municipal and other levies, membership fees, compensation for damages and other taxes (totalling € 502 thousand).

NOTE 7: Financial revenues and expenses

Table 15: Financial revenues and expenses

in € thousand

	2013	2012
Interest income	800	1,035
Income from dividends and profit participations in others	4	1
Profit from sale of financial assets	0	1
Income from reversal of impairment of financial investments	13	0
Finance income	**817**	**1,037**
Interest expenses	-4,155	-7,711
Finance costs from sales of investments	-12	0
Finance costs from impairment of financial assets held for sale	-1,324	-561
Costs of derivatives financial instruments	0	-699
Net exchange differences	-117	-5,112
Finance costs	**-5,608**	**-14,083**
Profit from financing activities	**-4,791**	**-13,046**

Financial expenses from impairment of investments (€ 1,324 thousand) stand for the impairment of financial investments available for sale, on top of which is the impairment to Cimos d.d. amounting to € 985 thousand (Note 16).

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 in the reporting year.

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

The tax assessed by the Group for the fiscal year 2013, inclusive of the non-deductible tax withholdings paid abroad, came to € 450 thousand. Taxable and deductible temporary differences are stated in the revenue from deferred tax assets, amounting to € 2,058 thousand, and arise primarily from the recalculation of deferred tax assets of the Parent Company from the 15-percent tax rate to 17 percent tax rate (due to changed tax regulations in Slovenia, setting the 17-percent tax rate for the Corporate Income Tax also for the year 2013 and after).

Table 16: Ratio between accounting and tax profits

in € thousand

	2013	2012
Tax	-390	-274
Deferred tax	2,058	7,186
Non-deductible tax withheld abroad	-60	-104
Corporate income tax	**1,608**	**6,808**
Profit before tax	544	-20,238
Tax calculated at the average weighted tax rate	7	3,687
Non-deductible tax withheld abroad	-60	-104
Tax on non-deductible expenses	-521	-9,024
Tax on tax reliefs	169	-30
Tax on revenues reducing tax base	39	30
Tax on income reducing tax base	32	15,783
Tax on tax loss for which no deferred tax assets can be posted	-12	-79
Elimination of deferred taxes	0	-19
Corporate income tax rate change	1,948	-3,504
Tax on other items	6	68
Corporate income tax	**1,608**	**6,808**

The average weighted tax rate for 2013 was -1.35 percent, compared with 18.22 percent in 2012.

NOTE 10: Property, Plant and Equipment

Table 17: Changes in Property, Plant and Equipment in 2013

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 2013	**125,374**	**176,049**	**37,235**	**1,175**	**2,552**	**67**	**342,452**
Purchasing	0	0	0	0	1,937	18	1,955
Activation	84	664	655	739	-2,142	0	0
Advances brought forward	0	0	0	0	35	-35	0
Disposals	-116	-589	-1,682	-239	0	0	-2,626
Write offs	0	-2	-837	0	-2,163	0	-3,002
Revaluation to fair value	-1,376	0	0	0	0	0	-1,376
Other increases	0	278	0	0	0	0	278
Exchange differences	-668	-473	-155	-11	-1	0	-1,308
As at 31 Dec 2013	**123,298**	**175,927**	**35,216**	**1,664**	**218**	**50**	**336,373**
VALUE ADJUSTMENT							
As at 1 Jan 2013	**-7,511**	**-65,144**	**-32,242**	**-667**	**-2,161**	**0**	**-107,725**
Depreciation and amortisation	0	-4,444	-1,678	-290	0	0	-6,412
Disposals	0	293	1,631	239	0	0	2,163
Write offs	0	0	835	0	2,161	0	2,996
Impairment	-1,091	0	0	0	0	0	-1,091
Exchange differences	321	110	117	0	0	0	548
As at 31 Dec 2013	**-8,281**	**-69,185**	**-31,337**	**-719**	**0**	**0**	**-109,521**
RESIDUAL VALUE							
As at 1 Jan 2013	117,863	110,905	4,994	508	391	67	234,727
As at 31 Dec 2013	**115,017**	**106,742**	**3,880**	**946**	**218**	**50**	**226,852**

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 based on appraisal made by independent appraisers

Appraisals of real estate in Montenegro and Croatia were entrusted to independent appraisers, based on comparable market price applied to the similar locations. Table 17 shows the effect of impairment.

The carrying amount of land as at 31. 12. 2013 would equal € 30,788 thousand if it were posted under the procurement value model.

Impairment of Property, Plant & Equipment by € 1,091 thousand relates to the impairment of land in subsidiaries Intereuropa, Logističke usluge, d.o.o., Zagreb (€ 1,073 thousand) and Zetatrans A.D. Podgorica (€ 18 thousand).

As of the Balance Sheet Date, the Intereuropa Group had property, plant and equipment pledged as loan security in the amount of € 110,903 thousand, and for contingent liabilities € 28,347 thousand. No other legal restrictions for disposal with fixed assets existed. The carrying amount of mortgaged real estate was € 184,776 thousand.

Table 18: Changes in Property, Plant and Equipment in 2012

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 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**

NOTE 11: Investment Property

Table 19: Changes in Investment Property

in € thousand

	2013	2012
HISTORICAL COST		
Balance as at 1 Jan	**9,665**	**9,120**
Increase	1	544
Balance as at 31 Dec	**9,666**	**9,665**
VALUE ADJUSTMENT		
Balance as at 1 Jan	**-3,080**	**-2,746**
Amortisation	-241	-229
Increase	0	-105
Balance as at 31 Dec	**-3,321**	**-3,080**
RESIDUAL VALUE		
Balance as at 1 Jan	6,585	6,789
Balance as at 31 Dec	**6,345**	**6,585**

Table 20: Revenues and expenses from investment property

in € thousand

	2013	2012
Rental income from investment properties	1,523	1,440
Direct operating expenses creating revenue from investment properties	-486	-486
Total	**1,037**	**954**

Despite falling prices on the real estate market in 2013, the market values of investment properties maintained a higher value than their carrying amount as at 31 December 2012, therefore we assessed that no indication of evt. impairment existed.

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.

We conducted a test for the impairment to goodwill as at 31. 12. 2013: The basis for calculation was the target sales turnover for 2014 – 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 as at 31. 12. 2013.

Table 21: Changes in Intangible Assets in 2013

in € thousand

	Long-term title rights	Goodwill	Long-term deferred development costs	Total
HISTORICAL COST				
As at 1 Jan 2013	**6,649**	**1,275**	**4,069**	**11,993**
Purchasing	43	0	165	208
Decreases arising from disposal	-75	0	0	-75
Exchange differences	-13	0	0	-13
As at 31 Dec 2013	**6,604**	**1,275**	**4,235**	**12,114**
VALUE ADJUSTMENT				
As at 1 Jan 2013	**-4,318**	**0**	**-163**	**-4,481**
Amortisation	-336	0	-255	-591
Increase resulting from credit note	-4	0	0	-4
Decreases arising from disposal	75	0	0	75
Exchange differences	11	0	0	11
As at 31 Dec 2013	**-4,573**	**0**	**-418**	**-4,990**
RESIDUAL VALUE				
As at 1 Jan 2013	2,331	1,275	3,906	7,513
As at 31 Dec 2013	**2,031**	**1,275**	**3,817**	**7,124**

Table 22: 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 € 790 thousand (compared with € 820 thousand a year ago). That pledge is an additional collateral for liabilities for which the pledged tangible items are the underlying security.

NOTE 13: Other long-term operating 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 lapsed and the outstanding portion of the principal. As of the cut-off date, they amounted to € 175 thousand.

NOTE 14: Loans granted and deposits

Table 23: Structure of loans and deposits

in € thousand

	31 Dec 2013	31 Dec 2012
Long-term loans and deposits	**83**	**54**
- loans given	22	28
- deposits	61	26
Short-term loans given, deposits and certificates of deposit	**13,132**	**10,779**
- loans given	161	114
- deposits and certificates of deposit	12,970	10,665
Total	**13,215**	**10,833**

As of the cut-off date, the Group had a short-term deposit of € 4,166 thousand pledged (€ 4,160 thousand a year ago) as a security for potential liability for which long-term provisions were made at € 4,160 thousand, and as a security for a potential liability amounting to € 20 thousand.

The Group also had a long-term deposit of € 50 thousand pledged as a security for contingent liability of € 50 thousand.

Table 24: Changes in long-term loans and deposits

in € thousand

	2013	2012
Opening balance	**54**	**75**
New deposits	50	11
Transfer to the short-term part	-9	-31
Repayments	-10	-1
Exchange differences	-1	0
Closing balance	**83**	**54**

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

in € thousand

	31 Dec 2013	31 Dec 2012
Maturity from 1 to 2 years	50	14
Maturity from 2 to 3 years	11	13
Maturity from 3 to 4 years	0	0
Maturity from 4 to 5 years	0	0
Maturity over 5 years	22	26
Total	**83**	**54**

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

in € thousand

	31 Dec 2013	31 Dec 2012
Secured	22	27
Unsecured	0	1
Total	**22**	**28**

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

in € thousand

	31 Dec 2013	31 Dec 2012
Secured	74	114
Unsecured	87	0
Total	**161**	**114**

NOTE 15: Jointly Controlled Company (Joint Venture)

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

Table 28: Changes in investment in joint venture

in € thousand

	31 Dec 2013	31 Dec 2012
Balance as at 1 Jan.	**135**	**136**
Equity accounted profits	34	34
Payment of profit	-34	-35
Balance as at 31 Dec.	**135**	**135**

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

in € thousand

	31 Dec 2013	31 Dec 2012
ASSETS	**2,232**	**2,205**
Non-current assets	35	36
Current assets	2,197	2,169
LIABILITIES	**2,232**	**2,205**
Equity	233	234
Non-current liabilities	26	25
Current liabilities	1,973	1,946
Revenues	12,764	11,591
Expenses (including corporate income tax)	12,696	11,524
Net profit for the period	**68**	**68**

NOTE 16: Other financial investments

Financial assets available for sale

Table 30: Changes in financial assets available for sale

in € thousand

	2013		2012	
	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	**1,254**	**1,852**	**1,150**	**2,406**
Reversal of impairment of financial investments	12	0	0	0
Sale	-12	0	0	0
Revaluation to fair value	18	0	111	0
Impairment	0	-1,311	-6	-554
Balance at the end of period, 31 Dec	**1,272**	**541**	**1,255**	**1,852**

The prevailing portion of impaired financial assets at procurement value stands for the impairment of investment in Cimos d.d. (€ 985 thousand). We made our evaluation of this asset based on accessible public information on the CIMR-share in the market and the fact that as of the reporting date, the company Cimos has not achieved an agreement on financial restructuring with creditor banks yet. The impairment of investment in the bank Banka Celje (€ 188 thousand) results from the book value (carrying amount) of said shares as at 30. 9. 2013 and from the inferior capital adequacy revealed by the stress test. Other impairments of investments stand for a 20-percent surplus over the proportional part of total equity of the issuer of securities.

NOTE 17: Short-term operating receivables

Table 31: Short-term operating receivables

in € thousand

	31 Dec 2013	31 Dec 2012
Short-term accounts receivable	30,292	33,022
Other short-term operating receivables	2,580	2,608
Total	**32,872**	**35,630**

Short-term operating receivables totalled € 30,292 thousand, thereof € 842 thousand related to receivables for services incomplete as of 31. 12. 2013.

As of the cut-off date, the Group had short-term trade receivables pledged, in the book value of € 10,000 thousand. The pledge is an additional collateral for potential liabilities of € 12,600 thousand, for which the items pledged represent the underlying security.

Value adjustments of operating and other receivables

Table 32: Value adjustments of operating and other receivables

in € thousand

	2013	2012
Value adjustment of receivables as at 1 Jan	**6,890**	**7,853**
- receivables written off	-522	-1,406
- collected receivables	-961	-901
+ additional increase in value adjustments	1,641	1,714
- disposal company	0	-222
- exchange differences	-22	-60
- transfer to correction of other short-term receivables	-137	0
Closing balance of adjustments of receivables as at 31 Dec	**6,889**	**6,977**
Value adjustmer of other short-term operating of receivables as at 1 Jan	0	0
- receivables written off	0	0
- collected receivables	0	0
+ additional increase in value adjustments	1,076	0
+ transfer from adjustment of receivables	137	0
Closing balance of other short-term operating of receivables as at 31 Dec	**1,213**	**0**

Structure of short-term receivables by maturity

Table 33: Structure of short-term receivables by maturity

in € thousand

	Gross amount 31 Dec 2013	Value adjustment 31 Dec 2013	Gross amount 31 Dec 2012	Value adjustment 31 Dec 2012
Short-term accounts receivable				
Outstanding	19,061	0	21,248	0
Overdue from 0 to 30 days	7,152	2	7,456	134
Overdue from 31 to 90 days	2,898	81	3,070	8
Overdue from 91 to 180 days	1,012	98	990	70
Overdue over 181 days	7,057	6,707	7,236	6,765
Total short-term accounts receivable	**37,181**	**6,889**	**39,999**	**6,977**
Other short-term operating receivables				
Outstanding	2,581	0	2,608	0
Overdue from 0 to 30 days	0	0	0	0
Overdue from 31 to 90 days	0	0	0	0
Overdue from 91 to 180 days	0	0	0	0
Overdue over 181 days	1,213	1,213	0	0
Total other short-term operating receivables	**3,794**	**1,213**	**2,608**	**0**

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 18: Cash and cash equivalents

Cash and cash equivalents of the Group amount to € 7,126 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 2013 are shown in the Statement of Cash Flows.

NOTE 19: Equity

The equity of the Group amounts to € 153,763 thousand, thereof the controlling interest with € 144,282 thousand, and non-controlling interest with € 9,481 thousand. Changes in equity items in 2013 are presented in the Statement of Comprehensive Income and in the Statement of Changes in Equity.

Financial debt/ Equity

Table 34: Financial debt/ Equity

in € thousand

	2013	2012
Long-term loans and financial leases	105,611	111,663
Short-term loans and financial leases	6,192	5,975
Total financial liabilities	111,803	113,369
Total equity	153,763	154,893
Debt/equity	**0.73**	**0.73**

Share capital

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 preferential 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.

Capital reserves

Capital reserves amounting to € 25,074 thousand were made after decreasing the share capital in 2012 and used to cover the net loss of the financial year 2012 amounting to € 6,619 thousand. There were no changes in 2013, so the balance as at 31. 12. 2013 was equal as at the cut-off date a year ago, amounting to € 18,455 thousand.

Revenue reserves

The Revenue Reserves are structured as legal reserves, statutory reserves, reserves for treasury shares and treasury shares as a deductible item. After the transfer of net operating profit of the Parent Company for 2013, amounting to € 1,000 thousand, legal reserves were increased to € 3,682 thousand as at 31. 12. 2013.

Treasury shares
At the year-end 2013, the Parent Company had 18,135 treasury shares: the number of treasury shares has not changed since 31. 12. 2012. 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

Surplus from Revaluation relates to the revaluation of land and of financial assets available for sale to fair value. Changes in the financial year are shown in the Comprehensive Income Statement.

Foreign currency translation adjustment

Negative foreign exchange losses from translation fell by € 598 thousand below the level of 2012 owing to 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 non-controlling interest

The equity of non-controlling interest amounts to € 9,481 thousand; it was € 51 thousand lower than a year ago.

Net earnings /loss per ordinary share

In the reporting year, the basic earning/loss per share (€ 0.10) was calculated as net profit pertaining to holders of ordinary shares of the Parent Company/weighted average number of ordinary shares excluding treasury shares. The adjusted earnings per share equals the basic earnings per share because the Company does not hold any dilutive potential ordinary shares.

Table 35: Net earnings /loss per ordinary share

	2013	2012
Net profit / net loss (controlling interest) for the year attributable to ordinary shareholders in € thousand	1,693	-13,798
Average number of shares (excluding treasury shares)	16,812,703	8,628,313
Basic and diluted earnings / loss per ordinary per share (€)	**0.10**	**-1.60**

NOTE 20: Provisions and long-term deferred revenues

Table 36: Provisions and long-term deferred revenues

in € thousand

	Balance 1 Jan 2013	Drawing (use)	Cancellation and transfer to revenues	Elimination of provisions for the benefit of net profit	Additional establishment long-term deferred revenues	Additional establishment charged to expense	Additional establishment charged to retained net profit	Exchange differences	As at 31 Dec 2013
Provisions	6,913	-1,395	-141	-121	0	110	50	-1	5,414
Provisions for employee benefits	1,192	-61	0	-121	0	76	50	-2	1,134
Provisions for legal proceedings	241	-15	-141	0	0	34	0	1	120
Other provisions	5,480	-1,320	0	0	0	0	0	0	4,160
Long-term deferred revenues	121	0	-100	0	213	0	0	-1	233
Total	**7,034**	**-1,395**	**-241**	**-121**	**213**	**110**	**50**	**-2**	**5,647**

As at the cut-off date of the Statement of Financial Position, the Group had € 5,647 thousand of Long-Term Provisions and Long-term Deferred Revenues. The majority of other provisions relates to provisions for liabilities arising from contracted assurances (€ 4,160 thousand).

Table 37: Changes to provisions for termination benefits and jubilee rewards

in € thousand

	Balance 1 Jan 2013	Interest cost	Payment	The increase in the current year	Actuarial gains / losses	As at 31 Dec 2013
Provisions	**1,192**	**22**	**-61**	**52**	**-71**	**1,134**
Provisions for employee benefits	291	6	-51	20	50	316
Provisions for severance pay	901	16	-10	32	-121	818

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 sex, age, total length of service, length of service with the Company, and their average gross salary for December 2012 or 2013;
- 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: 5.0 percent in Slovenia, 5.0 percent in Serbia, and 4.0 percent 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, in the Parent Company as at 31 December 2013.

In the provisions for (liabilities arising from) lawsuits, there is more than 50 % probability that the plaintiff would be successful in their claim and outflows of resources embodying economic benefits would be needed.

They were made on the basis of obtained opinions and estimates by internal and external legal experts.

LONG-TERM LIABILITIES

NOTE 21: Loans Received and Financial Leases

Table 38: Structure of long-term loans received and financial leases

in € thousand

	31 Dec 2013	31 Dec 2012
Long-term loans received on the basis of loan agreements	104,907	111,253
Long-term loans received on the basis of financial lease	705	410
Total	**105,611**	**111,663**

Table 39: Changes in long-term loans and financial leases

in € thousand

	31 Dec 2013	31 Dec 2012
Balance as at 1 Jan	**111,663**	**27,401**
Transfer from current liabilities (reprogram loans)	0	85,582
New loans	698	547
Repayments	-1,963	-358
Transfer to current liabilities (current part of non-current liabilities)	-4,756	-1,496
Exchange differences	-31	-13
Balance as at 31 Dec	**105,611**	**111,663**

Table 40: Long-term loans and financial leases by maturity

in € thousand

	31 Dec 2013	31 Dec 2012
Maturity from 1 to 2 years	5,542	7,098
Maturity from 2 to 3 years	5,016	4,302
Maturity from 3 to 4 years	4,371	4,441
Maturity from 4 to 5 years	4,814	4,133
Maturity over 5 years	85,868	91,689
Total	**105,611**	**111,663**

Table 41: Long-term loans and financial leases by collateral

in € thousand

	31 Dec 2013	31 Dec 2012
Secured	105,346	111,655
Mortgaged real estate and pledged securities	103,707	109,321
Bills of exchange and corporate guarantee	1,639	2,334
Unsecured	266	8
Total	**105,611**	**111,663**

Table 42: Structure of short-term loans and financial leases

in € thousand

	31 Dec 2013	31 Dec 2012
Short-term loans received	6,015	5,848
Financial leases	177	127
Total	**6,192**	**5,975**

Table 43: Short-term loans and financial leases by collateral

in € thousand

	31 Dec 2013	31 Dec 2012
Secured	6,192	5,975
Mortgaged real estate and pledged securities	2,418	5,309
Bills of exchange	3,709	622
Other	66	44
Total	**6,192**	**5,975**

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, acid test ratio = liquid assets to short-term liabilities) are harmonised in all loan agreements: they were first checked for the financial year 2013 and were fully complied with.

Variable interest rates are applied in most loans (Table 49).

NOTE 22: Other short-term financial liabilities

Table 44: Structure of other long- and short-term financial liabilities

in € thousand

	31 Dec 2013	31 Dec 2012
Dividend liabilities	460	439
Other short-term liabilities	0	1,266
Total	**460**	**1,706**

NOTE 23: 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 45: Changes in not-offset deferred tax assets and liabilities, in 2013

in € thousand

Deferred tax assets	As at 1 Jan 2013	Changes in the income statement	Changes in other comprehensive income	Exchange differences	As at 31 Dec 2013
Property, plant and equipment	17	23	0	0	40
Revaluation of receivables from value adjustments	2	1	0	0	3
Financial assets revaluation	1,867	460	-4	0	2,323
Provisions	137	-3	0	0	134
Tax loss	12,748	1,589	0	1	14,338
Other	4	1	0	0	5
Total	**14,775**	**2,071**	**-4**	**1**	**16,843**

Deferred tax liabilities	As at 1 Jan 2013	Changes in the income statement	Changes in other comprehensive income	Exchange differences	As at 31 Dec 2013
Revaluation from land	12,988	-3	986	-24	13,947
Other tangible fixed assets	228	16	0	0	244
Total	**13,216**	**13**	**986**	**-24**	**14,191**
Effect		**2,058**	**-990**		

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	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	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**			

NOTE 24: Short-term operating liabilities

Table 47: Short-term operating liabilities

in € thousand

	31 Dec 2013	31 Dec 2012
Short-term accounts payable	20,962	21,336
Short-term operating liabilities from advances	1,991	1,458
Other short-term operating liabilities	3,698	5,110
Total	**26,650**	**27,904**

Of the total amount of short-term operating liabilities as at 31. 12. 2013, € 1,003 thousand related to liabilities arising from 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 25: Contingent liabilities

As Contingent liabilities are presented: potential liabilities not posted in the Statement of Financial Position and for which it is not estimated as probable that an outflow of resources would result upon the settlement of the obligation. We estimate that the Group held as at 31. 12. 2013 the following contingent liabilities:

Table 48: Contingent liabilities

in € thousand

	31 Dec 2013	31 Dec 2012
Arising from bank guarantees and guarantees given	12,505	11,172
Arising from legal proceedings	3,261	2,023
From D.S.U., družba za svetovanje in upravljanje	250	250
Other contingent lialilities	311	206
Total	**16,327**	**13,651**

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 € 3,261 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 26: 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 not 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 49: Fair Value

in € thousand

	31 Dec 2013		31 Dec 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Land	115,017	115,017	117,863	117,863
Financial assets available for sale	1,813	1,813	3,106	3,106
- measured at fair value	1,272	1,272	1,254	1,254
- measured at historical cost	541	541	1,852	1,852
Loans and deposits	13,215	13,215	10,833	10,833
Operating receivables (excluding advances)	32,872	32,872	35,630	35,630
Cash and cash equivalents	7,126	7,126	8,390	8,390
Total	**170,043**	**170,043**	**175,822**	**175,822**
Liabilities at fair value				
Loans	111,803	111,803	117,638	117,638
- at a fixed interest rate	617	617	47	47
- at a variable interest rate	111,186	111,186	117,591	117,591
Other short financial liabilities	460	460	1,706	1,706
Short-term operating liabilities	27,318	27,318	28,338	28,338
Total	**139,581**	**139,581**	**147,682**	**147,682**

Levels of fair values of financial instruments

The table shows the classification of land and financial instruments with regard to calculation of their fair value, classified in the following three levels:

- Level 1 considers the unadjusted price listed in an active market on the date of measurement;
- Level 2 considers the inputs other than the listed price of Level 1, and such inputs can be directly or indirectly monitored for assets or liabilities;
- Level 3 considers unmonitored inputs for an asset or liability.

Table 50: Fair Value Levels

in € thousand

Ravni poštenih vrednosti	Level 1	Level 2	Level 3	Total
		31 Dec 2013		
Land	0	115,017	0	115,017
Available-for-sale financial assets	1,272	0	541	1,813

Ravni poštenih vrednosti	Level 1	Level 2	Level 3	Total
		31 Dec 2012		
Available-for-sale financial assets	1,254	0	1,852	3,106

Land re-valuation was made under the comparable sales method.

NOTE 27: Financial Risks

Risk management is described in section 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.

The Table shows estimated non-discounted cash flows, including future interest.

Table 51: Liquidity risk, 31. 12. 2013

in € thousand

31 Dec 2013	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	110,921	129,130	3,940	5,328	8,802	22,885	88,193
Loans received on the basis of financial lease	882	960	70	132	157	600	0
Other financial liabilities	460	460	460	0	0	0	0
Accounts payable	21,342	21,342	20,599	311	165	82	185
Liabilities from advances	1,991	1,991	1,991	0	0	0	0
Other liabilities	3,985	3,985	3,087	348	284	266	0
Total	**139,581**	**157,867**	**30,147**	**6,119**	**9,408**	**23,832**	**88,379**

Table 52: Liquidity risk, 31. 12. 2012

in € thousand

31 Dec 2012	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	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	21,201	71	138	87	210
Liabilities from advances	1,458	1,458	1,458	0	0	0	0
Other liabilities	5,110	5,110	5,083	7	0	20	0
Total	**147,615**	**169,160**	**34,407**	**4,144**	**9,773**	**23,371**	**97,121**

The Table presents the analysis of interest rate sensitivity and impact on pre-tax profit.

Table 53: Interest rate risk

in € thousand

2013	Change in percent	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
EURIBOR	+15 %	-24	-24	-46	-125	-28	-246
EURIBOR	+10 %	-16	-16	-31	-83	-19	-164
EURIBOR	-10 %	16	16	31	83	19	164
EURIBOR	-15 %	24	24	46	125	28	246

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

Currency Risk

Table 55: Currency risk, 31. 12. 2013

in € thousand

31 Dec 2013	€	HRK	RSD	Other	Total
Operating receivables	25,539	3,790	683	2,862	32,873
Long-term loans given	50	0	11	22	83
Short-term loans given	12,877	156	0	98	13,132
Long-term loans received	-105,328	0	0	-284	-105,611
Short-term loans received	-4,637	-1,311	0	-244	-6,192
Short-term operating liabilities	-20,426	-2,968	-654	-2,603	-26,651
Other current financial liabilities (financial liabilities at fair value through profit or loss)	-459	0	0	0	-459
Gross exposure of the statement of financial position	**-92,384**	**-333**	**40**	**-149**	**-92,825**

Table 56: Currency risk, 31. 12. 2012

in € thousand

31 Dec 2012	€	HRK	RSD	Other	Total
Operating receivables	25,453	6,191	585	3,401	35,630
Long-term loans given	7	7	13	26	54
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 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**	**-335**	**-100,786**

Credit Risk

Table 57: Credit Risk

in € thousand

	31 Dec 2013	31 Dec 2012
Long-term loans granted to others	22	28
Long-term deposits	61	26
Short-term loans to others	161	114
Short-term deposits	12,970	10,665
Short-term trade receivables	32,872	35,630
- of which accounts receivable	30,292	33,022
Cash and cash equivalents	7,126	8,390
Available-for-sale financial assets	1,813	3,106
Total	**55,025**	**57,959**

Cost of auditors

Table 58: Cost of auditors

in € thousand

	Jan-Dec 2013	Jan-Dec 2012
- Annual report audit	83	95
- Other audit services	3	7
Total	**86**	**102**

NOTE 28: Related parties

Table 59: Compensation to key management personnel

in € thousand

	2013	2012
Short-term earnings (salary and social security contributions, annual and sick leave, profit participation, non-cash earnings (bonuses))	825	1,130
Severance	73	103
Total	**898**	**1,233**

The Group did not grant any loans to the key management personnel in 2013.

Table 60: Disclosure of transactions with related parties

in € thousand

Revenue from services	**2013**	**2012**
Joint venture	1,319	1,322
Costs of services	**2013**	**2012**
Joint venture	4,080	4,751

As at 31. 12. 2013, the liabilities of the Group to the joint venture equalled € 620 thousand, and receivables 72 thousand.

NOTE 29: Information by business segments

Table 61: Information by business segments

in € thousand

	Slovenia		Croatia		"Bosnia & Herzegovina"		Serbia		Montenegro	
	jan-dec 2013	jan-dec 2012	jan-dec 2013	jan-dec 2012	jan-dec 2013	jan-dec 2012	jan-dec 2013	jan-dec 2012	jan-dec 2013	jan-dec 2012
Revenues from external customers	88,969	105,509	26,974	30,897	5,708	5,990	3,391	3,539	4,946	5,434
Revenues from business with other segments	2,906	4,248	357	583	420	462	674	695	155	79
Total revenues	91,875	109,757	27,331	31,479	6,128	6,452	4,065	4,234	5,101	5,514
Depreciation	4,149	4,595	1,728	1,929	369	398	239	242	558	601
Operating profit or loss	2,700	-8,881	0	2,568	565	125	520	520	573	1,059
Revenues from interest rates	663	3,533	114	229	1	2	13	21	129	116
Expenses from interest rates	3,709	7,136	184	335	40	69	190	237	0	0
Net profit or loss from ordinary activities	-835	-15,683	-87	2,451	525	59	301	52	702	1,175
Corporate income tax	-1,949	-8,699	-7	522	55	7	19	-0	106	110
Assets	243,047	246,860	63,041	68,700	16,715	16,989	10,238	10,336	22,895	23,071
Tangible fixed assets under construction	59	7	87	88	55	72	23	7	40	281
Long-term assets	203,922	206,043	55,497	59,562	15,659	16,013	9,242	9,492	18,628	18,900
Operating liabilities	36,742	35,473	5,989	7,919	1,272	1,808	1,239	1,371	1,120	963
Financial liabilities	105,921	110,871	4,647	6,498	343	553	2,235	2,437	385	365
Investment in jointly controlled entities	75	75	0	0	0	0	0	0	0	0
Revenues from investment in jointly controlled entities	34	35	0	0	0	0	0	0	0	0

in € thousand

	Ukraine		Russia		Others		Total		Adjustments*		Group	
	jan-dec 2013	jan-dec 2012	jan-dec 2013	jan-dec 2012	jan-dec 2013	jan-dec 2012	jan-dec 2013	jan-dec 2012	jan-dec 2013	jan-dec 2012	jan-dec 2013	jan-dec 2012
Revenues from external customers	25,258	19,593	0	13,513	5,827	3,930	161,074	188,405	-13	4	161,061	188,409
Revenues from business with other segments	1	57	0	1	613	647	5,126	6,773	-5,126	-6,773	0	0
Total revenues	25,259	19,650	0	13,514	6,440	4,577	166,200	195,177	-5,139	-6,768	161,061	188,409
Depreciation	145	157	0	1,168	57	74	7,245	9,165	0	-1	7,245	9,164
Operating profit or loss	801	-275	0	2,928	141	117	5,301	-1,839	0	-5,387	5,301	-7,226
Revenues from interest rates	13	4	0	45	5	2	938	3,953	-137	-2,918	801	1,035
Expenses from interest rates	168	187	0	2,664	1	0	4,292	10,628	-137	-2,918	4,155	7,711
Net profit or loss from ordinary activities	597	-511	0	2,339	145	121	1,349	-9,997	-805	-10,240	544	-20,238
Corporate income tax	157	134	0	1,109	11	6	-1,608	-6,813	0	5	-1,608	-6,808
Assets	4,996	5,534	0	0	3,127	2,867	364,058	374,358	-50,638	-51,390	313,419	322,969
Tangible fixed assets under construction	3	4	0	0	0	0	268	459	0	0	268	459
Long-term assets	3,395	3,421	0	0	1,137	1,159	307,479	314,591	-48,109	-47,380	259,370	267,212
Operating liabilities	1,386	2,024	0	0	938	772	48,686	50,330	-1,293	-1,598	47,393	48,732
Financial liabilities	2,093	2,409	0	0	35	0	115,660	123,132	-3,397	-3,789	112,263	119,344
Investment in jointly controlled entities	0	0	0	0	0	0	75	75	60	60	135	135
Revenues from investment in jointly controlled entities	0	0	0	0	0	0	34	35	-1	-1	34	34

* 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. The Group achieved € 16,271 thousand (compared to € 10,771 thousand) with a key customer.

NOTE 30: Events after the cut-off date of the Statement of Financial Position

No events with significant influence on the financial position of the Group have occurred.

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, 2013, and the consolidated income statement, consolidated statement of other 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.

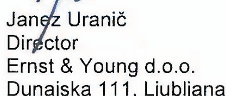
Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Intereuropa Group as of December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards 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 31, 2014



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Lidija Šinkovec
Certified Auditor

1.2 Financial report of the Parent Company Intereuropa d.d. for the financial year 2013

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 migrated 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. 7. 2011, the Company resolved to apply them for an unlimited period of time, no less than five years, from 1. 1. 2011.

Table 1: Income Statement of the Company Intereuropa d.d., Koper, for 2013

in € thousand

	Notes	2013	2012
Sales revenues	**1**	**90,994**	**108,222**
Other operating revenues	2	1,929	1,512
Costs of materials and services	3	-65,507	-77,075
Labour costs	4	-17,293	-19,105
Depreciation	5	-6,001	-15,441
Other operating expenses	6	-1,520	-6,671
Operating profit		**2,602**	**-8,558**
Finance income	7	1,561	6,154
Finance costs	7	-5,136	-12,933
Profit from financing activities		**-3,575**	**-6,779**
Profit from continuing operations		**-973**	**-15,337**
Corporate income tax (including deferred taxes)	8	1,973	8,718
Net profit for the period		1,000	-6,619
Basic and diluted earnings / loss per ordinary share (€)	**17**	**0.05**	**-0.77**

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 2013

in € thousand

	Notes	2013	2012
Net profit for the period		**1,000**	**-6,619**
Other comprehensive income	**17**	**-1,175**	**3,275**
Items that will be reclassified to profit or loss		**27**	**89**
Revaluation of available-for-sale financial assets to fair value	13	18	118
Transfer of surplus from revaluation of available for sale financial assets gains / losses (on disposal of financial assets)		12	0
Deferred tax in revaluation surplus related to available-for-sale financial assets	21	-3	-29
Items that will not be reclassified to profit or loss		**-1,202**	**3,186**
Transfer of surplus from revaluation of land to retained earnings in sale of land		-7	0
Deferred tax in surplus from revaluation of land	21	-1,273	3,186
Retained earnings from revaluation of land (in sale of land)		7	0
Actuarial gains / losses from severance pay benefits and anniversary bonuses recognized in retained profit / loss		71	0
Total comprehensive income		**-175**	**-3,344**

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. 12. 2013

in € thousand

	Notes	31 Dec 2013	31 Dec 2012
ASSETS			
Property, plant and equipment	9	125,862	128,804
Investment properties	10	5,307	5,516
Intangible assets	11	5,735	6,092
Other non-current operating assets	12	177	312
Deferred tax assets	21	16,669	14,639
Long-term financial investments, except for loans and deposits	13	49,223	50,650
Long-term loans and deposits	14	913	7
TOTAL NON-CURRENT ASSETS		**203,886**	**206,020**
Inventories		29	33
Short-term financial investments, except for loans and deposits		250	250
Short-term loans and deposits	14	10,851	11,620
Short-term operating receivables	15	22,375	23,209
Current income tax assets		177	177
Cash	16	3,406	3,449
TOTAL CURRENT ASSETS		**37,088**	**38,738**
TOTAL ASSETS		**240,974**	**244,758**
EQUITY			
Share capital		27,489	27,489
Equity reserves		18,455	18,455
Revenue reserves		1,875	875
Revaluation surplus		52,815	54,068
Transferred net profit		78	0
TOTAL EQUITY	**17**	**100,712**	**100,887**
LIABILITIES			
Provisions and long-term deferred revenue	18	5,192	6,251
Long-term loans and financial leases	19	101,202	106,279
Long-term operating liabilities		646	414
Deferred tax liabilities	21	10,831	9,558
TOTAL NON-CURRENT LIABILITIES		**117,871**	**122,502**
Short-term loans and financial leases	19	3,323	1,853
Other current financial liabilities	20	74	1,341
Short-term operating liabilities	22	18,994	18,175
TOTAL CURRENT LIABILITIES		**22,391**	**21,369**
TOTAL LIABILITIES		**140,262**	**143,871**
TOTAL EQUITY AND LIABILITIES		**240,974**	**244,758**

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 2013

in € thousand

	Note	2013	2012
Cash flows from operating activities			
Net profit for the period		**1,000**	**-6,619**
Adjustments for:			
- depreciation		4,143	4,587
- impairment tangible fixed assets and intangible assets		5	109
- revaluation operating revenues from disposal of tangible fixed assets and investment property		-140	-299
- revaluation operating expenses from disposal of tangible fixed assets and investment property		9	9,821
- impairment of receivables		1,843	924
- non-cash exspenses		341	5,315
- non-cash revenues		-162	-868
- financial revenues		-1,561	-6,154
- financial expenses		5,136	12,933
- corporate income tax (including deferred taxes)		-1,973	-8,718
Operating profit before working capital changes and tax		**8,642**	**11,032**
Changes in working capital and provisions			
Change in receivables		-1,024	4,773
Change in inventories		4	2
Change in operating liabilities		505	-6,502
Change in provisions		-904	-208
Corporate income tax paid		-61	-278
Net cash flows from operating activities		**7,162**	**8,819**
Cash flows used in investing activities			
Interest received		640	3,723
Dividends and other profit participations received		855	1,963
Proceeds from sale of tangible fixed assets		320	1,313
Proceeds from granted long-term loans		577	34,376
Proceeds from a decrease in short-term loans		0	13,765
Expenditures for acquisitions of tangible fixed assets		-408	-779
Expenditures for acquisition of intangible assets		-136	-109
Expenditures for long-term deposits		-50	0
Expenditures from the increase in short-term loans		-59	-2,204
Expenditures from the increase in short-term deposits and cerificates of deposits given		-449	0
Expenditure for the recapitalization of subsidiaries		-50	0
Expenditures from acquisition of other financial investment		0	-256
Expenditures from settlement of derivatives		0	-1,342
Net cash flows used in investing activities		**1,240**	**50,450**
Cash flows from/(used in) financing activities			
Interest paid		-3,571	-8,209
Expenditures for repayment of long-term loans		-3,607	-45,993
Expenditures for reduction in short-term loans		0	-8,672
Expenditures from decrease of other short-term financial liabilities		-1,267	-2,317
Net cash flows from financing activities		**-8,445**	**-65,191**
Opening balance of cash and cash equivalents		**3,449**	**9,371**
Cash flow for the period		**-43**	**-5,922**
Closing balance of cash and cash equivalents	**16**	**3,406**	**3,449**

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 2013

in € thousand

	Note	Share capital	Capital reservec	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 Jan 2013		**27,489**	**18,455**	**875**	**180**	**-180**	**54,068**	**0**	**0**	**100,887**
Total comprehensive income		**0**	**0**	**0**	**0**	**0**	**-1,253**	**78**	**1,000**	**-175**
Net profit/loss		0	0	0	0	0	0	0	1,000	1,000
Other comprehensive income		0	0	0	0	0	-1,253	78	0	-1,175
Transactions with owners										
Transfer of net profit to re-serves		0	0	1,000	0	0	0	0	-1,000	0
Closing balance as at 31 Dec 2013	**17**	**27,489**	**18,455**	**1,875**	**180**	**-180**	**52,815**	**78**	**0**	**100,712**

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 2012

in € thousand

	Note	Share capital	Capital reservec	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 Jan 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	0	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 Dec 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.

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-1). The Managing Board approved the financial statements on 25. 2. 2014.

Basis for measurement

Financial Statements were prepared by applying the initial (historical) cost, except for land and 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.

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 is 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;
- recoverable amount serving for comparison with the book value (carrying amount) in test of asset impairment;
- useful life of depreciable assets;
- residual value of Property, Plant and Equipment;
- 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

The accounting estimate on the impairment of receivables involved in lawsuits and executions changed: it increased by 5 percentage points. The impact of that accounting estimate change resulted in € 106 thousand. There were no other changes to 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 post-employment benefits, we recognised the actuarial profits /losses in the retained net profit or loss and the cost of years-of service and interest in the profit or loss; in the preceding year, these items were recognised directly in the profit or loss. We estimate the respective change to have no relevant impact on financial statements; therefore, we have not recalculated the comparable amounts of each equity component involved for the comparable past period, or other comparable amounts respectively.

(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 comprises 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 pay-out.

(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 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

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 3-10 years.

Depreciation methods, useful lives and the residual values are examined once per year 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.

Depreciation and 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 that is leased in its entirety is recognised as investment property.

After initial recognition, we apply the model of procurement value under which an investment property is posted at procurement value less any allowance for depreciation and any accumulated impairment loss. Depreciation of investment property applies the same depreciation rates as used for real estate in the scope of 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

a. 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.

Investments in subsidiaries

At the end of each financial year, we assess whether there is any indication pointing to an evtl. 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.

Operating receivables

Operating receivables are impaired by establishing a 100-percent value adjustment for all receivables overdue by more than 180 days, or exceptionally (e.g. if supported by reliable - impartial evidence that the account receivable will be paid) by assessment of recoverability of individual receivables In the impairment of receivables involved in legal actions, execution proceedings, bankruptcy and compulsory composition, and similar, 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.

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.

Financial assets available for sale, measured at fair value

Financial assets available for sale are impaired either in case the market price has 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 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 % 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.

b. 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 that 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. The calculation of provisions for employee benefits upon retirement was based on assumptions specified in Note 18.

In accounting records and financial statements, the provisions are recognised inclusive of the corresponding costs or expenses, except gains and losses arising from increases or decreases of the present value of an obligation for certain employee benefits due to changes in actuarial assumptions and experiential adjustments that are recognised directly in the retained net profit/ loss. 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.

(m) 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.

Under the Long-term deferred revenues are presented the deferred revenues that will cover the expected expenses in a period exceeding one year. Donations and government grants received for the acquisition of fixed assets belonging to property, plant and equipment are also classified under the long-term deferred revenues. They are being used up by way of transfer to operating revenues in the amount of depreciation costs for such assets.

(n) Revenues

Revenues are recognised when it is probable that future economic benefits will flow to the Company that 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. In Income Statement, the government grants compensating for the costs of an asset are recognised as revenues on a strictly systematic basis within the useful life of the asset.

(o) 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.

(p) 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.

(q) 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 reporting 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 joint ventures (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 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.

(r) Net 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) Common control transactions

Common control transactions (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 that was previously posted in the consolidated financial statements of the controlling company.

(t) Changed standards and interpretations in 2013

The accounting policies used in compiling the financial statements of the Company are consistent with those used in the consolidated financial statements for the year ended at 31. 12. 2012, with the exception of newly adopted or changed standards and interpretations entering into force on 1. 1. 2013 and quoted below.

Newly adopted standards and interpretations

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

The amendment to said standard changes the grouping of items presented in other comprehensive income. Items of other comprehensive income, which may be "transferred" to the income statement in future periods (e.g. upon derecognition or settlement), have to be presented separately from those never recognised in the income statement. The amendment does not change the nature of items that are recognised in other comprehensive income and does not affect the decision whether the items of other comprehensive income will be in future "transferred" to income statement or not. The change only influences the presentation of items, but does not affect the financial position or operation of the Company.

IAS 19 Employee Benefits

The revised standard brings numerous amendments comprising basic changes and interpretations that simplify the use of the standard, and changed wording. Major changes include: removing the corridor approach ("mechanism") in deferred recognising actuarial gains and losses from a defined benefit plan. The revised standard further introduces new or revised requirements for disclosures, incl. quantitative disclosures on sensitivity of liabilities in a defined benefit plan to reasonably possible changes of each significant actuarial assumption; termination benefit liability is recognised at the earlier of the following dates: when the entity can no longer withdraw the offer of those benefits, or when the entity recognises the related costs for a restructuring under IAS 37; distinguishing between short-term and other long-term employee benefits depends on the date expected for settlement and not on the entitlement to such benefit. The standard shall apply to annual periods beginning on or after 1 January 2013. The revised standard does not have a significant effect on the financial position of the operations of the Company (Note 18).

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. Said amendment requires the disclosure of information on the rights to offset and the arrangements involved therein (e.g. insurance contracts). These disclosures should provide the users with information useful to estimate the net or potential effect of offsetting on the financial position of the entity. The requirement for new disclosures shall apply to all the recognised financial instruments that are offset under the IAS 32 Financial Instruments: Presentation. Disclosures are also required for the recognised financial instruments that are subject to a general executable arrangement on offsetting, or to a similar arrangement, irrespective of whether the financial instruments were offset in accordance with the IAS 32 or not. The revised standard does not affect the financial position of the operations of the Company, except for additional disclosures.

IFRS 13 Fair Value Measurement

IFRS 13 introduces a single framework for measuring fair value of all items The new standard does not change the requirement on when an entity has to measure its items at fair value, but it clarifies how an entity should measure fair value in accordance with the IFRS, when the standards so require or allow for it.

The IFRS 13 defines fair value the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (e.g. an "exit price"). The "fair price" as used in the IFRS 2 "Share-based payment" and IFRS 17 "Leases" does not fall under the framework of this Standard.

Numerous areas are clarified herein, such as:

- the concepts "highest and best use" and "valuation premise/technique" only apply to non-financial assets;
- any adjustment for quantitative factors (package discounts) is forbidden in all fair value measurements; and
- describes the approach to measuring fair value in markets that are less active.

The standard introduces new disclosures on fair value measurement also to facilitate understanding of valuation techniques and inputs in the measurement of items at fair value, as well as the effect of items measured at fair value on Profit or Loss. The standard does not have a significant impact on the financial statements of the Company.

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. There can be two benefits accruing to the entity from the stripping activity: a) usable ore that can be used to produce inventory in the current period and/or b) improved access to further quantities of material /ore that will be mined in future periods: the costs associated with that component can be recognised within the item of non-current assets only where certain criteria are met (a "stripping activity asset"). A stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. A stripping activity asset is initially measured at cost or its revalued amount less depreciation or amortisation and impairment losses according to the nature of the existing asset of which it forms part. The explanatory note is effective for annual periods beginning on or after 1 January 2013. It does not affect the financial position of the operations of the Company.

New standards and interpretations not yet effective or approved by the EU

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, and is presently analysing the effect of the non-binding standards and interpretations that will enter into effect after approval by the EU with 1 January 2014.

IAS 28 Investments in Associates and Joint Ventures

The standard was amended due to the introduction of revised standards IFRS 11, IFRS 12 and IAS 28, and it clarifies the use of equity method in recognising financial investments in associates and joint ventures. The revised standard does not have a significant effect on the financial position of the operations of the Company.

IAS 32 Financial instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)

In December 2011, the International Accounting Standards Board (IASB) published amendments to IAS 32 to provide clarifications on the application of the offsetting rules and to ensure uniform application thereof in practical usage. The standard is effective for annual periods beginning on or after 1 January 2014. The amendment clarifies that the "legally enforceable right to set-off" in ordinary operations does not suffice, and the entity needs a legally enforceable right of set-off also in case of a default (non-fulfilment of liabilities), bankruptcy or insolvency of all the counterparties involved, including the reporting entity. In accordance with the IAS 32 criteria for offset, the reporting entity shall have the intent whether to settle an asset on a net basis, or with simultaneous realisation and settlement. The amendment clarifies that only gross settlement mechanisms with features that either eliminate or result in insignificant credit and liquidity risk and that will process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, would meet the net settlement criterion. The Company does not expect any impact of these amendments on financial statements.

IAS 36 Impairment of Assets (Recoverable amount disclosures for non-financial assets)

The amendment clarifies in detail the requirements for disclosure of fair value less costs of disposal. With its original amendment to IAS 36 "Impairment of Assets" that resulted from the issue of IAS 32, the Board (IASB) intended to introduce a requirement for disclosure of information on recoverable amount of impaired assets in case the entity calculated the recoverable amount on the basis of fair value less costs of disposal. Following the unexpected outcome from that amendment to the standard, an entity ought to disclose the recoverable amount of each cash-generating unit containing goodwill or intangible assets with indefinite useful lives if the carrying amount thereof is relevant in respect of the total carrying amount of any goodwill or intangible assets with indefinite useful lives. As a result, the Board withdrew that requirement from the standard.

In addition, the Board published two further requirements for disclosure:

- disclosure of additional information on measurements of fair value of impaired assets if fair value less costs of disposal is the basis for recoverable amount;
- disclosure of discount rate applied by the entity in determining the fair value, taking into account fair value less costs of disposal, using a present value technique. The amendment harmonises the disclosure requirements for values in use and fair value less costs of disposal.

The amended standard is effective for annual periods beginning on or after 1 January 2014. The Company does not expect any significant impact of that amendment to its financial statements.

IAS 39 Financial instruments: Recognition and Measurement

The amended standard introduces an exemption from the requirement for discontinuation of hedge accounting in certain circumstances in which a novation (change in the counterparty) of an existing instrument would lead to its derecognition.

The exemption applies in cases when the novation

- happens as a consequence of laws or regulations or the introduction of laws or regulations;
- where the original parties to a hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties to the novated derivative (exchange of counterparties); and
- when the changes in terms of the novated derivative do not arise from the changed terms of the original derivative except those directly attributable to novation of a counterparty for the sake of a settlement.

In that exemption, hedge accounting can continue, provided that all the a.m. criteria are met. The new standard relates to novation to central counterparties and brokers, such as clearing counterparties or their clients who are brokers. In the changes not meeting the criteria for an exemption, entities have to assess the novation to hedging instrument by considering the requirements for derecognition of financial instruments and the general terms for a continuation of hedge accounting.

The amended standard is effective for reporting periods beginning on or after 1 January 2014. The Company does not expect any impact of that amendment to financial statements.

IFRS 9 Financial Instruments – Classification and Measurement

The IFRS 9 was published in November 2009 and replaced the IFRS 39 Financial Instruments: Recognition and Measurement. The revised standard introduces new requirements regarding classification and measurement of financial assets and liabilities. In October 2010, the Board published an addendum to IFRS 9 addressing the requirements for classification and measurement of financial liabilities and derecognition of financial assets and liabilities, but the requirements for classification and measurement of financial liabilities and derecognition of financial assets and liabilities from IAS 39 remained unchanged. The standard eliminates two groups of financial instruments that are presently in the scope of the IAS 39: financial assets available for sale and financial assets held to maturity. According to the IFRS 9, all financial assets and liabilities are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition.

Financial assets

Unless the entity exercises the fair value option, it can measure debt instruments subsequent to initial recognition at the amortised cost, provided that the following requirements are satisfied:

- entity holds an asset in order to obtain the cash flow as per contract;
- as of a particular date set, the contractual terms on the financial asset ensure sufficient cash inflows for principal payments and interest due for the principal.

Other debt instruments not complying with said terms are measured at fair value, subsequent to initial recognition.

All investments in equity instruments are measured at fair value or in the other comprehensive income, or in profit or loss. Equity instruments held for trading have to be recognised at fair value in profit or loss. In all other investments in equity instruments, the enterprise has an irrevocable choice to recognise the changes to fair value of each equity instrument either in the comprehensive income or in profit or loss.

Financial liabilities

In financial liabilities measured at fair value, any change to fair value of a liability that may be attributed to changed credit risks has to be recognised in the comprehensive income. Other changes to fair value are recognised in the profit or loss, unless the recognition of a change to fair value including the liability for the associated credit risk in the comprehensive income either cause or increase the accounting mismatch in the profit or loss statement.

Hedge accounting

In the framework of the IFRS, the Board published a new chapter dealing with hedge accounting, which means a significant revision thereof. Thereby it introduced a new model that brings important improvements primarily in significantly reduced accounting mismatch between accounting of hedged items and risk management, and additional improvements regarding information disclosure on hedge accounting and risk management.

The Board has not stated the effective date for application yet, or deferred its decision until the release of the final version of the IFRS 9, respectively. Said standard was not approved by the EU yet.

The adoption of the IFRS 9 will affect the classification and measurement of financial assets and liabilities of the Company. The Company will evaluate that impact, along with the impacts of other amendments to said standard when released, to get a more thorough picture of impacts of these amendments to its financial statements.

IFRS 10 Consolidated Financial Statements

This standard supersedes the IAS 27 Consolidated and Separate Financial Statements in the part dealing with consolidated financial statements. It also addresses the issues summed up in SIC-12 Consolidation – Special Purpose Entities, and the resulting withdrawal of SIC-12. The revised IAS 27 is also limited to accounting treatment of investments in subsidiaries, joint ventures and associates in separate financial statements.

The IAS 10 introduces a uniform management model for all types of entities, incl. Special purpose entities. The changes introduced by IFRS 10 will demand important assessments in identifying the subsidiaries, which the parent has to include in consolidation. The Standard also amends the definition of control, by which an entity controls the other entity, provided that an investor:

- has power over the investee (i.e. under IFRS 10, when the investor has existing rights that give it the ability to direct the relevant activities of the entity);
- is exposed to, or has the rights to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee to affect the amount of the investor's returns.

The EU approved the standard and set the ultimate effective date for annual periods beginning on or after 1 January 2014. The Company does not expect the standard to have a significant influence on the shares held in the companies; it can affect any future takeover, though.

IFRS 11 Joint arrangements

The new standard supersedes the IAS 31: Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers.

The revised standard defines joint control as a contractually agreed sharing of control of a joint arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The definition of "control" in the term "joint control" is taken from the IFRS 10. Concurrently, the IFRS 11 changes the accounting for joint arrangements: unlike the IAS 31, which deals with three investment groups, the revised standard identifies only two groups of investments eligible for joint control:

- Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise their assets, liabilities, revenues and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly); and
- The new standard defines a jointly controlled entity (joint venture) as an arrangement in which the parties have rights to the net assets of the arrangement. Investments in a joint venture are recognised according to the equity method of accounting for investments. The new standard abolishes the option of "proportionate consolidation" to account for jointly controlled entities under IAS 31, which only allows for equity method of consolidation.

In accordance with the definition of new groups of investments, an entity has to consider in its classification of a joint arrangement as a joint operation or a jointly controlled entity (joint venture) not only the structure and form of the arrangement, but also other facts – unlike in IAS 31. Under IFRS 11, the parties have to determine whether a separate entity exists: if so, they have to consider the structure and legal form, the terms agreed by the parties in the contractual arrangement, and other facts and circumstances of a separate entity.

The EU approved the standard and set the ultimate effective date for annual periods beginning on or after 1 January 2014.

The Company does not expect the standard to have a significant influence on the shares held in the companies; it can affect any future arrangements, though.

IFRS 12 Disclosure of Interests in Other Entities

This standard requires a wide range of disclosures on financial statements comprised in the IAS 27, IAS 28 and IAS 31 about an entity's interests in subsidiaries, joint arrangements (joint ventures), associates and unconsolidated "structured entities". Some most extensive qualitative and quantitative disclosures under the IFRS 12 include: A high-level summary of the main requirements – financial information for each subsidiary in which the Company holds a significant non-controlling share; description of significant judgements and assumptions of the management in determining whether it controls another entity or has joint control of an arrangement or significant influence over another entity, and the type of joint arrangement (i.e. joint operation of joint venture); summary of financial information for each significant joint venture or associate; and description of risk associated with the entity's interests in unconsolidated structured entities.

The EU adopted the standard and set the ultimate effective date for annual periods beginning on or after 1 January 2014.

The change only influences the presentation of items, but does not affect the financial position or operation of the Company.

Investment Entities (Amendments to standards IFRS 10, IFRS 12, IAS 27 and IAS 28)

In October 2012, the IASB issued amendments to IFRS 10, IFRS 12 and IAS 27 standards that enter into effect for annual periods beginning on or after 1 January 2014. The amendments relate to investments held by the reporting entity that meets all the criteria for an investment entity in subsidiaries, joint ventures and associates. An investment entity has to recognise its investments in subsidiaries, associates and joint ventures at fair value in the profit or loss under the IFRS 9 (or IAS 39), except for investments in subsidiaries, associates and joint ventures providing services that are related only to the investment entity, which would be consolidated or accounted for under the equity method. An investment entity has to recognise the investments in a controlled investment entity at fair value. Accordingly, a non-investment entity parent of an investment entity must "unwind" the fair value accounting of its investment entity subsidiaries, at which the affiliated investment entities recognise their investees who are in their control. Non-investment entities have retained the option to measure their investments in associates and joint ventures at fair value in the profit or loss, as foreseen by IAS 28. We do not expect any major impact on the financial position and operation of the Company from that change to the standard.

IFRIC 21 Levies

The interpretation provides guidance on levies not covered by other standards (e.g. IAS 12), fines and other penalties arising from the breach of law. Fines or penalties are defined as a decrease in assets /outflows for levies imposed on entities by governments in accordance with laws and/or regulations. This interpretation provides detailed guidance on recognition of a liability to pay levies upon occurrence of an obligating event resulting in a levy in accordance with laws and/or regulations. The entity may recognise the liability to pay a levy progressively if the obligating event occurs over a period of time as provided by the law. If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached. The interpretation does not deal with how to account with costs arising from the recognition of a liability to pay a levy. Entities have to find the solution in other standards and determine whether the recognition of a liability gives rise to an asset or expense. The interpretation is effective for annual periods beginning on or after 1 January 2014. The Company is analysing the impact thereof on its financial position and operations.

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 Notes to individual items of assets and liabilities of the Company.

Property, Plant and Equipment

For land, we apply the revaluation model. After recognition, it is measured at revalued amount that is the fair value as at revaluation date. Fair value is a price to be achieved in a disposal of an asset or paid for the transfer of a liability in an ordinary transaction on the main (or most favourable) market among the participants involved in the market on the date of measurement under the current market terms, regardless of the fact whether the price can be directly monitored or estimated by another valuation technique. Depending on the circumstances or situation, the fair value of land is measured by one or several valuation methods, such as: market-based, cost-based and return-based approach. Revaluation is made every five years or more frequently if there is indication of impairment.

Intangible assets

Fair value of patents and brands/ trade marks 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 investments held to maturity and of 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.

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 that 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, we considered the data from the Income Statement for 2013, items of the Statements of Financial Position of the Company as at 31. 12. 2013 and 31. 12. 2012, and other additional data.

NOTE 1: Sales revenue

Sales revenues amounting to € 90,994 thousand represent the revenues from services supplied.

Table 7: Sales revenue

in € thousand

	2013	2012
Revenues from sales to group members	2,839	3,710
Revenues from sales to others	88,155	104,513
Total	**90,994**	**108,222**

NOTE 2: Other operating revenue

Table 8: Other operating revenue

in € thousand

	2013	2012
Revaluation operating revenue from the sale of tangible fixed assets and investment property	140	299
Income from reversal of provisions	70	752
Received state support	325	70
Income from the reversal of allowances for receivables and recoveries of written-off receivables	207	276
Revenues from extinguishment of debt	2	10
Other operating revenues	1,185	105
Total	**1,929**	**1,512**

Other Operating Revenues of the reporting year mainly represent the proceeds from damages received from the settlement of customs duty on account of an incomplete transit procedure under the Decision by the Customs Administration of the Republic of Slovenia (amounting to € 1,076 thousand), for which the provisions made in the preceding year were used. We estimate that the collection of said compensation for damages, which was invoiced in advance, be aggravated, therefore we impaired this account receivable in full amount (See Note 5).

We received € 261 thousand from state grants awarded for co-financing of projects, and € 64 thousand for incentives and funds obtained from employing disabled persons above the quota (€ 70 thousand in comparable year). The amount of the provision for lawsuit reversed was € 70 thousand (Note 18).

In the scope of revenues from the elimination of allowances for receivables and from collected written-off receivables, the revenues from the former amounted to € 175 thousand (see Note 15) and from the latter € 32 thousand.

NOTE 3: Cost of materials and services

Table 9: Cost of materials and services

in € thousand

	2013	2012
Cost of materials	1,722	1,883
Costs of services in the group	1,899	2,306
Costs of services (except those in the group)	61,885	72,886
Direct costs	56,382	65,627
Telephone costs	180	213
Maintenance costs	1,605	1,776
Insurance premiums	447	588
Training and education costs	35	44
Cost of intellectual services	297	488
Other costs of services	2,940	4,150
Total	**65,507**	**77,075**

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

Other cost of services stand for 4.5 percent in the cost of services structure and mostly relate to refunds of work-related travel expenses to employees, costs of public utilities, rentals/leases and fees for payment transactions.

NOTE 4: Labour costs

Table 10: Labour costs

in € thousand

	2013	2012
Wages and salaries	12,326	13,197
Pension insurance costs	1,376	1,456
Other social security costs	910	964
Other labour cost	2,681	3,488
Holiday allowances	536	765
Travel and meal allowances	1,723	1,939
Other labour costs	421	784
Total	**17,293**	**19,105**

Labour costs comprise the accrued costs for termination benefits arising from economic reasons in the amount of € 250 thousand, and the cost of (unused) annual leave at € 220 thousand.

NOTE 5: Depreciation and amortisation

Table 11: Depreciation and amortisation

in € thousand

	2013	2012
Amortisation of intangible assets	518	577
Depreciation of property, plant and equipment and investment properties	3,625	4,010
Revaluatory operating expenses of intangible and tangible fixed assets	15	9,931
Expenses from revaluation adjustments and written-off receivables	1,843	924
Total	**6,001**	**15,441**

Amortisation and depreciation expenses and write-offs/-downs went 20 percent down primarily due to lower operating expenses from revaluation in both, intangible assets and tangible assets (property, plant and equipment) that in past periods contained the expenses resulting from disposal of land in Russia in the amount of € 9,819 thousand.

The item Expenses from value adjustments and write-offs of receivables, comprises the expenses of € 1,773 thousand of the former (Note 15), and € 98 thousand of the latter.

NOTE 6: Other operating expenses

Table 12: Other operating expenses

in € thousand

	2013	2012
City land tax and similar expenses	1,050	1,063
Other operating expenses	470	5,608
Total	**1,520**	**6,671**

Among other operating expenses in the financial year 2012, the major portion of Provisions (€ 5,233 thousand) represents the provisions made to cover the liabilities from the past operations relating to the claim for customs duty on account of an incomplete transit procedure (€ 1,073 thousand) and for the liabilities arising from contracted assurances (€ 4,160 thousand).

Other Operating Expenses comprise the expenses from revaluation of labour costs, i.e. the accrued expenses for employee profit-sharing scheme (€ 265 thousand) and other expenses, such as municipal and other levies and membership fees (totalling € 205 thousand).

NOTE 7: Financial revenues and expenses

Table 13: Financial revenues and expenses

in € thousand

	2013	2012
Interest income from group members	136	2,918
Interest income from others	490	572
Income from intra-group participations	817	1,926
Income from participation in the joint venture	34	35
Income from profit participations in others	4	1
Income from removal of loan impairment within the Group	76	702
Net exchange differences	3	0
Finance income	**1,561**	**6,154**
Interest expenses an other borrowing expenses	-3,708	-7,070
Loss in sale of financial assets	-12	-2,256
Finance costs from impairment of investments in shares and stakes in the group	-92	-2,339
Expenses from impairments and written-off other financial investments	-1,324	-561
Expenses from derivative financial instruments	0	-699
Net exchange differences	0	-8
Finance costs	**-5,136**	**-12,933**
Profit from financing activities	**-3,575**	**-6,779**

The revenues from reversal of impairment in the Group, amounting to € 76 thousand, stand for the loan given to subsidiary Intereuropa Transport d.o.o., in liquidation, Koper; in 2013, 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 € 12 thousand resulted from annulled shares of Abanka d.d. that were deleted from the dematerialized securities kept with xtraordinary measures imposed by the Slovenian Central Bank (Banka Slovenije).

Financial expenses from impairment of financial investments in total amount of € 92 thousand relate to the impairment of financial investment in the interest in subsidiary TOV Intereuropa-Ukraine, Kiev, based on the assessed liquidation value of the Company. Other financial expenses from impairment of companies (€ 1,324 thousand) stand for the impairment of financial investments available for sale, on top of which is the impairment to Cimos d.d. amounting to € 985 thousand (Note 13).

NOTE 8: Corporate income tax

The Corporate Income Tax involves the expenses from tax assessed (incl. the non-deductible withholding tax) in the amount of € -60 thousand and the revenues from deferred tax at € 2,033 thousand. The corporate income tax account was based on the 17-percent tax rate and on a decrease in the tax base amounting to one half of tax loss from previous periods (Off. Jour. RS, no. 81/13). The recalculation of deferred tax assets to the 17-percent tax rate has a significant impact on that item, as the item Corporate income tax inclusive of deferred tax amounts to € 1,973 thousand.

Table 14: Adjustments to effective tax rate

in € thousand

	2013	2012
Tax	0	0
Non-deductible tax withheld abroad	-60	-104
Deferred tax	2,033	8,822
Corporate income tax	**1,973**	**8,718**
Profit before tax	-973	-15,337
Tax at the applicable rate	165	2,761
Non-deductible tax withheld abroad	-60	-104
Tax on non-deductible expenses	-408	-6,698
Tax on revenues reducing tax base	170	518
Tax on expenses reducing tax base	39	15,783
Tax relief	116	0
Impact of change in tax rate	1,948	-3,504
Tax on other items	3	-38
Corporate income tax	**1,973**	**8,718**

The value of unused tax losses as of 31. 12. 2013 was € 83,924 thousand.

NOTE 9: Property, Plant and Equipment

Table 15: Changes in Property, Plant and Equipment in 2013

in € thousand

	Land	Buildings	Other plant and equipment	Property, plant and equipment under construction	Total
HISTORICAL COST					
As at 1 Jan 2013	**75,402**	**100,545**	**23,789**	**2,167**	**201,903**
Purchasing	0	0	0	659	659
Activation	0	166	438	-603	0
Disposals	-12	-369	-589	0	-970
Write offs	0	0	-719	-2,163	-2,883
As at 31 Dec 2013	**75,390**	**100,341**	**22,919**	**59**	**198,709**
VALUE ADJUSTMENT					
As at 1 Jan 2013	**-5**	**-49,657**	**-21,276**	**-2,161**	**-73,099**
Depreciation and amortisation	0	-2,491	-926	0	-3,417
Disposals	0	232	559	0	791
Write offs	0	0	718	2,161	2,878
As at 31 Dec 2013	**-5**	**-51,916**	**-20,926**	**0**	**-72,847**
RESIDUAL VALUE					
As at 1 Jan 2013	75,397	50,887	2,513	7	128,804
As at 31 Dec 2013	**75,385**	**48,425**	**1,993**	**59**	**125,862**

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 year-end 2012, without any major variance.

In the reporting year, the Company checked, due to share price falling below the book value, the need for any impairment of the property, plant and equipment items and found that the recoverable amount thereof exceeded their carrying amount based on their fair value less costs of sale. Having examined the prices of building land, the Company ascertained that the downward trend in that market segment levelled off in 2013 and no significant changes occurred to trigger an impairment of real estate.

The procurement value of property, plant and equipment items whose carrying amount as at 31. 12. 2013 was 0 (zero) € and they are still in use, amounts to € 18,531 thousand.

The carrying amount of land as at 31. 12. 2013 would equal € 11,688 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 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**

As of the Balance Sheet Date, the Company had property, plant and equipment pledged as loan security in the amount of € 104,516 thousand, and for contingent liabilities € 17,407 thousand. No other legal restrictions for disposal with fixed assets existed. The carrying amount of mortgaged real estate was € 118,108 thousand.

NOTE 10: Investment Property

Table 17: Changes in Investment Property

in € thousand

	2013	2012
HISTORICAL COST		
Balance as at 1 Jan	**8,344**	**8,344**
Disposals (sale)	0	0
Balance as at 31 Dec	**8,344**	**8,344**
VALUE ADJUSTMENT		
Balance as at 1 Jan	**-2,828**	**-2,620**
Depreciation and amortisation	-208	-208
Disposals (sale)	0	0
Balance as at 31 Dec	**-3,037**	**-2,828**
RESIDUAL VALUE		
Balance as at 1 Jan	5,516	5,724
Balance as at 31 Dec	**5,307**	**5,516**

At the year-end 2013, we examined the values of investment properties and assessed on the basis of comparable market rentals that no indicators of evtl. impairment to these assets existed on the reporting date. Fair value of investment properties amounts to € 7,201 thousand.

Table 18: Revenues and expenses from investment property

in € thousand

	2013	2012
Rental income from investment properties	1,231	1,166
Direct operating expenses from investment properties	-449	-443
Total	**782**	**723**

As at 31. 12. 2013, the company has no binding contracts to purchase any investment property.

NOTE 11: Intangible assets

Table 19: Changes in Intangible Assets in 2013

in € thousand

	Long-term title rights	Long-term deferred development costs	Total
HISTORICAL COST			
As at 1 Jan 2013	**4,966**	**4,069**	**9,035**
Purchasing	0	165	165
Disposals	-25	0	-24
As at 31 Dec 2013	**4,942**	**4,235**	**9,176**
VALUE ADJUSTMENT			
As at 1 Jan 2013	**-2,780**	**-163**	**-2,943**
Depreciation and amortisation	-263	-255	-518
Increase resulting from credit note	-4	0	-4
Disposals	25	0	25
As at 31 Dec 2013	**-3,023**	**-418**	**-3,441**
RESIDUAL VALUE			
As at 1 Jan 2013	2,186	3,906	6,092
As at 31 Dec 2013	**1,918**	**3,817**	**5,735**

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 € 790 thousand. That pledge is an additional collateral for liabilities for which the pledged tangible items are the underlying security.

The procurement value of intangible assets whose carrying amount as at 31. 12. 2013 was 0 (zero) € and they are still in use, amounts to € 1,866 thousand.

No binding contracts exist for a purchase of intangible assets.

Table 20: Changes in Intangible Assets in 2012

in € thousand

	Long-term title rights	Long-term deferred development costs	Total
HISTORICAL COST			
As at 1 Jan 2012	**5,736**	**3,966**	**9,702**
Purchasing	31	103	134
Disposals	-801	0	-801
As at 31 Dec 2012	**4,966**	**4,069**	**9,035**
VALUE ADJUSTMENT			
As at 1 Jan 2012	**-3,068**	**0**	**-3,068**
Depreciation and amortisation	-513	-64	-577
Disposals	801	0	801
Impairment	0	-99	-99
As at 31 Dec 2012	**-2,780**	**-163**	**-2,943**
RESIDUAL VALUE			
As at 1 Jan 2012	2,668	3,966	6,634
As at 31 Dec 2012	**2,186**	**3,906**	**6,092**

NOTE 12: Other long-term operating assets

Other long-term operating assets amounting to € 176 thousand (as at 31. 12. 2012, these assets amounted to € 313 thousand) almost entirely 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 investment in the subsidiary TOV Intereuropa – Ukraina, Kiev in the amount of € 92 thousand (Note 7); and
- pay-out to shareholders of Intereuropa Sajam d.o.o., Zagreb (€ 92 thousand).

Capital increase of the subsidiary TOV Intereuropa – Ukraina, Kiev, at € 50 thousand had an influence on increased value of investments.

The carrying amount of pledged financial investments in shares and interests in subsidiaries was € 10,186 thousand as at the reporting date. That pledge is an additional collateral for liabilities for which the pledged tangible items are the underlying security.

Table 21: Changes in financial investments in subsidiaries

in € thousand

	31 Dec 2013	31 Dec 2012
Balance as at 1 Jan	**47,481**	**49,842**
Recapitalization	50	0
Repayment from liquidation	0	-22
Payment of shareholders (reduction of share capital)	-92	0
Impairment of financial assets	-92	-2,339
Balance as at 31 Dec	**47,347**	**47,481**

The impairment of financial investments at € 92 thousand relates to impairment of financial investment in the interest in TOV Intereuropa-Ukraina, Kiev. 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 we took the value of estimated impairments as at 31. 12. 2013 on the basis of estimated liquidation balance of the subsidiary. In June, the deletion of subsidiary Intereuropa Transport & Spedition GmbH, Troisdorf from the German business register, had no impact.

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

	31 Dec 2013		31 Dec 2012	
	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	**1,250**	**1,844**	**1,138**	**2,398**
Revaluation to fair value	18	0	118	0
Impairment	0	-1,311	-6	-554
Balance as at 31 Dec	**1,268**	**533**	**1,250**	**1,844**

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.

The prevailing portion of impaired financial assets at procurement value stands for the impairment of investment in Cimos d.d. (€ 985 thousand). We made our evaluation of this asset based on accessible public information on the CIMR-share in the market and the fact that as of the reporting date, the company Cimos has not achieved an agreement on financial restructuring with creditor banks yet. The impairment of investment in the bank Banka Celje (€ 188 thousand) results from the book value (carrying amount) of said shares as at 30. 9. 2013 and from the inferior capital adequacy revealed by the stress test. Other impairments of investments stand for a 20-percent surplus over the proportional part of total equity of the issuer of securities.

As at 31. 12. 2013, 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 Dec 2013	31 Dec 2012
Long-term loans given	**913**	**7**
- to subsidiaries	863	0
- to others	0	1
- deposits	50	6
Short-term loans, deposits given and certificates od deposit	**10,851**	**11,620**
- to subsidiaries	1,185	2,397
- to others	0	13
- deposits and certificates od deposit	9,666	9,210
Total	**11,764**	**11,627**

Table 24: Changes in long-term loans and deposits

in € thousand

	2013	2012
Opening balance	**7**	**29,840**
New deposits	50	6
Loan reprogramming (transfer from short-term loans)	863	0
Repayments	-1	-1
Transfer to the short-term part	-6	-754
Decrease from the sale of loans	0	-29,084
Closing balance	**913**	**7**

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

in € thousand

	31 Dec 2013	31 Dec 2012
Maturity from 1 to 2 years	370	7
Maturity from 2 to 3 years	320	0
Maturity from 3 to 4 years	223	0
Maturity from 4 to 5 years	0	0
Maturity over 5 years	0	0
Total	**913**	**7**

Table 26: Long-term loans by collateral

in € thousand

	31 Dec 2013	31 Dec 2012
Secured (bills of exchange)	863	0
Unsecured	0	1
Total	**863**	**1**

As at the cut-off date, the Company had a long-term deposit of € 50 thousand pledged as a security for potential liability of € 50 thousand.

Table 27: Short-term loans by collateral

in € thousand

	31 Dec 2013	31 Dec 2012
Secured (bills of exchange)	400	1,747
Unsecured	785	663
Total	**1,185**	**2,410**

As of the cut-off date, the Company had short-term deposits of € 4,166 thousand pledged as a security for potential liability for which a long-term provision was made at € 4,160 thousand, and a potential liability amounting to € 20 thousand.

NOTE 15: Short-term operating receivables

Table 28: Short-term operating receivables

in € thousand

	31 Dec 2013	31 Dec 2012
Short-term accounts receivables from Group members	609	827
Short-term operating receivables from Group members for interest	151	139
Short-term accounts receivables (excluding Group members)	20,983	21,762
Other short-term operating receivables from others	607	435
Other current assets	25	46
Total	**22,375**	**23,209**

Short-term trade receivables (incl. receivables due from customers in the Group) totalled € 21,592 thousand, thereof € 589 thousand related to receivables for services incomplete as of 31. 12. 2013.

Table 29: Trends in adjustments of short-term operating receivables due from customers (except in the Group)

in € thousand

	2013	2012
Adjustment of accounts receivable as at 1 Jan	**3,214**	**3,252**
- receivables written off	-379	-473
- collected receivables	-175	-230
+ additional increase in value adjustments	697	664
- transfer to correction of other short-term receivables	-137	0
Adjustment of accounts receivable as at 31 Dec	**3,220**	**3,214**
Value adjustmer of other short-term receivables as at 1 Jan	0	0
- receivables written off	0	0
- collected receivables	0	0
+ additional increase in value adjustments	1,076	0
+ transfer from adjustment of receivables	137	0
Closing balance of other short-term receivables as at 31 Dec	**1,213**	**0**

Table 30: Trends in adjustments to loan interest receivables due from group members

in € thousand

	2013	2012
Value adjustment for interest as at 1 Jan	**0**	**18,186**
+ increase in value adjustment	0	0
- write-off of receivables (the sale of receivables)	0	-18,186
Value adjustment for interest as at 31 Dec	**0**	**0**

Table 31: Structure of short-term trade receivables (except intragroup) by maturity

in € thousand

	Gross amount 31 Dec 2013	Value adjustment 31 Dec 2013	Gross amount 31 Dec 2012	Value adjustment 31 Dec 2012
Short-term accounts receivable				
Outstanding	15,066	0	15,640	0
Overdue from 0 to 30 days	4,372	2	4,436	134
Overdue from 31 to 90 days	1,233	81	1,471	8
Overdue from 91 to 180 days	367	98	280	70
Overdue over 181 days	3,165	3,039	3,149	3,003
Total short-term accounts receivable	**24,204**	**3,220**	**24,976**	**3,214**
Other short-term receivables				
Outstanding	607	0	435	0
Overdue from 0 to 30 days	0	0	0	0
Overdue from 31 to 90 days	0	0	0	0
Overdue from 91 to 180 days	0	0	0	0
Overdue over 181 days	1,213	1,213	0	0
Total other short-term operating receivables	**1,821**	**1,213**	**435**	**0**

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).

As of the cut-off date, the Company had short-term trade receivables pledged, in the book value of € 10,000 thousand. The pledge is an additional collateral for potential liabilities of € 12,600 thousand, for which the items pledged represent the underlying security.

NOTE 16: Cash and cash equivalents

Cash assets as at 31. 12. 2013 amounted to € 3,406 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 2013 are shown in the Statement of Cash Flows.

NOTE 17: Equity

Table 32: Financial debt/ Equity

in € thousand

	2013	2012
Non-current financial liabilities	101,202	106,279
Current financial liabilities	3,397	3,194
Total financial liabilities	104,599	109,473
Total equity	100,712	100,887
Debt/equity	**1.04**	**1.09**

Share capital

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 preferential 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. 12. 2013, the Company had, in accordance with the General Meeting resolution from the year 2010, € 16,488 thousand of authorised and unused capital. In 2013, the Parent Company did not issue any shares for authorised capital.

Capital reserves

Capital reserves amounting to € 25,074 thousand were made after decreasing the share capital in 2012 and used to cover the net loss of the financial year 2012 amounting to € 6,619 thousand. There were no changes in 2013, so the balance as at 31. 12. 2013 was equal as at the cut-off date a year ago, amounting to € 18,455 thousand.

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

Revenue reserves

The Revenue Reserves are structured as legal reserves, the reserves for treasury shares as a deductible item. The entire Company's profit or loss in 2013 at € 1,000 thousand is to be allocated to legal reserves, which as at 31. 12. 2013 amounted to € 1,875 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

The accumulated profit as at 31. 12. 2013 came to € 78 thousand and resulted from the transfer of surplus from revaluation of real estate owing to disposal thereof (€ 7 thousand) and of the recognised actuarial gains (€ 71 thousand).

Dividends
Intereuropa d.d., Koper, did not pay any dividend in the year 2013.

Table 33: Net earnings /loss per share

	2013	2012
Net profit/loss attributable to ordinary shareholders in € thousand	893	-6,619
Average number of normal shares (excluding treasury shares)	16,812,703	8,628,313
Basic and diluted net profit/loss per share (€)	**0.05**	**-0.77**

The basic earning /loss per share (€ 0.05) was calculated as: net loss pertaining to the ordinary shareholders of the Parent Company/weighted average number of shares, excluding treasury shares. The diluted net profit/loss per ordinary share equalled the basic net profit/loss 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 Jan 2013	Use of provisions	Cancellation and transfer to revenues	Elimination of provisions for the benefit of net profit	Additional establishment long-term deferred revenues	Additional establishment charged to expense	Additional establishment charged to retained net profit	As at 31 Dec 2013
Provisions	6,142	-1,114	-70	-121	0	76	50	4,963
Provisions for employee benefits	789	-41	0	-121	0	72	50	749
Provisions for severance pay for dismissal due to business circumstances	0	0	0	0	0		0	0
Provisions for legal proceedings	120	0	-70	0	0	4	0	54
Other long provisions	5,233	-1,073	0	0	0	0	0	4,160
Other long-term deferred revenue	109	0	-90	0	210	0	0	229
Total	**6,251**	**-1,114**	**-160**	**-121**	**210**	**76**	**50**	**5,192**

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 2013;
- 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 5.00 percent.

Reversal and additional formation of these provisions were based on the actuarial calculation as at 31. 12. 2013.

Table 35: Changes to provisions for termination benefits and jubilee rewards in 2013

in € thousand

	Balance 1 Jan 2013	Interest cost	Payment	The increase in the current year	Actuarial gains / losses	As at 31 Dec 2013
Provisions	**789**	**22**	**-41**	**50**	**-71**	**749**
Provisions for employee benefits	221	6	-38	20	50	259
Provisions for severance pay	568	16	-3	30	-121	490

In the provisions for lawsuits, there is more than 50 % probability that the plaintiff would be successful in their claim and outflows of resources embodying economic benefits would be needed. They were made on the basis of estimates by internal and external legal experts.

The provisions made to cover the liabilities from the past operations were drawn in the amount of € 1,073 thousand to settle the claim for customs duty on account of an incomplete transit procedure.

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: Prejeta posojila in finančni najemi

Table 36: Structure of long-term loans received and financial leases

in € thousand

	31 Dec 2013	31 Dec 2012
Long-term loans from others	101,202	106,271
Financial leasing	0	9
Total	**101,202**	**106,279**

Table 37: Changes in received loans and financial leases

in € thousand

	31 Dec 2013	31 Dec 2012
Opening balance	106,279	20,911
Transfer from current liabilities (moratorium and reprogram long loans)	0	85,582
Transfer to current liabilities (current part of non-current liabilities)	-3,323	0
Repayments	-1,754	-214
Closing balance	**101,202**	**106,279**

As at 31. 12. 2013, the Company had € 9,500 thousand in approved and undrawn revolving credit.

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, acid test ratio = liquid assets to short-term liabilities) are harmonised in all loan agreements: they were first checked for the financial year 2013 and were fully complied with.

Table 38: Maturity of received long-term bank loans and financial leases

in € thousand

	31 Dec 2013	31 Dec 2012
Maturity from 1 to 2 years	3,529	3,323
Maturity from 2 to 3 years	3,752	3,529
Maturity from 3 to 4 years	3,986	3,752
Maturity from 4 to 5 years	4,163	3,986
Maturity over 5 years	85,772	91,689
Total	**101,202**	**106,279**

Table 39: Received long-term bank loans and financial leases by collateral

in € thousand

	31 Dec 2013	31 Dec 2012
Mortgaged real estate and pledged securities	101,202	106,271
Other collateral	0	8
Total	**101,202**	**106,279**

Table 40: Structure of received short-term loans and financial leases

in € thousand

	31 Dec 2013	31 Dec 2012
Short-term loans from banks	3,315	1,837
Financial lease	9	16
Total	**3,323**	**1,853**

Variable interest rates are applied in most loans (Table 47).

Table 41: Received short-term loans and financial leases by collateral

in € thousand

	31 Dec 2013	31 Dec 2012
Mortgaged real estate and pledged securities	3,315	1,837
Other	9	16
Total	**3,323**	**1,853**

NOTE 20: Other long-term and short-term financial liabilities

Table 42: Structure of other long- and short-term financial liabilities

in € thousand

	31 Dec 2013	31 Dec 2012
Liabilities for dividends and other participations	74	74
Other current financial liabilities	0	1,266
Total	**74**	**1,341**

NOTE 21: Deferred tax liabilities and assets

Table 43: Changes in not-offset deferred tax liabilities and assets, in 2013

in € thousand

Deferred tax assets	As at 1 Jan 2013	Changes in the income statement	Changes in other compre-hensive income	As at 31 Dec 2013
Financial assets revaluation	1,867	460	-3	2,324
Provisions	81	-3	0	78
Tax loss	12,691	1,576	0	14,267
Total	**14,639**	**2,033**	**-3**	**16,669**

Deferred tax liabilities	As at 1 Jan 2013	Changes in the income statement	Changes in other compre-hensive income	As at 31 Dec 2012
Revaluationt of land	9,558	0	1,273	10,831
Total	**9,558**	**0**	**1,273**	**10,831**
Effect		**2,033**	**1,270**	

Table 44: Changes in not-offset deferred tax liabilities and assets, in 2012

in € thousand

Deferred tax assets	As at 1 Jan 2012	Changes in the income statement	Changes in other comprehensive income	As at 31 Dec 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 Jan 2012**	**Changes in the income statement**	**Changes in other comprehensive income**	**As at 31 Dec 2012**
Revaluationt of land	12,744	0	-3,186	9,558
Total	**12,744**	**0**	**-3,186**	**9,558**
Effect		**8,822**	**-3,215**	

NOTE 22: Short-term operating liabilities

Table 45: Structure of short-term operating liabilities

in € thousand

	31 Dec 2013	31 Dec 2012
Short-term operating liabilities to group members	265	252
Short-term accounts payable	15,520	14,587
Short-term operating liabilities from advances	977	19
Other short-term operating liabilities	2,231	3,317
Total	**18,994**	**18,175**

Of the total amount of short-term operating liabilities as at 31. 12. 2013, € 915 thousand related to liabilities arising from costs for which the suppliers' invoices have not been received yet.

Only the liabilities for customs duty and levies amounting to € 5,810 thousand as of the Statement of financial position date (compared to € 4,190 thousand a year ago) 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 it is not estimated as probable that an outflow of resources would result upon the settlement of the obligation. We estimate that the Company held as at 31. 12. 2013 the following contingent liabilities:

Table 46: Contingent liabilities

in € thousand

	31 Dec 2013	31 Dec 2012
Arising from bank guarantees and guarantees given for Group members	7,371	8,612
Arising from bank guarantees and guarantees given	7,416	6,088
Arising from legal proceedings	2,793	1,739
From D.S.U., družba za svetovanje in upravljanje	250	250
Total	**17,830**	**16,689**

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 € 2,739 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 not listed on a stock exchange is assessed on the basis of 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 47: Fair Value

in € thousand

	31 Dec 2013		31 Dec 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Land	75,385	75,385	75,397	75,397
Available-for-sale financial assets	1,801	1,801	3,094	3,094
- At fair value	1,268	1,268	1,250	1,250
- Measured at historical cost	533	533	1,844	1,844
Loans given and deposits	11,764	11,764	11,626	11,626
Operating receivables	22,375	22,375	23,209	23,209
Cash and cash equivalents	3,406	3,406	3,449	3,449
Total	**116,532**	**116,532**	**119,869**	**119,869**
Liabilities				
Loans and financial leases	104,525	104,525	108,132	108,132
- at a fixed interest rate	8	8	24	24
- at a variable interest rate	104,517	104,517	108,108	108,108
Other short financial liabilities	74	74	1,341	1,341
Operating liabilities	19,640	19,640	18,589	18,589
Total	**124,239**	**124,239**	**128,062**	**128,062**

Table 48: Fair Value Levels

in € thousand

	31. Dec 2013			
Fair value amounts	**Level 1**	**Level 2**	**Level 3**	**Total**
Land	0	75,385	0	75,385
Available-for-sale financial assets	1,268	0	533	1,801
	31. Dec 2012			
Fair value amounts	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets	1,250	0	1,844	3,094

The table shows the classification of financial instruments with regard to calculation of their fair value, classified in the following three levels:

- Level 1 considers the unadjusted price listed in an active market on the date of measurement;
- Level 2 considers the inputs other than the listed price of Level 1, and such inputs can be directly or indirectly monitored for assets or liabilities;
- Level 3 considers unmonitored inputs for an asset or liability.

Land re-valuation was made under the comparable sales method.

NOTE 25: Financial Risks

Liquidity Risk

Liquidity risk is controlled by active management of cash, comprising:
- cash flow monitoring and planning;
- expedient 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 49: Liquidity Risk, as at 31. 12. 2013

in € thousand

31 Dec 2013	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Loans received from others based on loan agreements	104,516	122,612	3,113	3,363	6,863	21,176	88,097
Loans received from others based on financial lease	9	9	6	3	0	0	0
Liabilities to group suppliers	74	74	74	0	0	0	0
Accounts payable (excluding Group members)	265	265	265	0	0	0	0
Liabilities arising from advances	15,901	15,901	15,508	13	120	76	185
Liabilities at fair value through profit or loss	977	977	977	0	0	0	0
Other liabilities	2,496	2,496	2,231	0	265	0	0
Total	**124,238**	**142,335**	**22,174**	**3,378**	**7,248**	**21,252**	**88,282**

Table 50: Liquidity Risk, as at 31. 12. 2012

in € thousand

31 Dec 2012	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Loans received from others based on loan agreements	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 51: Currency Risk, as at 31. 12. 2013

in € thousand

31 Dec 2013	€	USD	Other	Total
Short-term operating receivables from Group members	760	0	0	760
Short-term operating receivables (excluding Group members)	21,423	157	36	21,616
Receivables for advances	5	0	0	5
Long-term loans given to Group members	863	0	0	863
Short-term loans given to Group members	1,185	0	0	1,185
Long-term loans given to others	50	0	0	50
Short-term loans and deposits given to other	9,666	0	0	9,666
Long-term loans received	-101,202	0	0	-101,202
Short-term loans received	-3,323	0	0	-3,323
Short-term operating liabilities to Group members	-265	0	0	-265
Short-term operating liabilities (excluding Group members)	-18,364	-323	-42	-18,729
- of which accounts payable (excluding Group members)	-14,268	-323	-14	-14,605
Other short financial liabilities	-74	0	0	-74
Gross exposure of the statement of financial position	**-89,277**	**-166**	**-7**	**-89,450**

Table 52: Currency Risk, as at 31. 12. 2012

in € thousand

31 Dec 2012	€	USD	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
Receivables for advances	2	0	0	2
Short-term loans given to Group members	2,397	0	0	2,397
Long-term loans given to others	7	0	0	7
Short-term loans and deposits given to other	9,223	0	0	9,223
Long-term loans received	-106,279	0	0	-106,279
Short-term loans received	-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	**-92,498**	**-160**	**-152**	**-92,810**

Table 53: Credit Risk

in € thousand

	31 Dec 2013	31 Dec 2012
Long-term loans to Group members	863	0
Short-term loans to Group members	1,185	2,397
Long-term loans and deposits to others	50	7
Short-term loans and deposits to others	9,666	9,223
Short-term trade receivables	22,375	23,209
- of which accounts receivable	20,983	21,762
- of which from Group members	760	966
Cash and cash equivalents	3,406	3,449
Available-for-sale financial assets	1,801	3,094
Total	**39,346**	**41,379**

The Table presents the analysis of interest rate sensitivity and impact on pre-tax profit.

Table 54: Interest rate risk

in € thousand

2013	Change in percent	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
EURIBOR	+15 %	-23	-23	-44	-123	-28	-242
EURIBOR	+10 %	-15	-15	-30	-82	-19	-161
EURIBOR	-10 %	15	15	30	82	19	161
EURIBOR	-15 %	23	23	44	123	28	242

Table 55: 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

NOTE 26: Other disclosures

Table 56: Cost of auditors

in € thousand

	2013	2012
Auditing of the Annual Report	50	50
Other services	3	3
Total	**53**	**53**

Auditing was conducted by the audit firm ERNST & YOUNG Revizija, poslovno svetovanje, d. o. o., Ljubljana. That firm did not provide any other service in the reporting year 2013.

Related parties of Intereuropa d.d., Koper:
- subsidiaries;
- associated companies;
- joint ventures (jointly controlled entity);
- key management personnel of the Parent Company.

Members of the Managing Board are the key management personnel of the Parent Company.

Table 57: Disclosure of transactions with related parties

in € thousand

Revenue from services	2013	2012
Subsidiaries	2,839	3,710
Joint venture	521	514
Costs of services	**2013**	**2012**
Subsidiaries	1,899	2,306
Joint venture	4,059	4,545

As at the reporting date, the Company Intereuropa d.d., Koper, had liabilities to joint venture in the amount of € 610 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 2013

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 58: Income of the Managing Board members in 2013

in €

	Salary – fixed part		Salary – variable part		Bonuses and other benefits		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Gortan Ernest	129,600	63,162	12,000	5,848	5,686	4,195	144,459	73,206
Vošinek Pucer Tatjana	112,763	56,681	10,500	5,278	4,275	3,400	124,966	65,359
Total	**242,363**	**119,844**	**22,500**	**11,126**	**9,961**	**7,595**	**269,425**	**138,565**

Net bonuses and benefits, and other receipts:

in €

	Net bonuses and other benefits						
	Manager insurance	Additional pension insurance	Other bonuses	Reimbursement of costs	Profit participation	Other income	Total
Gortan Ernest	0	1,410	1,272	1,416	0	97	4,195
Vošinek Pucer Tatjana	0	1,410	730	1,163	0	98	3,400
Total	**0**	**2,819**	**2,002**	**2,579**	**0**	**195**	**7,595**

Table 59: Remuneration of the Supervisory Board members in 2013

in €

	Period from - to	Payment for performance of the function	Remuneration for work in committees	Session fee	Reimbursement of costs	Profit participation	Other benefits and bonuses	Total
Pečar Nevija	1. 1. 2013-31. 12. 2013	8,400	1,320	2,475	0	0	0	12,195
KoreIič Bruno	1. 1. 2013-10. 4. 2013	3,640	440	825	0	0	0	4,905
Može Vinko	1. 1. 2013-29. 7. 2013	5,555	0	1,375	501	0	0	7,431
Tufek Tadej	1. 1. 2013-9. 9. 2013	7,161	880	1,375	739	0	0	10,155
Čertalič Maša	1. 1. 2013-31. 12. 2013	8,400	440	2,200	0	0	0	11,040
Babič Maksimiljan	1. 1. 2013-3. 7. 2013	4,268	0	1,100	950	0	0	6,318
Kobale Ljubo	1. 1. 2013-31. 12. 2013	8,400	440	2,475	0	0	0	11,315
Medvešek Miro	10. 9. 2013-31. 12. 2013	2,077	440	825	511	0	0	3,853
Mihajlovič Igor	30. 7. 2013-31. 12. 2013	3,114	440	1,100	420	0	0	5,074
Boštjančič Klemen	21. 6. 2013 31. 12. 2013	3,733	440	1,100	409	0	0	5,682
Total		**45,824**	**3,520**	**11,825**	**2,190**	**0**	**0**	**63,359**

Table 60: 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	1,484,288	156,690	1,640,978

NOTE 27: Post reporting date events

There were no events with a significant impact on financial statements after the reporting date.

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, 2013, and the income statement, statement of other 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.

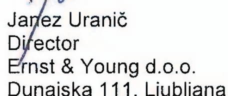
Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Intereuropa d.d., as of December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted 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.

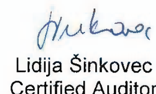
The business report is consistent with the audited financial statements.

Ljubljana, March 31, 2014



Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1



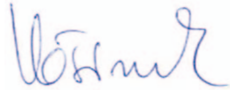
Lidija Šinkovec
Certified Auditor

Signing of the Annual Report for 2013 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 2013, and thus on the entire Annual Report of Intereuropa d.d. and the Intereuropa Group for 2013. 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 2013

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Note:
"The English version of the Annual Report 2013 of Intereuropa Group constitutes a translation of the original Slovenian version. Only the Slovenian version is legally binding."

Koper, April 2014