

ANNUAL REPORT | 2015



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The Intereuropa Group
Intereuropa d.d.



Intereuropa[®]

Global Logistics service

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INTRODUCTION



1 INTRODUCTION

1.1 Highlights on the operation of the Intereuropa Group

Table 1: Income Statement

	2012	2013	2014	2015	I 15/14
Sales revenues	188,409	161,061	140,769	134,613	96
Earnings before interest, taxes and depreciation and amortisation (EBITDA)	12,693	13,755	11,786	11,268	96
Operating profit (EBIT)	-7,226	5,301	5,052	4,733	94
Profit from continuing operations	-20,238	544	421	1,271	302
Net profit or loss	-13,430	2,152	329	797	242
Value added	47,418	42,127	37,157	36,481	98
Basic earnings per share (in €)	-1.60	0.10	0.01	0.04	400
Gross dividend per share (in €)	0.00	0.00	0.00	0.00	-

€ thousand

Table 2: Statement of Financial Position

	2012	2013	2014	2015	I 15/14
Total assets	322,969	313,419	295,246	292,420	99
Non-current assets	267,212	259,370	247,038	242,639	98
Current assets	55,757	54,049	48,208	49,781	103
Equity	154,893	153,763	147,638	148,174	100
Average capital*	154,656	153,252	150,536	147,508	98
Financial and operating liabilities	161,042	154,009	142,137	137,957	97

€ thousand

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

Table 3: The number of employees

	2012	2013	2014	2015	I 15/14
Number of employees in the Group	1,879	1,529	1,389	1,370	99
Number of employees in the parent company	731	665	607	607	100
Number of employees in subsidiaries	1,148	864	783	763	98

by man-hours paid

Table 4: Performance Indicators

	2012	2013	2014	2015	I 15/14
Return on equity	-8.7%	1.4%	0.2%	0.5%	247
Return on assets	-3.7%	0.7%	0.1%	0.3%	251
Productivity (in €)	100.26	105.32	101.34	98.25	97
Return on revenue	-6.9%	1.3%	0.2%	0.6%	255

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

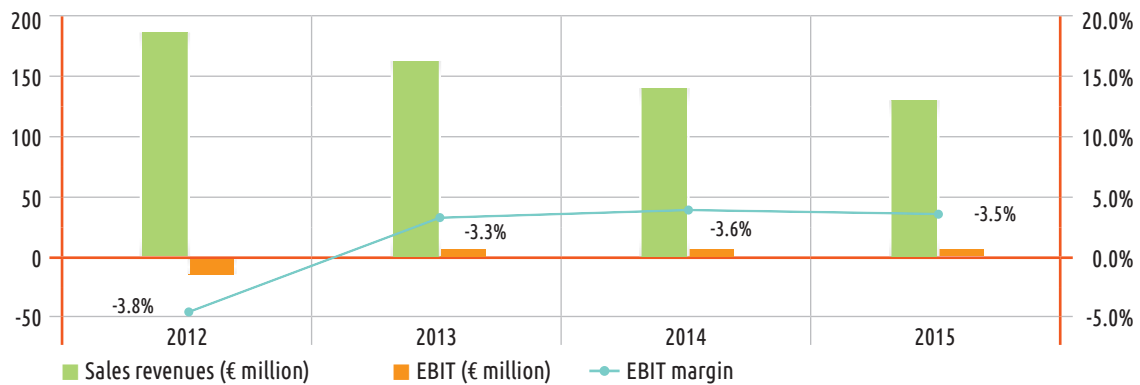
Net Return on Equity: Net profit or loss/ Average capital.

Net Return on Assets: Net profit or loss/ Average assets.

Productivity: Sales revenues/ number of employees.

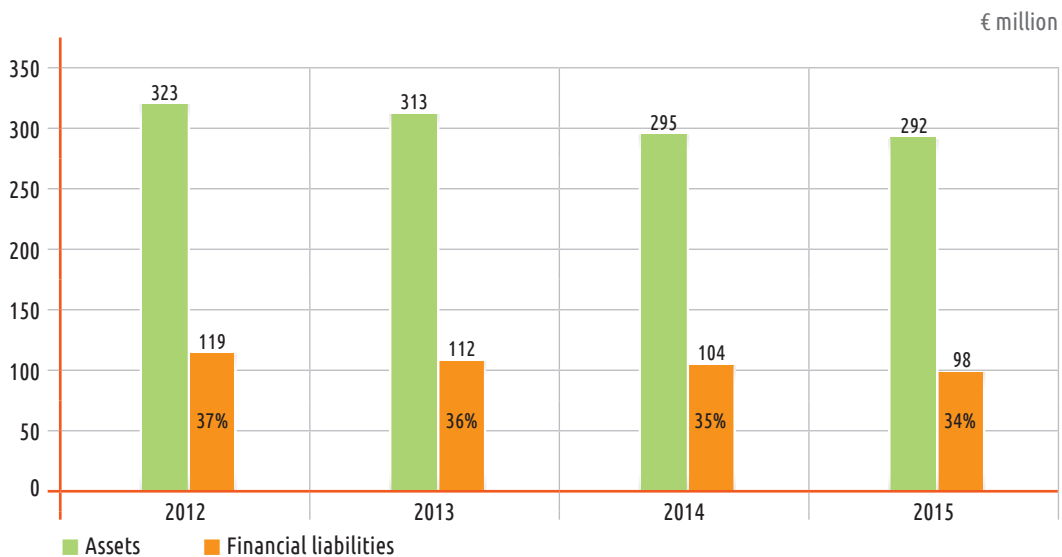
Return on Revenue: Net profit or loss/ Total revenues.

Graph 1: Sales revenue, EBIT and EBIT margin of the Group between 2012 and 2015



The 4-percent decline in the revenues of the Group below the level of 2014 was primarily attributable to 65-percent lower revenues from the rail-freight services in the Ukrainian subsidiary. The Group generated € 4.7 million of operating profit, by effective management of cost of services.

Graph 2: Movement of Assets and Financial Liabilities of Intereuropa Group, 2012 and 2015



Deleverage continued in the year 2015, in which our financial liabilities fell by € 5.4 million and represented 34 percent in the Liabilities structure at the end of the year.

1.2 Presentation Of The Intereuropa Group

1.2.1 Basic data

Obvladujoča družba

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
Contact details:	tel: +386 5 664 1000 e-mail: info@intereuropa.si web: http://www.intereuropa.si
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 issued and paid-up shares	27,488,803 no-par value shares, of which 16,830,838 ordinary (IEKG) and 10,657,965 preferential (IEKN)
Share listing	Shares designated 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 Marko Cegnar, Managing Board Member*
Chairman of the Supervisory Board	Klemen Boštjančič

* Appointed in the Managing Board on 19 February 2016.

The Intereuropa Group

No. of employees*	1,417 employees
Total warehousing area*	232,445 m ² (sqm) in-house warehouse area
Total land area*	1,710,515 m ² of land area
Vehicle fleet*	106 company-owned trucks, tractors, trailers and other commercial vehicles
Membership in international organisations	FIATA, IATA, FONASBA, BIMCO, GS1
Membership in international logistic networks	WCA, FETA, HCL
Quality certificates	certificate ISO 9001:2008 for following companies: Intereuropa d.d., Koper Intereuropa, logističke usluge, d.o.o., Zagreb Intereuropa RTC d.d., Sarajevo
Important certificates	AEO (Authorised Economic Operator) certificate for following company: Intereuropa d.d., Koper
Branch network	Slovenia, Croatia, Montenegro, Bosnia and Hercegovina, Serbia, Kosovo, Macedonia, Albania, Ukraine

* Data as of 31 December 2015.



1.2.2 Presentation of Activities

Intereuropa offers an integral logistics services to our customers and partners in business in three core business areas:

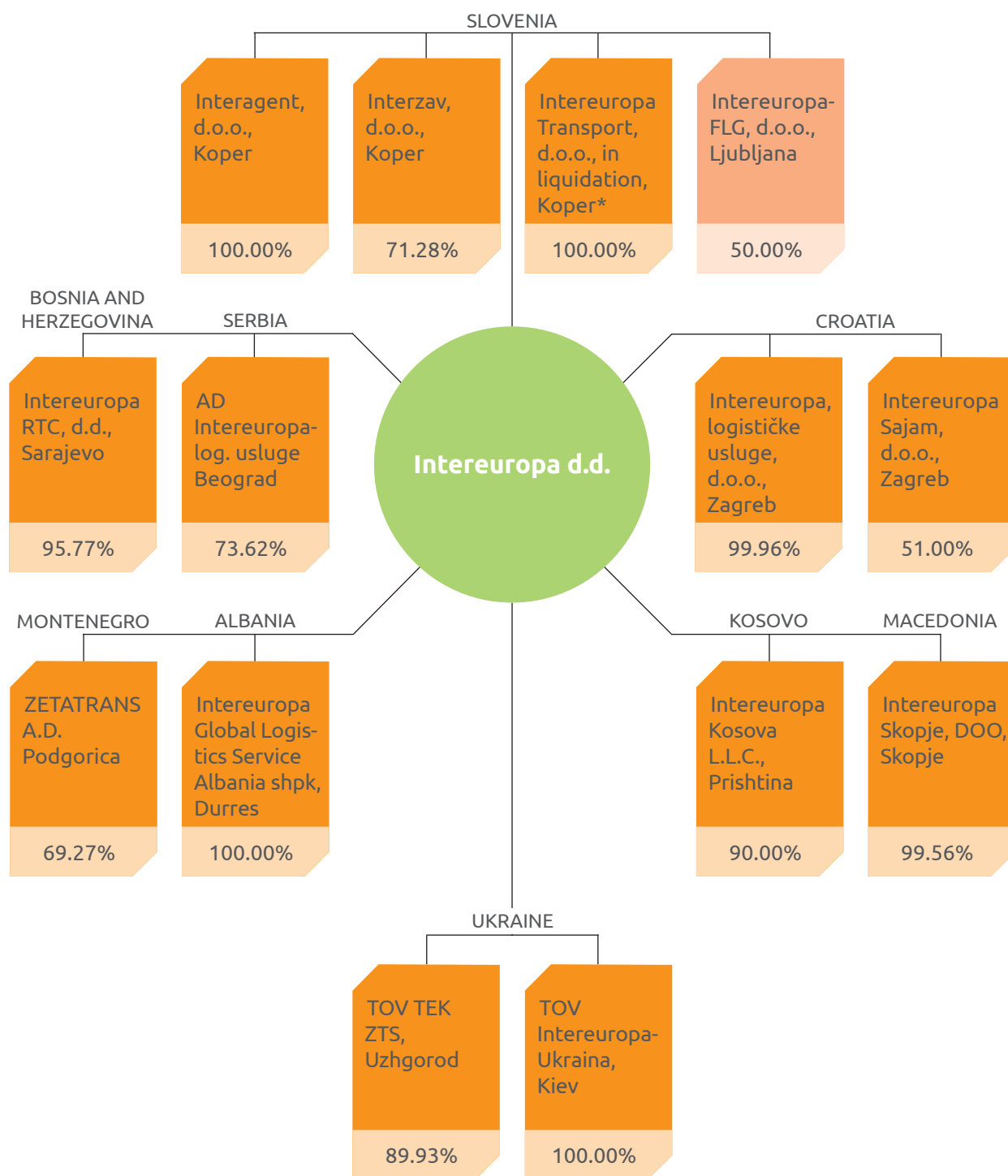
- Land Transport Area comprising the products Groupage services, Distribution, Road transport, Rail-freight transport, and Customs services;
- Intercontinental Transport Area, comprising the products Air-freight, Sea-freight, Shipping agency, Car logistics;
- Logistics Solutions Area, comprising the products Warehousing and Distribution.

We also offer additional services, such as letting out business premises and agency services for insurance deals.

Our advantages as service providers are:

- good market position in key markets;
- professional and qualified staff;
- recognizable brand;
- own warehouse infrastructure on key locations in the region;
- high customs guarantee;
- own corporate network.

1.2.3 Organisation Chart of the Intereuropa Group



● Parent Company
 Subsidiary
 Joint venture
 % od 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	Managing Board / Director	Supervisory body	Chairman of the Supervisory board / Representative of IE d.d. in the Supervisory Authority	Business				Distinction
				Land Transport	Logistics Solutions	Inter-continental 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; Marko Cegnar, appointed as a Member of the Managing Board on 19 Februar 2016	Supervisory Board	Klemen Boštjančič, Chairman of the Supervisory Board from 1 July 2015; Igor Mihajlovič, Chairman of the Supervisory Board to 19 Jun 2015	■	■	■	■	The leading provider of comprehensive logistic services in Slovenia; 31 freight vehicles and delivery vans; 132,000 m ² of own and hired 5,500 m ² warehouse facilities.
Interagent d.o.o., Koper	Sandi Križman, Managing Director	Managing Board of Intereuropa d.d.	President of the Managing Board of Intereuropa d.d.			■		Company specialised for shipping agency services.
Interzav, d.o.o., Koper	Mojca Žbontar, Managing Director	General Meeting	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 the 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, President of the Managing Board; Duško Jauk, Member of the Managing Board	Supervisory Board	Ernest Gortan, M.Sc, Chairman of the Supervisory Board	■	■	■	■	The leading provider of comprehensive logistic services in Croatia; 20 freight and commercial delivery vehicles; 49,300 m ² of warehouse facilities.
Intereuropa Sajam, d.o.o., Zagreb	Krešimir Lipovčić, Managing Director	Supervisory Board	Matjaž Ujčič, Chairman of the Supervisory Board	■	■		■	Fairs & Exhibition Logistics; 2 delivery vans; 640 m ² of warehouse facilities.
Intereuropa RTC d.d. Sarajevo	Haris Avdić, Managing Director	Supervisory Board, Audit Committee	Ernest Gortan M.Sc., Chairman of the Supervisory Board; Vildana Huzbašić, President of the Audit Committee	■	■	■	■	Leading provider of complex logistics services in BiH; 10 freight vehicles and delivery vans; 6,900 m ² of own and hired 400 m ² warehouse facilities.
AD Intereuropa - logističke usluge Beograd	Nemanja Kačavenda, General Director	Board of Directors	Bojan Beškovnik, Ph.D., President of the Board of Directors	■	■	■		A leading provider of comprehensive logistic services in Serbia; 10 freight vehicles and delivery vans; 23,800 m ² of warehousing area.
Intereuropa Kosova L.L.C, Priština	Arben Mustafa, Managing Director; Andrej Kariš, Managing Director	General Meeting	Representative of Intereuropa d.d. empowered by the Managing Board	■	■	■		The sole provider of comprehensive logistic services in Kosovo; 5 delivery vans; 1,800 m ² of leased 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; 17,700 m ² of own and 2,000 leased warehouse areas.
Intereuropa Skopje DOO, Skopje	Nebojša Cvetanovski, Managing Director	An independent Supervisor	Tatjana Vošinek Pucer, Independent Supervisor	■	■	■		The leading provider of groupage services in Macedonia; 3 commercial delivery vehicles; 2,100 m ² of warehouse facilities.
Intereuropa Global Logistics Service Albania, Drač	Dashmir Mandija, Managing Director	General Meeting	Bojan Beškovnik, Ph.D., Representative of IE d.d. empowered by the Managing Board	■		■		A provider of sea freight services.
TOV TEK ZTS, Užgorod	Anatolly Nikolajevič Parfenyuk, Managing Director	General Meeting, Audit Committee	Miha Romih, M.Sc, representative of IE d.d., empowered by the Managing Board; Peter Janežič, President of Audit Committee	■				The company is specialised in railway transport and international road transport; 19 freight vehicles and delivery vans.
TOV Intereuropa-Ukraina, Kiev	Igor Bibikov, Managing Director	Managing Board of Intereuropa d.d.	Representative of Intereuropa d.d. empowered by the Managing Board	■				In 2015 the company was not operating.

1.3 Letter by the Managing Board President

Another financial year has passed in which external circumstances were not quite favourable for us. Although the goods flows in the region were getting stronger, the business of the Intereuropa Group was badly hit by the persisting political crisis in Ukraine and Russia and by the six-year recession in Croatia, from which the latter has only just started to recover, and the Group recorded a drop in sales revenue. In such an aggravated situation, we achieved € 134.6 million of sales revenue in the reporting year and recorded growth in all other companies of our Group except Ukraine, Croatia and Macedonia. Optimistic is the fact that growth was reported in most of key logistics products.

Despite rising demand and growing volume of orders received, the pressures of customers on reducing their cost of logistics and our sales margins did not alleviate and accordingly, we focused our activities on intensifying the sales and process optimization. In line with our business strategy, we conducted our marketing activities towards increasing the share of complex logistics operations for target commodity groups that engage our services with higher value added. We took some business opportunities and invested in upgrading of our warehouse capacities to this end: our warehouse facility in Logatec was re-arranged for a known customer dealing in pharmaceuticals, and a new warehouse for perishable goods was completed in Sarajevo. A part of storage capacities in Belgrade was upgraded and customized for dangerous goods, and a cold store in Skopje was completed for goods with specific requirements for controlled temperature. Among the aggregate quota of € 4 million invested groupwide, another major investment worth mentioning was the purchase of five heavy trucks in Croatia.

Activities to improve profitability, mainly addressing cost management in service segments by seeking the optimal execution of services and obtaining better terms of purchase, were efficient in particular in domestic transport given that the reporting year was marked by lower fuel prices. In addition to development and enhancement of information support to logistics processes in Slovenia, we proceeded with activities to introduce the integrated solution to other bigger subsidiaries of the Group. For the processes in finance and accounting, we expanded the SAP information support that is now used in six companies of our Group.



Much energy was spent on raising commitment and expertise in our employees, which we believe to be key potential for success on the Group level. We also upgraded the remuneration system for acquisition of major businesses and the modality for setting goals to sales staff, aiming to improve the sales efficiency. We held educational and training forms in various fields to enhance competencies of employees and transfer internal knowledge and good practices between the Group members. Greater attention was dedicated to annual interviews and quality of relations between employees and the Company, which was measured through the Golden Tread project; we are pleased to find that the trend of employee satisfaction has continued to rise every year since 2009.

We are committed to integrate the principles of sustainable development and social responsibility in our operations, services and in our acting in general, being aware that we need to contribute to sustainable improvement of the economic, social and natural environment in which we operate. Such attitude is also expected from us on the part of our business partners who share similar goals.



INTRODUCTION

The earnings before interest, tax, depreciation and amortisation (EBITDA) of the Group came to € 11.3 million and we closed the year with an operating profit of € 4.7 million. This was our third year in sequence on the positive side, despite € 0.5 million of foreign exchange losses resulting from the fall of the Ukrainian currency: the profit of the year 2015 amounted to € 797 thousand.

The consortium of banks - majority owners of Intereuropa d.d. proceeded with their activities to sell the shares; although a binding offer was received, the consortium did not succeed in reaching an agreement on the key terms of sale and the procedure of sale was suspended in March 2016. We were repaying our financial liabilities to banks in due course and our net financial debt at the end of 2015 was € 80.4 million. It was 8 percent or € 7.2 million lower than a year ago, however, we estimate the amount of remaining debt still too high in terms of the cash flow generated. Along with intensified activities to sell the real estates that are not sufficiently utilised in economic terms, we will analyse additional possibilities for reducing the debt in the next term.

Dear shareholders, fellow workers, partners in business: thank you for the trust you placed in us. We stand before numerous goals and challenges that we will strive to implement based on our corporate strategy. Our vision is clear: to be a top-ranked provider of integral logistics solutions, always flexible to adapt to requirements of business environment; thus we not only strengthen our key advantages, but also gain new experience to create growth opportunities and development of the Intereuropa Group in the long run.

I am confident that together with our employees, know-how and coordinated work we will satisfy your expectations in the future, too.

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



1.4 Report by the Supervisory Board for 2015

The Supervisory Board supervised the operation of the company Intereuropa d.d. and of the Intereuropa Group, evaluated activities of the Managing Board, strengthened the good practices of its own function and carried out other activities contributing to the supervisory function in accordance with the law, internal acts and various recommendations. In the sessions, the members were currently informed on various aspects of the Company's operations through reports of the Managing Board, 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 and recommendations were underlying for the Supervisory Board's decisions.

Supervision over the operations and Managing Board reporting to Supervisory Board

The Supervisory Board of Intereuropa d.d. consists of six members. Four of them represent the shareholders and two are the representatives of employees. Members of the Supervisory Board are:

- Klemen Boštjančič, member, Supervisory Board Chairman from 1 July 2015;
- Igor Mihajlović, Chairman until 19 June 2015;
- Jure Fišer, member from 20 June 2015;
- Nevija Pečar, Deputy Chairman;
- Miro Medvešek, member;
- Maša Čertalič, M.Sc., member;
- Ljubo Kobale, member.

In the 28th General Meeting held on 19 June 2015, the shareholders recalled the Supervisory Board member Igor Mihajlović and elected a new member to represent the shareholders, Jure Fišer.

Work of the Supervisory Board during 2015

The Supervisory Board held twelve sessions, one of them was held by correspondence. The members were well prepared for the topics on the agenda, made relevant proposals and comments and adopted informed decisions relying on information from the Managing Board, written and verbal, in accordance with the Rules of Procedure, corporate internal acts, and their powers and competences. Materials were delivered in due time for them to prepare for discussions on the scheduled agenda items. The Supervisory Board provided the interested public with current information. In its ordinary sessions and through its committees, the Supervisory Board tracked the operations of the Intereuropa Group and responsibly supervised the corporate management throughout the year 2015.

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

- Interim reports on current operations of the entire Intereuropa Group and of individual subsidiaries were dealt with and approved on a quarterly basis; the Supervisory Board also monitored the conformity of reports with the business and strategic goals set. The Supervisory Board was briefed on all interim reports by the Audit Committee, which dealt with accounting and financial aspects of interim results.
- Annual Report of the Intereuropa Group for the year 2014, incl. Report by the certified auditor Ernst & Young Revizija, poslovno svetovanje, d.o.o., acknowledging the findings of the audit in advance, which were submitted to the Supervisory Board for approval.
- Together with the Managing Board, they drew up the agenda and resolutions proposal with substantiation for the convocation of the 28th Annual General Meeting of Intereuropa d.d., held on 19 June 2015.
- Annual report on risk management.
- Claims under lawsuits filed versus Intereuropa d.d.



- Sales activities and movement of accounts receivable on a quarterly basis.
- Approving the planning documents for the year 2016 of Intereuropa d.d., of subsidiaries and of the Group, and confirming the financial calendar 2016 with dates for publication requirements.
- Dealing with and adopting the half-year and annual reports by the Internal Audit Department, consenting to the plan of the Department for the financial year 2016, and also approving the updated Charter on the Internal Audit Department Function and to the strategic plan for the term 2016-2019.
- Adopted the Rules of Procedure for Supervisory Board and the Rules of Procedure for the Audit Committee, as updated.
- Reports by the Audit Committee and the Appointment and Receipts Committee were dealt with, as well as with other relevant information on the Parent Company Intereuropa d.d. and subsidiaries.
- Activities for the re-appointment of the member of the Managing Board for a new term of office, arranging for her service contract. The Supervisory Board reappointed Tatjana Vošinek Pucer as member and Deputy President of the Managing Board for a four-year term of office, commencing with 25 May 2015.
- Activities for selecting a member of the Managing Board, responsible for sales.

The Supervisory Board was further actively engaged in the process of sale of the Company Intereuropa d.d.: the consultant of the Intereuropa Share Sellers' Consortium informed the Supervisory Board of having received a binding offer from Tuffieh Fund in the course of the sales procedure. The sales procedure demanded intensive interaction of both, the Managing Board and Supervisory Board.

In ordinary sessions, the Managing Board was reporting to the Supervisory Board on their current activities, course of business and financial condition of both, the Company and the Group. The information supplied to the Supervisory Board based on its resolutions and requests were given in due time and ensured the transparency of providing information. The Supervisory Board responded promptly and called for current action of the Managing Board, also keeping track of the implementation of resolutions adopted.

Assessment of work of the members of Supervisory Board, Managing Board, Audit Committee, and Appointment and Receipts Committee

There were two committees in function within the Supervisory Board: 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 evaluated by the Supervisory Board, which took the necessary measures based on the opinions presented. All members were committed to the work of the Supervisory Board, attended the sessions regularly and took part in discussions on current issues, contributing to expedient execution of tasks in the competence of the Supervisory Board. Work of the committees also contributed to efficient operation of the Supervisory Board.

The Audit Committee addressed the interim business reports in due time and submitted to the Supervisory Board for approval the updated Charter on the Internal Audit Department Function, the strategic plan for the term 2016-2019, and the annual action plan of the Internal Audit Department. The Audit committee was also informed on the operational report of the Internal Audit Department. After each meeting, the minutes and resolutions of the Audit Committee were submitted to the Supervisory Board for discussion and further action. The Audit Committee assumed a constructive role in its cooperation with the Supervisory and Managing Board, with internal auditors and certified Auditors. It further selected the provider for external audit of quality management for the Internal Audit Department and monitored the activities in the implementation of external quality management audit of the Internal Audit Dept.

The Committee for Appointments and Receipts acted in the scope of its competence, in concluding the new service contract with the member of the Managing Board and dealt with the personnel issues concerning the Managing Board, as well as proposed the resolutions to Supervisory Board. It also reviewed the adequacy of reference values underlying for fixing the variable part or the remuneration to the Managing Board and reported to the Supervisory Board.

The pursuit of the Supervisory Board function was compliant with the provisions of relevant laws, with the Statute, the Rules of Procedure for the Supervisory Board, and internal acts of Intereuropa d.d., with the Corporate Governance Policy of Intereuropa d.d. and with the Corporate Governance Code of Public Limited Companies. The Supervisory Board and Managing Board committed themselves to respect the independence of members of both bodies, and to take the appropriate action in any circumstances that would significantly affect the status of a member of the Managing or Supervisory Board in relation to the Company. It was ascertained that all the Supervisory Board members satisfied the criteria of independence and signed the statement on meeting the criteria of independence. In their acting 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, or other interested public. The Supervisory Board members have professional skills and competence for the pursuit of their supervisory function.

Between the sessions, communication took place between the Supervisory Board Chairman and the Managing Board President, of which the Supervisory Board members were informed in their ordinary sessions. To the best of their knowledge and with due care, the Supervisory Board requested clarifications from the Managing Board that were necessary to assess the situation of the Company, and resolved relying on the clarifications obtained. The Supervisory Board currently checked the implementation of its own resolutions.

Examination of the Annual Report for 2015

In accordance with the requirements of the Companies Act (ZGD), the Supervisory Board duly examined the Annual Report of Intereuropa d.d. and of the Intereuropa Group for the financial year 2015 that were submitted by the Managing Board. After the Audit Committee examined the annual report, it resolved to propose to the Supervisory Board to approve and adopt the annual report 2015. 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 2015, the Supervisory Board confirmed it in the session held on 21 April 2016. In attendance of representatives of certified auditors Ernst & Young Revizija, poslovno svetovanje, d.o.o., the Audit Committee of Supervisory Board was preliminarily informed of the Auditor's Report and had 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 2015.

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 forming part of the Annual Report truly and fairly present the financial position of the Company and Group and their income statements along with their statements of comprehensive income, of cash flow and of changes in equity in the year 2015, or as at 31 December 2015 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 2015

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 2015.

Upon examining the Audited Annual Report, the Supervisory Board ascertained that the Group closed the year 2015 with a net operating result at € 797,367.83.

The Supervisory Board acknowledges that the net profit of Intereuropa d.d. for the financial year 2015 amounted to € 1,228,748.50 from which the amount of € 693,943.57 will be allocated to for legal reserves.

Pursuant to Article 282 of the Companies Act (ZGD-1) and Sections 7.4 and 7.5 of the Statute of Intereuropa Global Logistics Service Ltd. Co., the Supervisory Board approved and adopted the Annual Report of the Intereuropa Group for the financial year 2015.

This report was adopted in the Supervisory Board session held on 21 April 2016.

Klemen Boštjančič,
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 their financial statements in such a way that they truly and fairly present the financial position and income statements of the Company and the subsidiaries thereof in the year 2015 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 2015.

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.

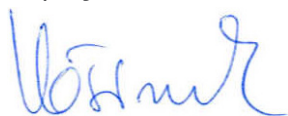
The Managing Board hereby confirms that according to its best knowledge and conscience, the financial report was compiled in accordance with the applicable financial reporting framework and it presents a true and fair view of the assets and liabilities, financial position and the income statement of the controlling company and of other 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 President and Deputy President of the Company's Managing Board 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 2015, thus acknowledging the entire Annual Report and confirming it by our own signatures.

Koper, 12 April 2016

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 2015

January –June

- In January, a sales workshop was held in Zagreb for the sales staff from all countries in which the Intereuropa Group operates. The participants attending the two-day event were informed on the corporate strategic goals and on the sales strategies by geographical areas /segments, and they acquired new selling skills.
- In February, Intereuropa attended the Fruit Logistica 2015 in Berlin, which is the biggest European exhibition of fresh fruit and vegetables, as logistics in this line of foodstuffs is gaining ground also in the goods flows via Koper Port.
- On 10 March, Intereuropa attended »The Port of Koper day in Cairo« - an event organised by the Port of Koper Corporation, in cooperation with the Slovenian Embassy to Cairo. There, Intereuropa met with its current and new partners trading with perishable goods and established cooperation with them for this year's season.
- In March, Intereuropa organised comprehensive logistic support to the international wine evaluation »Finger Lakes International Wine Competition« in Rochester, USA.
- A new warehouse with capacity of 1,000 qm (m²) was completed in Sarajevo for a known customer dealing in perishable goods.
- In April, Intereuropa attended the 34th FFSI conference (Feta Freight Systems International) and highlighted in its presentation the developmental potential of the Adriatic ports as the gates to the Central and SE Europe, in which Intereuropa owns internal terminals and can offer an excellent distribution network.
- On 28 April, the Supervisory Board of Intereuropa d.d. adopted the Audited Annual Report 2014 for the Intereuropa Group, the Auditor's Report by the appointed external certified auditor, and the Report prepared by the Supervisory Board for the year 2014, following a due discussion of all reports.
- On 14 May, the Supervisory Board unanimously reappointed the deputy president of the Managing Board of Intereuropa d.d., Tatjana Vošinek Pucer for a new term of office commencing with 25 May 2015.
- On 27 May, Intereuropa took part in the Port Day held in Tokyo, where the Slovenian logistic operators presented the cargo transportation potential through the Adriatic region. In the follow-up of the presentation, Intereuropa's representatives met with Japanese partners and other representatives of logistics operators with potential cargo for Central and Eastern Europe through the Adriatic ports.
- In May, Intereuropa Branch Office Ljubljana and our subsidiary AD Intereuropa-logističke usluge Beograd (Logistic Service, Belgrade), provided logistics support to the Slovenian Army in organizing the military exercise »The Balkan Response«, in which several countries from that region were participating.
- On 12 June, the Intereuropa subsidiary Zetatrans A.D. Podgorica in Montenegro celebrated its 50th anniversary of successful business. Today, it is the largest Montenegrin logistics provider that covers the whole territory of Montenegro with its own business units.
- On 19 June was held the 28th Annual General Meeting of Intereuropa d.d., in which the shareholders were informed on the 2014 Annual Report of the Intereuropa Group, incl. the Auditor's Opinion. They granted the note of discharge to the Supervisory Board and Managing Board for their work in 2014, resolved on the appropriation of accumulated profit, and appointed the certified auditors for the year 2015. The General Meeting recalled the Supervisory Board member Igor Mihajlović, and appointed Jure Fišer as a new member of the Supervisory Board.

July - December

- The Supervisory Board of Intereuropa d.d. unanimously appointed Klemen Boštjančič as Supervisory Board Chairman in the session held on 1 July.
- In the same session, the Supervisory Board was informed by the consultant of the Intereuropa Share Sellers' Consortium that a binding offer was received from Tuffieh Fund in the course of the sales procedure of Intereuropa d.d.

- In August, Intereuropa d.d. obtained the SEVESO environmental licence for the storage of chemicals and plant protection products. Thereby, we follow the needs of our customers and the increased demand for storage in licenced warehouses for a permitted quantity of chemicals or dangerous substances, resp.
- On 28 August, the closing event on technical presentation of the 'Competence Centre for Logistics' was held at Bernardin. The project in which 16 enterprises - competitors from logistics industry were taking part lasted two years. Logistics providers liaised in order to achieve a higher level of qualification of employees implementing comprehensive logistics services, and to enhance the competitiveness of enterprises involved in this project.
- Intereuropa has been a partner of the corporation Celje Fair Ltd. (Celjski sejem d. d.) for many years, involved as the official logistics provider for the exhibition. The Group presented its comprehensive range of logistics at own presentation stand at the international fair held in September.
- Intereuropa acquired a new business - storage of pharmaceuticals for a well-known pharmaceutical company. To accommodate that complex business, a part of the warehouse at Logatec was reconstructed and the first shipment was accepted in September.
- On 15 October, the management and officers of the Intereuropa Group gathered at the annual conference to discuss the strategic guidelines and plan baselines for the financial year 2016.
- Intereuropa was chosen as the logistics provider for the renowned carmaker Daimler-Benz, who is shipping its automobiles via Koper port to the Far East. The first shipment of automobiles bound for China sailed from Koper in the middle of October, shipped by MOL, for which our subsidiary, Interagent d.o.o., Koper, was entrusted with the shipping agency service.
- In October, an internal audit under the SQAS (Safety & Quality Assessment System) was conducted at Intereuropa. The SQAS stands for a system of assessing the quality, safety and environmental handling by carriers of dangerous goods, as well as by other logistics service providers involved in the chain.
- In November, the storage capacities in Belgrade were upgraded for a new customer, customizing the facility for dangerous substances and goods with specific requirements for controlled temperature.
- In December, the Supervisory Board adopted the Business Plan of the Intereuropa Group for the year 2016.
- In December, Intereuropa subsidiary in Zagreb strengthened its fleet by the purchase of five new heavy freight vehicles (Volvo Trucks). The new vehicles provide for more efficient and environmentally friendly utilization of the fleet, for transportation of a variety of goods, and contribute to expand the integral range of our logistic services.

Major events after the end of financial year 2015

- In January 2016, Intereuropa joined the Slovenian business delegation to Iran and took part in the Slovenian-Iranian business forum, met with Iranian logistics operators and other partners in business. Opportunities for cooperation are open in automotive industry, pharmacy, steel industry, and agricultural mechanization to which Intereuropa can offer the services in shipping and land transport.
- On 19 February 2016, the Supervisory Board of Intereuropa d.d. appointed Marko Cegnar as a new member of the Managing Board, in charge of the sales for a four-year term of office.
- On 1 March 2016, Intereuropa received from NLB (Nova Ljubljanska banka d.d.), acting as the Agent of the Intereuropa Share Sellers' Consortium and on behalf of the banks involved in the process of sale of the Intereuropa shares under the Intercreditors' Agreement, a notification that the banks resolved to suspend the process of sale which was conducted by the consultants Raiffeisen Centrobank AG in Lazard & Co. GmbH based on the engagement letter on behalf of the banks, on the ground that they were unable to reach an agreement on the key terms of sale with the bidder.

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



1.7 Corporate Governance Statement

Intereuropa d.d. is a public company limited by shares with a two-tier governance system. The corporate governance of the company is based on the laws of the Republic of Slovenia, the Statute of the Company, internal acts /bylaws, on the Corporate Governance Policy of Intereuropa d.d. and rules of procedures for individual corporate bodies available on the corporate website www.intereuropa.si, in sections Corporate Governance. The principal guidelines for the corporate management are 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 improvements to increase efficiency of management.

The Company accepts the recommendations from the Slovene Corporate Governance Code for Public Limited Companies, effective from 8 December 2009 that was compiled and adopted by the Ljubljana Stock Exchange (Ljubljanska borza), the Slovenian Directors' Association (ZNS) and the Managers' Association, and is published on the website of the Ljubljana Stock Exchange (www.ljse.si).

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 June 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 in section For Investors topical information on the Company's governance, annual and interim reports along with 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 2015

The shareholders of Intereuropa d.d. met on 19 June 2015 in the 28th Annual General Meeting In accordance with Article 315, paragraph two ZGD-1, the holders of preference shares exercised their voting rights in the General Meeting.

The 28th General Meeting was attended by shareholders representing 82.43 percent of shares with voting rights, discussed the agenda items and adopted the following important resolutions:

- Acknowledging the Annual Report of the Intereuropa Group for 2014, the Auditor's Opinion and the Supervisory Board Report on examination of consolidated Annual Report 2014 and on the method and scope of verification of the Company's management in the year 2014 submitted by the Supervisory Board.
- Awarding the note of discharge to the Supervisory Board and Managing Board of the Company for their work in the financial year 2014.
- Entrusting the auditing for the financial year 2015 to Auditors Ernst&Young Revizija, poslovno svetovanje d.o.o., Ljubljana.
- Adopted the amendments to the Statute as proposed.
- The shareholders recalled the Supervisory Board chairman Igor Mihajlović, and appointed Jure Fišer as a new member of the Supervisory Board.

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.

Table 5: Members of the Supervisory Board of Intereuropa d.d.

Curr. No.	Name	Year of birth	Educational profile	Employment	Function in the Supervisory Board	Term of office	Other important offices held
1.	Klemen Boštjančič	1972	University graduate in Economics	BRIO consultancy center, d.o.o.	President of the Supervisory Board – shareholders's representative (from 1 Jul 2015)	21 Jun 2013 – 21 Jun 2017	Member of the Supervisory Board of Merkur Trgovina d.d.
2.	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.
3.	M.Sc. Maša Čertalič	1976	Master of Science in transport and logistics management	Luka Koper, d.d.	Member of the Supervisory Board – shareholders's representative	11 Sep 2013 – 11 Sep 2017	/
4.	Jure Fišer	1971	University graduate in Economics	Gorenje Surovina d.o.o.	Member of the Supervisory Board – shareholders's representative	20 Jun 2015 – 19 Jun 2019	Member of the Supervisory Board of Merkur Trgovina d.d.
5.	Igor Mihajlović	1970	University graduate in Engineering	STD, d.o.o.	President of the Supervisory Board – shareholders's representative	30. Jul 2013 – 19 Jun 2015	/
6.	Nevija Pečar	1957	Secondary School of Economics	Intereuropa d.d. – Filiala Koper	Intereuropa d.d. – Koper Branch Office	20 Nov 2013 – 20 Nov 2017	President of the the ŠAK-KS 90 Trade Union
7.	Ljubo Kobale	1962	Sales executive	Intereuropa d.d. – Filiala Celje – PE Maribor	Intereuropa d.d. – Celje Branch Office BU Maribor	20 Nov 2013 – 20 Nov 2017	/



Audit Committee

The Audit Committee met in six 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.

In the reporting year, the Audit Committee acted in the following nomination:

- Miro Medvešek – Chair;
- Nevija Pečar, member of the committee;
- M.Sc. Maša Čertalič, member until 30 Jun 2015;
- Jure Fišer, member from 1 July 2015;
- Alfjo Kocjančič – external specialist.

The Audit Committee acted in line with its powers and competences and in the practice and compliance with the Companies Act (ZGD-1), the Corporate Governance Policy of Intereuropa d.d., with the Charter on the Internal Audit Department Function, and with 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 Committee for Appointments and Receipts met in four sessions and mainly dealt with HR issues and remuneration to the Managing Board; its activities are detailed in its report to the Supervisory Board. The committee acted in the following nomination:

- Klemen Boštjančič – Chair;
- Igor Mihajlović, member until 19 Jun 2015;
- M.Sc. Maša Čertalič, member after 1 July 2015;
- Ljubo Kobale, member.

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 in terms of the Company's corporate governance are laid down in the Corporate Governance Policy of Intereuropa d.d. and include a system for detecting conflict of interest and proving independence of its members. 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. 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.

Remuneration to the Supervisory Board in 2015 is specified in the Financial Report of the Parent Company Intereuropa d.d. According to the Statute, the members of the Supervisory Board shall 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 of the Company; 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. In 2015, the Managing Board of Intereuropa d.d. consisted of two members, the Managing Board President and Deputy President. The Managing Board was autonomous in the management and assumed full responsibility for running the Company.

On 19 February 2016, the Supervisory Board appointed Marko Cegnar as a member of the Managing Board of Intereuropa d.d. for a four-year term of office. He is in charge of the sales.

Activities of the Managing Board in 2015

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

Members of the Managing Board in 2015

Ernest Gortan, M.Sc., President:

- Year of birth: 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 11 June 2014 to 11 June 2019;
- 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:

- Year of birth: 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 25 May 2015 to 25 May 2019;
- Accountable for the areas of Finance, Investment, Real estate, and Information support.



President Ernest Gortan, M.Sc., and Deputy President Tatjana Vošinek Pucer.



1.7.4 Corporate Governance and Management

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 know-how 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 and individual subsidiaries, and the applicable internal rules of procedure and other regulations as adopted by the Managing Board of the Parent.

Proactive monitoring and supervision of operations

The involvement of Managing Board members and senior executives of Intereuropa d.d. in Supervisory Boards, Boards of Directors and Management Boards of subsidiaries provides for a better coordination in implementation of strategic decisions, a more comprehensive supervision over operations of subsidiaries and an improved flow of 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. In October, the executives and senior managers of all Group members gathered in the Intereuropa annual conference, in which they presented the activities undertaken to achieve the goals set for the year 2016.

1.7.5 Code of Ethics

The staff employed in the companies of the Intereuropa Group are required to make decisions that have a bearing on the operations and reputation of the Company. In the course of their work, circumstances may occur giving rise to doubts and uncertainty regarding the right decision to be made. Having adopted the Code of Ethics of the Intereuropa Group, the Managing Board prescribes ethical rules for employees to guide them in certain situations. The Code outlines the fundamental ethical values and defines the attitudes to employees, to customers, to suppliers and other partners in business, to investors and to the society in wider sense.

All employees of 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 mission of the Internal Audit Department is to strengthen and protect the values of the Intereuropa Group by giving objective reassurances based on the risk assessment, in-depth understanding of operations of the companies in the Intereuropa Group, and by providing consultation.

The core assignment of the Internal Audit Department is to help the management of the Intereuropa Group towards improved corporate governance, risk management, performance and efficiency of business in the scope of the development strategy, business and financial plans as adopted.

The groundwork underlying for the Internal Audit Department is laid down in two documents: the Charter on the Internal Audit Department Function, and the Rules on the Operation of the Internal Audit Department. In addition to these underlying documents, the internal auditors also rely in their work on the International Standards for the Professional Practice of Internal Auditing, the Professional Code of Ethics of Internal Auditors, the Code of Internal Auditing Principles, as well as complying with the laws, regulations, and internal acts of the Company.

Internal auditing is done in accordance with strategic and annual plan of the Internal Audit Department. Strategic and annual plans and the reports on operation of the Internal Audit Department are submitted to the Managing Board for adoption, and are also dealt with by the Audit Committee of the Supervisory Board and consented to by the Supervisory Board.

The action plan of the Internal Audit Department for the reporting year was adopted by the Managing Board in December 2014 and approved by the Supervisory Board of Intereuropa d.d., Koper. The periodical reports of the Internal Audit Department for the reporting year were submitted to the Managing Board, to the Audit Committee, and to the Supervisory Board who dealt with these operational reports.

In the first half-year, internal auditors were working on the implementation of internal audit assignments from the year 2014. Seven internal audit assignments for the year 2015 were implemented as planned, one extraordinary internal audit assignment, while three assignments were rescheduled for the coming year 2016. Internal audits were conducted in the Parent Company and in three subsidiaries of the Intereuropa Group. The assignments related to auditing the function of internal controls of business and supporting processes, aiming at assuring compliance with statutory and internal regulations. 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 2015 was very successful. Implementation of recommendations issued under the respective audits will continue to be checked in the year 2016.



The Internal Audit Department also provided consultancy services in the reporting year, primarily in the Parent Company. In the year 2015, 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.

In the second half-year, an external auditor carried out the quality of operation audit of the Internal Audit Department. The external auditor confirmed that it was compliant with the International Standards for the Professional Practice of Internal Auditing. The majority of opportunities for improvement perceived were already considered in the financial year 2015. In the last quarter of the reporting year, the fundamental documents were updated and the strategic operational plan for the term 2016-2019 was designed, as well as the action plan for the year 2016. All these documents were submitted to the Managing Board for adoption, to the Audit Committee of the Supervisory Board for discussion and to the Supervisory Board for consent.

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

The Managing Board is accountable for keeping the company books and records, for establishing and functioning of internal control system and of internal accounting controls, for the choice and application of accounting guidelines, and for the security of property.

Its continual efforts are dedicated to establish and maintain an effective control system, such that will restrict the occurrence of potential negative impacts and give the Managing Board an adequate reassurance for achieving the goals set.

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:

- the authenticity of accounting data/information: focusing on 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 corporate internal regulations, and exercising control of the function/ application of such procedures;
- accuracy of financial data: assured by comparing data in the IT system against those in the underlying bookkeeping document;
- delineation of responsibilities in business processes and authorisations for work in the information system: by 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 with their work to correct, timely and relevant financial information and add to the quality and speed of the reporting process.

In compiling the financial statements and notes thereto, certain risks emerge that we address by:

- transparent organizational structure of the Parent Company and of the Group;
- consistent application of accounting principles and policies;
- observing the time schedule for compiling the accounting statements;
- regular internal and external audits of business processes and operations.

The embedded controls in the information system have a major role, preventing 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.

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 Takeovers 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 2015 were:

SID banka d.d.	18.0 percent of voting rights (4,942,072 IEKN* shares)
NLB d.d.	17.4 percent of voting rights (240,000 IEKG + 5,530,601 IEKN* shares)
Gorenjska banka d.d.	11.2 percent of voting rights (3,068,990 IEKG shares)
Raiffeisen banka d.d.	10.4 percent of voting rights (2,850,752 IEKG shares)
SKB d.d.	8.2 percent of voting rights (2,254,980 IEKG shares)

* Voting shares acquired under Article 315 ZGD-1.

Note on each shareholder entitled to special rights of control

Individual shareholders holding ordinary shares do not have special rights of control on the basis of their holding of shares of the Company. There is no restriction to exercising the 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 2015, Intereuropa was holding 18,135 treasury shares (bearing the ticker symbol IEKG) in total book value of € 180,000, representing 0.1077 percent of all ordinary shares, or 0.0660 percent of all shares respectively. Intereuropa d.d. neither bought nor sold any treasury shares in the year 2015.

Shareholders of Intereuropa d.d. holding preference shares had voting rights in the 28th General Meeting, dated 19 Jun 2015, in accordance with Article 315 (2) ZGD-1 Accordingly, of the entire number of shares 27,488,803, the voting right was vested in 27,470,668 shares or 99.9340 percent of all shares represented in the General Meeting.

1.7.9 Declaration on Compliance with the Corporate Governance Code of Public Limited Companies

The Managing Board and Supervisory Board of the company Intereuropa, Global Logistics Service, Ltd. Co., Koper, once again checked the compliance of corporate governance with the Corporate Governance Code of Public Limited Companies and 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. 28 April 2015, 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 2015 and published on the website of Intereuropa at www.intereuropa.si.

Intereuropa d.d., Koper

Ernest Gortan, M.Sc.
Managing Board President



Klemen Boštjančič,
Chairman of the Supervisory Board



BUSINESS REPORT



2 BUSINESS REPORT

2.1 Development strategy of Intereuropa Group

The long-term corporate development of the Intereuropa Group is outlined by the corporate vision, mission 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.

Vision

Being a top-ranked provider of integral logistics solutions.

Mission

The mission of the Intereuropa Group is to meet the needs for logistics services and provide the optimal functioning of supply chains to the complete satisfaction of our customers, while creating added value for shareholders, employees and other stakeholders in a socially responsible manner.

Values

Integrity. We respect the highest ethical principles, good business practices and customs. We operate by the laws, applicable guidelines, recommendations and internal guidelines.

Excellence. Our services aim to offer the best solutions to the needs of our customers and are based on our advanced logistics know-how.

Adaptability and flexibility. Our services are prompt and tailored to our customers' needs. We achieve the required flexibility by applying innovative approaches and lean organisation.

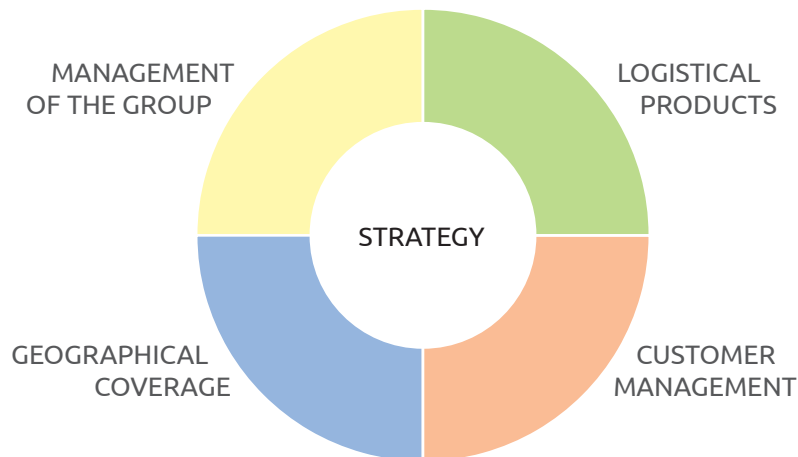
Responsibility. We are distinguished by a high level of responsibility towards the obligations we undertake, the deals we make, as well as the social and natural environments in which we live.

Teamwork and appreciation of employees. The quality of our services is the result of the work of individuals and expert teams. We value diverse types of knowledge, experiences and different views.

The implementation of our corporate vision relies on a strategy of four key dimensions: product-centred development and segmentation, customer management, geographical coverage and effective Group management.



Picture 1: Four key strategic dimensions of the Group



The four dimensions of developmental strategy are underlying for the strategic baselines of the Group:

- consolidating and strengthening the position of the leading market provider of comprehensive logistics solutions in the countries of the former Yugoslavia;
- business process streamlining involving innovative IT solutions;
- building up the culture of an innovative organization, susceptible to change, around motivated workers and efficient team work;
- ensuring financial stability through divestment, de-leverage and effective management of working capital.

The corporate strategic plan of the Group sets the following goals for the year 2019:

1.	Sales revenue	€ 166.0 mio
2.	EBITDA	€ 15.8 mio
3.	Operating Profit or Loss (EBIT)	€ 7.8 mio
4.	Investments (CAPEX)	Depreciation at 66% on average in 5 years total € 24.5 mio
5.	Number of employees at year-end	1,405
6.	Debt management	Net debt/EBITDA: 3.4

2.1.1 Implementation of strategic development goals and plans in 2015

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 the term 2015-2019.

The implementation of our corporate vision relies on a strategy of four key dimensions:

Product-centred development and segmentation will continue to rely on the development of our three core business areas, focusing on the products and businesses that will yield higher value added and ensure an E2E (end-to-end) operation along the entire supply chain.

Customer management will remain in our specific focus. We are developing a market-based approach that will rely on a new marketing strategy, the monitoring of its implementation and rewarding, by which we will set a more effective network marketing model with a focus on the target industry and horizontal approach to marketing of individual products with a higher added value.

Geographically, we will cover the markets of former Yugoslavia, including Albania, with our subsidiaries and branches. However, considering our future key customers' needs and potential opportunities for further development, we will be ready for expansion to other markets in SE Europe.

Effective governance of subsidiaries in the Group is based on a combination of control and coordination mechanisms, whereby the control over financial results remains the basic element of control. Increase in efficiency of the whole Group on several levels of operation will be achieved by consistent periodical communication and adequate measures supporting the synergies among the companies in the Group, in particular in the areas:

- coordinated and unified approach to the market, highlighting the key commodity groups;
- coordinated management of strategic and key customers;
- development and optimization of joint logistics products;
- development of uniform IT support in subsidiaries;
- transfer of good practices in process optimization and in preventive measures to control the risks;
- HR development, focusing on acquisition and development of know-how and competences on key commodity groups and key logistics products.

Picture 2: Intereuropa Group corporate network – subsidiaries in Slovenia, Croatia, Bosnia & Herzegovina, Serbia, Montenegro, Kosovo, Macedonia, Albania and in the Ukraine



Implementation of business plan 2015

The key financial goals set for the reporting year:

- exceed the income of the year 2014, without affecting the profitability, based on a changed market approach and acquisition of new business;
- retain and motivate our most promising staff, upgrade the stimulating remuneration system based on achievement of the goals set;
- active cost management in the segments of services by obtaining the most favourable terms of purchase, by optimal implementation and use of services, and by ensuring cost efficiency of support functions;
- increase the efficiency of business processes by simplification of procedures and by informatisation of operations in the first place that involves on-going development of integrated IT solution supporting the logistics processes of core business, and by digitalisation of documents in the Parent Company;



- unification in business transaction logging in subsidiaries with the practices used in the Parent Company;
- efficient management of working capital;
- involving each employee in training forms at least 20 hours yearly, whereby internal training is included in the overall education and training quota;
- investing in projects that are indispensable for support to business and maintaining the asset value, or are required by the law, with a short-term return and yielding long-term strategic benefits;
- disposal of the assets that are not sufficiently utilised in economic terms.

We harmonized the sales activities with the new market approach as laid down in the Strategic Plan of the Intereuropa Group for the term 2015 – 2019. Our focus was on the products and services that yield higher value added and involve our activities along the entire supply chain. We undertook customer segmentation by market, commodity groups and sales volume. With customized services and storage capacities tailored to the customer, we managed to acquire new business opportunities. We rearranged a part of our warehouse in Logatec for pharmaceuticals; our storage capacities in Belgrade were upgraded and customized for dangerous substances and goods with specific requirements for controlled temperature; we completed the facility in Sarajevo for storage of perishable goods.

We did not succeed in achieving the financial goals scheduled in the business plan for the year 2015. The highest underachievement was recorded in the sales plan. Our setback behind the plan was € 9 million, or 7 percent. The sales results were affected by unstable situation in Ukraine, which saw an even worse situation in its economy after Russia slid into recession again; as a result, goods flows in the region were even more impeded. On top of that, the sales volume shrank due to the value decrease of Ukrainian currency that lost more than 25 percent to the euro in the year 2015. The resulting setback behind the sales targets in Ukraine stood for the greatest part of the overall underachievement of the entire Group. The sales in Croatia and Macedonia were also considerably lagging behind the sales targets, however, not to such an extent as in Ukraine. On the other hand, the highest surplus over the plan was achieved in Slovenia. In addition, our subsidiaries in Bosnia and Herzegovina, Montenegro, Kosovo, and Serbia generated higher sales turnover than planned.

The comparison of sales trends by business areas reveals that the major part of the loss was recorded in our Land transport area (8 percent), primarily on account of the fall-out in the rail freight product in Ukraine. A slight fall (1 percent) was recorded in the Logistics Solutions Area, while the Intercontinental Transport Area was performing on the level of 2014.

Despite the downturn in sales turnover, we were able to increase the sales margin, which was in part attributable to the changed structure of our products.

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.

In addition to the underachievement of sales targets, the planned operating profit was also struck by unforeseen operating expenses for the provisions for lawsuits from previous years in the Parent Company and in our subsidiary in Croatia amounting to € 0.9 million. We closed the reporting year with a financing profit/loss at -3.5 million €, which exceeded the planned figure by € 0.2 million. The deficit from planned figures resulted from foreign exchange losses (foreign exchange losses exceeded planned figures for € 0.5 million), which were primarily attributed to value decrease of the Ukrainian currency Hryvnia (UAH).

Our key activities focused on intensifying the sales and optimizing the processes on the Group level, dedicating particular attention to improve the performance of the subsidiary in Croatia, where the consequences of lower demand for customs services due to EU-accession of Croatia are still felt in the market that was affected by recession for six years.

Aiming to improve the sales efficiency, we upgraded the remuneration system for acquisition of major business and the modality for setting goals to the sales staff.

Among other optimization-driven activities, we laid the greatest emphasis on the informatisation of operations and proceeded in the second half-year with the launch of the new information technology supporting warehouse operations in Slovenia and Croatia. In our Croatian subsidiary, the IT support was further enhanced with the new solution for air-freight services, road transport and customs services; in our subsidiaries in Belgrade, Sarajevo and Podgorica, we started expanding our SAP information solution to simplify and unify transaction logging in financial and accounting processes, to facilitate monitoring of such data and transactions. The launch was completed in 2016.

Due care was dedicated to effective management of working capital, primarily through active processing of trade receivables, checking the customers' credit rating and monitoring our exposure to individual customer.

In line with the strategic guidelines of the Group, our key emphases for education /training were laid on improving the competences in our staff and on the transfer of good business practices to our subsidiaries. The reporting year was the first year in which the employees in our subsidiaries received a much bigger quota of training (28 hours per employee) than the employees in the parent company (9.5 hours per employee). In our concern for retaining and motivating our best staff, we enhanced the number of yearly interviews and measured the quality of relations of employees with the Company through the Golden Tread project («Zlata nit»), which showed that satisfaction of our employees was growing since 2009.

We invested € 4.0 million, and obtained € 306 thousand of proceeds from the sale of non-operating assets.

The achievement of the financial goals set is shown in the following table.

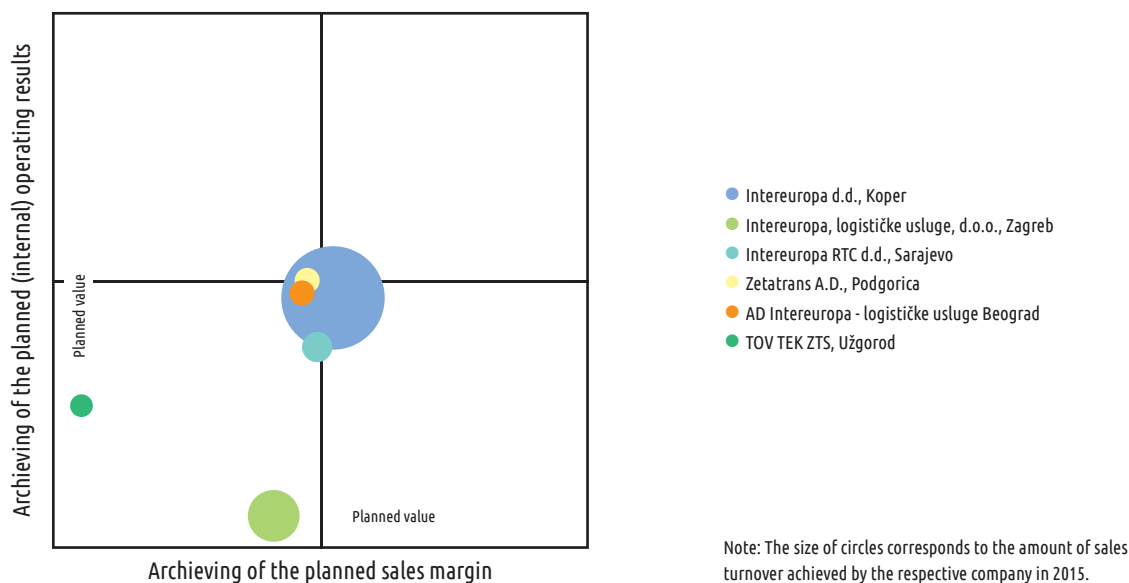
Table 6: Achievement of financial goals set for 2015

Index/Ratio	Target value	Achieved value
Sales revenues (€ million)	144.1	134.6
EBITDA (€ million)	13.0	11.3
Operating profit or Loss (€ million)	6.1	4.7
Net profit (€ million)	2.1	0.8
Investments (€ million)	5.0	4.0
No. of employees at the year-end	1,425	1,417

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.



Graph 3: Achievement of financial / operating goals by major companies of the Group in 2015



2.1.2 Goals and Plans for 2016

Baselines of the business plan

While preparing the business plan for 2016, we integrated the strategic guidelines for the coming year from the Strategic Plan of the Intereuropa Group for the term 2015-2019, based on the starting position of the Intereuropa Group at the end of 2015, trends in the branch of logistics and forecasts of economic trends for our key markets.

Table 7: Economic movement forecasts for key markets of Intereuropa

Country	GDP Growth		Inflation		Export of goods Growth		Import of goods Growth	
	2015	2016	2015	2016	2015	2016	2015	2016
	in %							
EU	1.9	1.9	0.6	1.3	4.4*	4.2*	5.0*	4.2*
Slovenia	2.7	2.3	0.1	1.2	5.3	5.4	5.4	3.8
Croatia	0.8	1.0	0.4	1.3	7.1	7.0	5.7	6.0
BiH	2.0	3.0	1.0	1.6	9.2	7.9	3.7	6.4
Serbia	0.5	1.5	2.5	4.1	8.4	4.8	5.5	3.0
Kosovo	3.2	3.8	-	1.5	-14.6	9.3	-11.4	9.2
Montenegro	3.2	4.9	1.8	1.5	-0.8	2.7	7.7	13.8
Macedonia	3.2	3.2	0.8	1.7	7.7	6.7	7.7	6.5
Albania	2.7	3.4	2.3	2.7	3.7	0.7	3.7	4.9
Ukraine	-9.0	2.0	45.8	12.0	-10.8	5.1	-23.1	5.7

* Euro Zone data

Source:
 World Economic Outlook, IMF, October 2015.
 2015 Autumn Forecast of Economic Trends, Slovenian Institute for Macroeconomic Analysis and Development (UMAR), September 2015.
 The Economic Mirror – September 2015, October 2015.

Business and financial goals

On these baselines, we have set the following business and financial goals for the Intereuropa Group in 2016:

Key goal:

- Growth of revenues in all markets, business areas and core products, while maintaining or improving the profitability; intensified involvement with customers of integral logistics solutions over the whole supply chain in the region, and acquisition of new business.

Other goals:

- retain and motivate our most promising staff, upgrade the incentive-based remuneration system, maintain flexible employment forms, aiming to develop the corporate organizational culture towards a dynamic organization, susceptible to change arising from the business environment;
- active cost management in the segments of services by obtaining more favourable terms of purchase, by optimal use and cost efficiency of support functions;
- effective management of working capital;
- on-going development of integrated IT solution supporting the logistics processes of core business in the Parent Company and in eligible subsidiaries;
- investing in projects with a short-term return and supporting the needs of our customers that are indispensable for retaining the asset value, or imposed by law;
- disposal of the assets that are not sufficiently utilised in economic terms.

Core financial goals:

- Sales turnover: € 137.1 million;
- EBITDA: € 13.1 million;
- Operating Profit: € 6.3 million;
- Investments: € 4.5 million;
- Number of employees at the year-end: 1,441.

2.2 Economic situation in 2015 and impact on performance of Intereuropa Group

Although the world economic growth was lower than initially forecast for 2015, the recovery of individual markets and gradually stronger goods flows had a stimulating effect on the market of logistics services. With increasing globalization, logistics operators are only able to service more complex customers and ever longer supply chains by using new or advanced technologies, which bring competitive advantage to us and optimization savings to our price-sensitive customers. Not only by investing in modern informatisation, logistics operators adapt to market also by forming alliances combined with a specialisation to service corporate clients from individual branches of industry. Continued falling trend in oil prices was favourable for the cost of logistics as well as for general economic activity in the reporting year, given that oil price is built in the majority of logistics services.



The year 2015 brought a slightly lower growth of the world economy than expected. As per estimate by the International Monetary Fund of January, it grew by 3.1 percent on average. Trends in manufacture and trade industries remained weak not only due to the slow-down in economic growth of China, but also as an outcome of globally subdued demand and investing. Compared with the year 2014, the growth improved slightly in advanced countries, but slowed down in emerging markets. The gap among regions remained considerable: advanced countries achieved an estimated growth of 1.9 percent, while the remaining economies were growing at 4.0 percent on average. Recovery in advanced countries was very moderate. United States recorded lower growth than expected due to extraordinary severe winter and lower consumption in the oil sector. The situation became tough for most of the emerging markets, which recorded an economic slow-down for the fifth year in sequence. Falling prices and stronger pressure on their currencies led to instability of financial markets. The average price for Brent oil in USD fell by 47.1 percent, to USD 52.4 per barrel. That was the bottom value after the year 2004; the annual drop was the highest in the last 25 years. After the considerable fall of the euro against the US dollar, the oil prices in euro fell by 35.2 percent to € 48.3 per barrel.

Europe entered the third year of economic growth and expects the trend to continue. In the reporting year, the modest recovery in the Euro Zone (+ 1.5 percent) was supported by lower oil prices, expansive monetary policy and decreasing exchange ratio of the euro. All that fuelled the exports and retail consumption, which is the main driving force of the growth. Nevertheless, the dynamics of growth was still very moderate owing to low investing activity.

Gradual recovery was going on in Slovenia, too, thanks to exports. In addition to the growing income in retail trade, growth was also felt in non-food trade, which points to further recovery of retail consumption in the segment of consumer durables. In addition, the volume of production in processing industries has improved: higher output was seen in all medium-complex technological branches (with top rates in metal-processing industry) and in most of the technologically more complex branches.

Croatia finally came out from the economic downturn, after having struggled through the six-year recession. It succeeded in stopping the downward trends in domestic demand thanks to falling energy prices and to reduced personal income tax rates, while exports increased on account of improved external demand in trading partners. However, the industrial output remained low, but indebtedness and unemployment were high, which is typical of several other countries in the region.

Serbian economy was hit by three recession periods in the last five years and only came out from the latest one in the last quarter of 2015. Growth of industrial output and revenues from retail trade increased in the second half-year, its GDP achieved approximately the pre-recession level, however, its economy is more sensitive to the effects from external environment due to increased share of exports.

Some promising indexes were felt in Bosnia and Herzegovina, too: the volume of industrial output has grown, but the level of economic activity remained moderate.

In Montenegro, the economic growth was fuelled by new investments, whilst the retail consumption levelled off. In the third quarter of the year, tourism and the launch of highway construction works and of two bigger tourist resorts contributed to the growth achieved.

The Ukrainian economy shrunk more than expected for the reporting year. Despite the cease-fire in the second half-year, the situation in the eastern part of the country raises concern. The austerity measures, depreciation of the Ukrainian currency and bad relations with Russia, which has found itself in recession as well, have affected the weak economic activity and low investments.

Table 8: Economic trends in geographic markets of the Intereuropa Group in 2015

in %

	GDP growth (estimates)	Inflation	Export of goods growth	Import of goods growth
EU 27	1.9	0.6	4.4*	5.0*
Slovenia	2.7	0.1	5.3	5.4
Croatia	0.8	0.4	7.1	5.7
BiH	2	1	9.2	3.7
Serbia	0.5	2.5	8.4	5.5
Kosovo	3.2	-	-14.6	-1.4
Montenegro	3.2	1.8	-0.8	7.7
Macedonia	3.2	0.8	7.7	7.7
Albania	2.7	2.3	3.7	3.7
Ukraine	-9.0	45.8	-10.8	-23.1

* Euro Zone data.

Source:

The Institute of the Republic of Slovenia for Macroeconomic Analyses and Development (UMAR), the Economic Mirror – January 2016, February 2016.

The Institute of the Republic of Slovenia for Macroeconomic Analyses and Development (UMAR), the Autumn Forecast of Economic Trends for 2015, September 2015.

The Institute of the Republic of Slovenia for Macroeconomic Analyses and Development (UMAR), Overview of implementation of the Autumn Forecast of Economic Trends for 2015, December 2015.

International Monetary Fund, World Economic Outlook, »Adjusting to lower commodity prices«, October 2015.

International Monetary Fund, World Economic Outlook Update, »Subdued Demand, Diminished Prospects«, January 2016.

European Commission, »European economic forecast – Autumn 2015«, November 2015.

The year 2016 is expected to bring slightly stronger economic activity in the advanced and emerging markets. The International Monetary Fund forecasts an overall 3.4 percent growth globally, for advanced economies 2.1 percent, for emerging ones 4.3 percent rates. In the Euro Zone, the growth will persist at a fairly slow rate (+ 1.7 percent) due to higher retail consumption that is estimated to exceed the rather weaker exports. The forecast for other European countries is 3.0 percent and slightly less (below + 2.0 percent) for SE Europe. Economic activity in Europe will be driven by lower oil prices, in the Euro Zone also by the falling Euro, while the shrinkage (in Russia) or slowed-down growth rates in certain markets (China) will be impeding. Investing activity in the markets with high indebtedness will remain fairly low. Major risks for a deterioration of the world economy according to the IMF are a substantial slow-down of growth in China, too fast growth of the dollar, fear of investing worldwide, and increased geopolitical tension.

In the year 2016, the countries of Western Balkans can expect economic growth in the range from 1.0 to 4.9 percent.

In Slovenia, exports and slightly improved retail consumption will be the key drivers. Also higher demand from abroad will have a favourable impact on the growth of exports, while the growth of retail consumption is attributable to further growth of income available for spending, thanks to improved situation in the labour market and favourable consumer confidence indexes.

After domestic demand has stopped shrinking in the year 2016, Croatian economy expects to achieve moderate growth, provided that the growth of exports and imports will continue, as well as the growth of retail consumption; in the area of investments, the government will have to take the initiative for effective drawing of dedicated European funds.

In Serbia, investments have not achieved the pre-recession level, despite growing trends. Thanks to the economic reforms adopted in the last two years and higher public spending, the growth is expected to continue in 2016. A new investment cycle is forecast, by which Serbia wishes to create new jobs and fuel retail consumption, which is expected to level off in 2016 after four years of falling and turn upward in the year 2017.



In Montenegro, growth has been driven by increased investments, which are expected to accelerate in the year 2016. Major projects will close by the year-end 2017, after which investments will be gradually decreasing.

Table 9: Expected GDP growth in 2016 and 2017 on geographical markets of the Group

GDP growth forecast	in %	
	2016	2017
EU	1.9	2.0
Slovenia	2.3	2.3
Croatia	1.0	1.7
BiH	3.0	3.5
Serbia	1.5	2.0
Kosovo	3.8	4.1
Montenegro	4.9	2.8
Macedonia	3.2	3.3
Albania	3.4	4.0
Ukraine	2.0	3.5

Sources:

The Institute of the Republic of Slovenia for Macroeconomic Analyses and Development (UMAR), the Autumn Forecast of Economic Trends for 2015, September 2015. International Monetary Fund, World Economic Outlook, »Adjusting to lower commodity prices«, October 2015.

2.3 Marketing and Sales

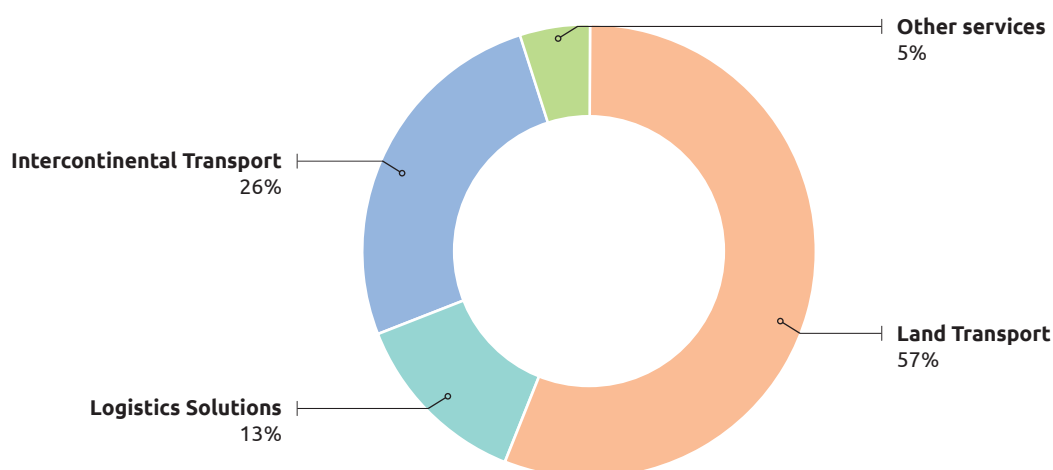
Total sales of the Group in 2015

The dynamics of economic recovery was slower than expected for the year 2015, however, satisfactory enough to exert a positive influence on the demand for logistics and transport services. However, that situation was not applicable to the Ukrainian market which saw an even worse situation in its economy after Russia slid into recession again. Intereuropa perceived a stronger demand primarily in the Slovenian part of our Group, in a growing physical volume of processed orders in many service segments of our Land Transport and Intercontinental Transport Areas. However, the customers' pressure on reducing their cost of logistics and sales margins did not alleviate, so the sales results did not grow at the same levels.

Our activities in 2015 were dedicated to intensify the sales and process optimization; some new businesses were followed by investments in upgrading our storage facilities in Logatec, Sarajevo, Belgrade and Skopje for the development of logistic services for goods requiring specific storage regimes. Particular attention was given to improve the performance of the subsidiary in Croatia, in which we introduced the information support for air-freight services, road transport and customs services. Our major optimization activities included improved implementation of domestic transport service and numerous activities in informatisation of operations that support flexibility and effective competitiveness of our services in the market.



Graph 4: Sales revenue structure by business areas in 2015



In the year 2015, the Intereuropa Group achieved sales revenue of € 134.6 million from the sale of services. Despite 4-percent lower sales turnover (by € 6.2 million) than a year ago, we achieved improved results in several of our logistics products and we recorded growth in all our markets except Ukraine, Croatia and Macedonia. The improvement was best felt in the sale of sea-freight services (+ 2.3 million €), ca. 10-percent growth on average, the highest in container services. Our shipping agency recorded growth exceeding one third, and our air-freight segment achieved a 12-percent growth rate. Increased output was seen in most of our land transport services, in which domestic transport excelled with a 10-percent growth rate.

The downward trend in sales revenue from rail-freight services persisted, given that the tensions in Ukraine left negative economic outcome behind in the whole region. The revenue of this segment, which is the main area of our Ukrainian subsidiary, shrank by 54 percent (-7.7 million €) in the reporting year. In part, the lower total sales on the Group level were also attributable to reduced sales turnover from services for car logistics, resulting from decreased physical volume of vehicles handled, and from changed features of this business.

Table 10: Sales revenue of the Intereuropa Group in 2015 by business area

		€ thousand			
Business area	Jan. - Dec. 2015	Structure	Index 2015/plan	Index 2015/2014	
1 Land Transport	76,564	57%	90	93	
2 Logistic Solutions	16,983	13%	93	99	
3 Intercontinental Transport	34,626	26%	101	100	
4 Other services	6,440	5%	102	98	
Total Sales Revenue	134,613	100%	93	96	

The target sales turnover for the reporting year was not achieved. The major part of setback was recorded in the sale of rail-freight services in our Ukrainian subsidiary (nearly 70 percent below the target), and a part in the car logistics services: only 62 percent of the planned sales turnover was achieved.

In the sales revenue structure by country in which a subsidiary is based, the sales revenue achieved by the Slovenian subsidiaries was one percent higher than a year ago and now represents two thirds of the sales in the Group. Growth was recorded in most of other countries, the highest in the subsidiary in Kosovo.



Table 11: Sales revenue of the Intereuropa Group in 2015 by country*

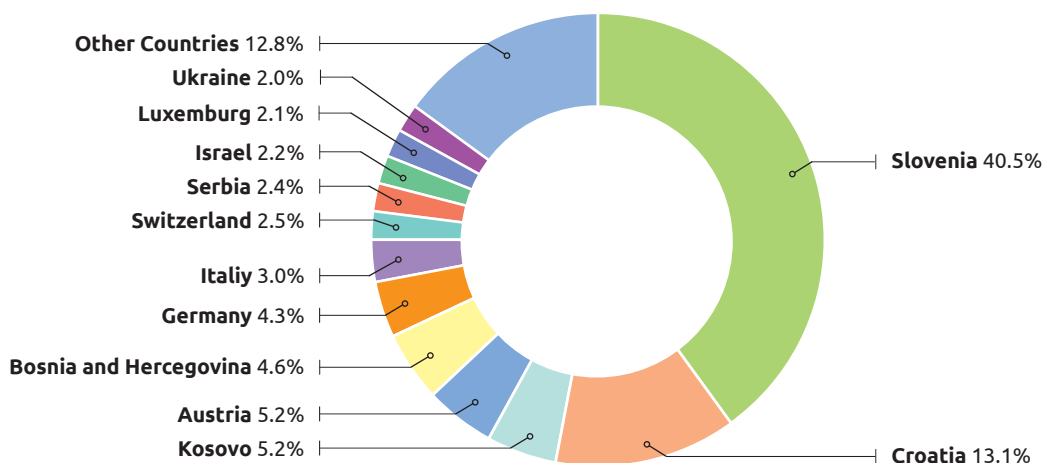
€ thousand

	Jan. – Dec. 2015	Structure	Index 2015/plan	Index 2015/2014
1 Slovenia	89,249	66%	102	101
2 Croatia	20,399	15%	91	97
3 Bosnia & Hercegovina	6,145	5%	107	107
4 Serbia	4,108	3%	104	111
5 Macedonia	1,404	1%	70	83
6 Kosovo	2,609	2%	111	122
7 Montenegro	5,069	4%	105	107
8 Albania	605	0%	106	109
9 Ukraine	5,025	4%	35	40
EU countries	109,648	81%	99	100
Non EU countries	24,964	19%	74	80
TOTAL:	134,613	100%	93	96

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

The structure of Intereuropa customers by size, branch of industry and geographical presence is quite dispersed. In the reporting year, the majority of our customers were based in the EU Member States (76 percent); the largest number was from the home country. Of other countries, 13 percent were located in the area of former Yugoslavia (excl. Slovenia and Croatia).

Graph 5: Sales revenue structure by countries in 2015 by the customer's country of establishment



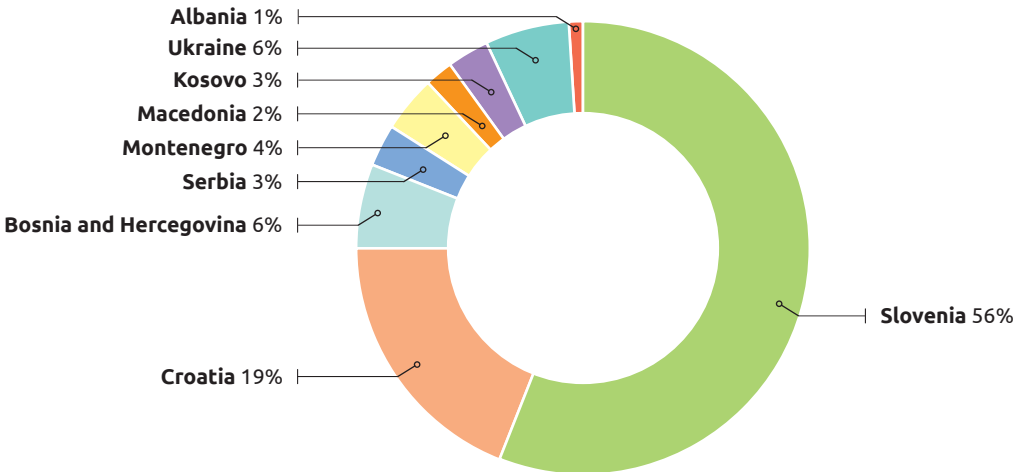
2.3.1 Land Transport

Land Transport has the highest share in the Group's sales structure. The sales turnover achieved from the services of Land Transport came to € 76.5 million, representing 57 percent in the sales structure of the entire Intereuropa Group. This share dropped 2 percentage points below the achievement of the year 2014. The highest share of revenue in the sales structure (56 percent) was contributed by the Parent Company in Slovenia, which exceeded the plan by 3 percent and increased its share in the sales structure.

On the level of the Group, the sales revenue in this area fell 8 percent below the level a year ago. That decrease was mainly attributable to the loss of operating revenues from Ukraine, due to political and economic situation in that country impeding normal operations. Operating revenue in our Ukrainian subsidiary fell dramatically (by € 7.8 million) below the figure achieved in 2014, primarily in rail-freight services and in road transport. Such a loss is very difficult to make good by higher sales in other products. Decreased volume in road transport segment that occurred due to the loss of business in the Russian market brought about a fall in sales revenues in our Macedonian subsidiary, too. Our Croatian subsidiary succeeded in compensating for the loss of sales revenues in other land transport products by higher sales in domestic transport. On the other hand, better results than in the preceding year were achieved in Intereuropa d.d. and in our subsidiaries Intereuropa RTC d.d., Sarajevo, Intereuropa Kosova L.L.C., Prishtina, and in Zetatrans A.D. Podgorica (Montenegro).

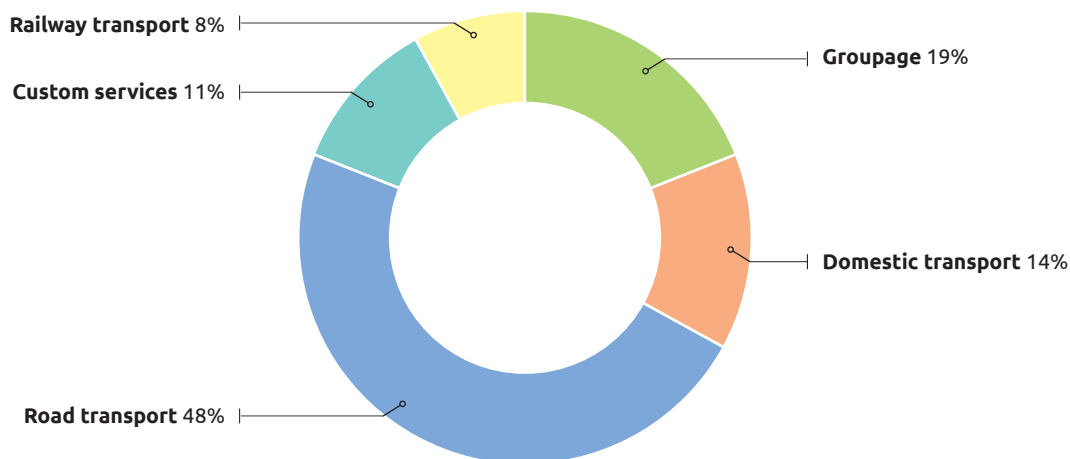
The underachievement of our sales targets on the Group level is primarily attributable to the fallout resulting from the situation in Ukraine. The target was achieved and exceeded by Intereuropa d.d., which recorded the highest surplus over the preceding year thanks to higher sales revenues in the products rail-freight, domestic transport and groupage services. The increased demand for transport and logistics services reflected in a higher placement of orders and in higher physical volume of operations. A significant increase above the plan was recorded by our subsidiary in Bosnia and Herzegovina, which achieved good results in all its products. Also, the subsidiaries in Montenegro and Kosovo performed better than planned. Other subsidiaries were behind the targets, worst of all was the Ukrainian subsidiary. Due to underperforming in road transport segment, the subsidiary in Serbia also remained behind the targets, although it succeeded in improving the result of the preceding year.

Graph 6: Land Transport sales revenue structure by country



Positive results were visible in the physical volume of operations, given that the number of consignments was increasing (primarily in Slovenia), but the income earned did not keep up with that increase due to the customers' pressure on reducing their cost of logistics and increasing competition pushing the margins down. That encourages us to continued operations streamlining on the one hand, and to intensify our presence in the market on the other hand. Furthermore, we were facing ill payment practices and financial difficulties of businesses, so we need to be cautious both in acquiring new opportunities and in doing business with our current customers.

Graph 7: Sales revenues structure by product



Road Transport

Among the products provided by the Intereuropa Group, Road Transport has the highest share (27 percent) in sales revenue structure. As much as 48 percent of the sales turnover within our Land Transport Area was earned from this product. This share has improved 4 percentage point since the preceding year. Road Transport represents the highest share in the sales structure of the Group, and 73 percent of all revenues in this segment were achieved by Intereuropa d.d., which increased its sales turnover in the reporting year and fulfilled the plan.

Sales revenues remained on the level of 2014, which means that the Group did not achieve the planned increase in operating outcome. The subsidiaries in Croatia and in Macedonia were below the results of the preceding year and behind the sales targets (due to loss of business bound for Russia in Macedonia). The setback was also recorded by our subsidiaries in Ukraine and Serbia.

Pressures on prices continued and the resulting reduced sales margins persisted. We addressed that issue by active management of direct costs. In Croatia, we strengthened the fleet by the purchase of five new heavy freight vehicles; in July, the IT solution WexVS Road were launched in road transport operations.

Key goals for 2016:

- Carry out intensified commercial activities in international road transport in the Group, identifying the potentials and seeking the synergies;
- Implement continual cost control and price control of suppliers, and undertake activities to reduce direct costs;
- ensure IT-support to mutual processes with suppliers – carrier contractors for Intereuropa d.d.;
- train the staff on risk management in international road transport, and knowledge transfer within the Group.

Customs Services

Customs services stand for an important support service in the Group. The sales revenue of this product rose 3 percent above the preceding year's level. Except for Croatia, where declining sales revenue from customs services continued as expected, all our subsidiaries recorded growth over the results of the year ago and exceeded the targets. The highest share in the sales revenue structure for this product was achieved by the Slovenian company (33 percent), followed by the subsidiaries in Montenegro and Bosnia and Herzegovina (19 percent in both) and Croatia (16 percent). In the fourth quarter of the reporting year, our subsidiary Intereuropa, logistics services d.o.o. Zagreb started using the information solution WexVS to support the Customs Service product.

Key goals for 2016:

- educate our employees on a regular basis to maintain their know-how on the highest level and to provide support to designated key commodity groups;
- continual effort to reduce the cost resulting from operational flaws, addressed by claim management procedures and elimination of non-compliance in the work process;
- current monitoring of legislation, implement the transfer of know-how among employees.

Groupage Services

The sales revenues in the reporting year were one percent higher than in 2014. As much as three quarters of all revenue in the Group is still generated in Slovenia, where the number of shipments carried increased by 6 percent and the sales revenue by 3 percent. Growing operating revenues were recorded in the subsidiaries in Bosnia and Herzegovina, Serbia, Kosovo and Montenegro, unlike the subsidiary in Croatia that saw a decline. We again recorded an ample increase in the turnover of shipments between Slovenia and Croatia: two daily groupage lines (Ljubljana-Zagreb and Celje-Maribor-Zagreb, and vice versa) operate with big shipments and smaller package consignments. A groupage line was established between Turkey and Serbia, aiming to strengthen the role of our subsidiary in Belgrade as a major hub for the Group.

Key goals for 2016:

- maintain and improve the position of the leading provider of groupage services in Slovenia, Croatia, Bosnia and Herzegovina and in Serbia, and increase the market shares in all countries in which Intereuropa is present with own subsidiaries;
- launch of operations based on the new IT solution WexVS in the groupage product in the Croatian subsidiary;
- ensuring an enhanced electronic data interchange with our partners based abroad;
- continual process optimization aimed at shortening the transit times, increasing the frequency and reducing the cost of groupage deliveries;
- promoting the use of sales leads as a significant sales tool (intra Group and with partners based abroad);
- improve the quality of service by measures based on relevant quality indicators.

Domestic Transport

The sales revenues from Domestic Transport (previous name Express Transport) rose 10 percent above last year and exceeded the sales target by 11 percent, on account of the increased result in Croatia. In Slovenia, we increased the sales revenue by one percent and surpassed the planned result by 18 percent. All other subsidiaries, except for the subsidiaries in Serbia and Montenegro, recorded growth. The highest sales turnover is still generated by the subsidiary in Croatia (58 percent), followed by the parent company in Slovenia with 25 percent, the Bosnian subsidiary with 12 percent, and by the Serbian with 4 percent. This product provides an important support to other our products. As a stand-alone product, it faces an extremely tough competition in local markets. All companies in the Group conduct on-going activities on process optimisation, cost management and optimum implementing solutions that will retain the quality of service on the highest level and reduce the cost on the other hand.

Key goals for 2016:

- launching the WexVS IT solutions to the product Domestic Transport in Croatia and utilizing the advantages thereof;
- replacing the conventional OBC's (On Board Computer) with the information solution that runs on cellular (mobile) phone sets, using the Android operating system;
- develop distribution services in the countries in which Intereuropa subsidiaries are based, to be able to provide support to other products and to selected commodity groups.



Railway Transport

The Rail Transport product recorded a considerable (58 percent) setback behind the sales target. It was underperforming (by 54 percent) also compared to the result of the year 2014. The result of this product was mostly affected by unstable situation in Ukraine, where our subsidiary achieved, despite unfavourable circumstances, 62 percent of total sales revenues from the rail-freight product.

The company Intereuropa-FLG, d.o.o., Ljubljana, in which Intereuropa holds a 50 percent share jointly with the Austrian company Rail Cargo Logistics GmbH, which owns the remaining 50 percent in the capital of Intereuropa-FLG, is specialised in organizing railway transport. The company was behind the sales targets and even fell below the result of the year 2014.

Key goals for 2016:

- maintain the high level of expertise and experience of employees, in view of importance of the Railfreight product in multimodal transport chains and its vital role in logistics solutions for certain commodity groups;
- train the staff and implement internal knowledge transfer in case of non-availability of expertise.

Despite unfavourable conditions in logistics industry in various markets covered by Intereuropa, we set very ambitious goals for our Land Transport Area in the year 2016. Our activities address cost efficiency and the streamlining of operations, and first and foremost, support intensified commercial activities in all Group members. Furthermore, we keep on maintaining a high quality level of our service, which is a prerequisite for success in the market. The services of Land Transport are the key factor for the operation of 3PL (third party logistics) operators and provide vital support to target commodity groups.

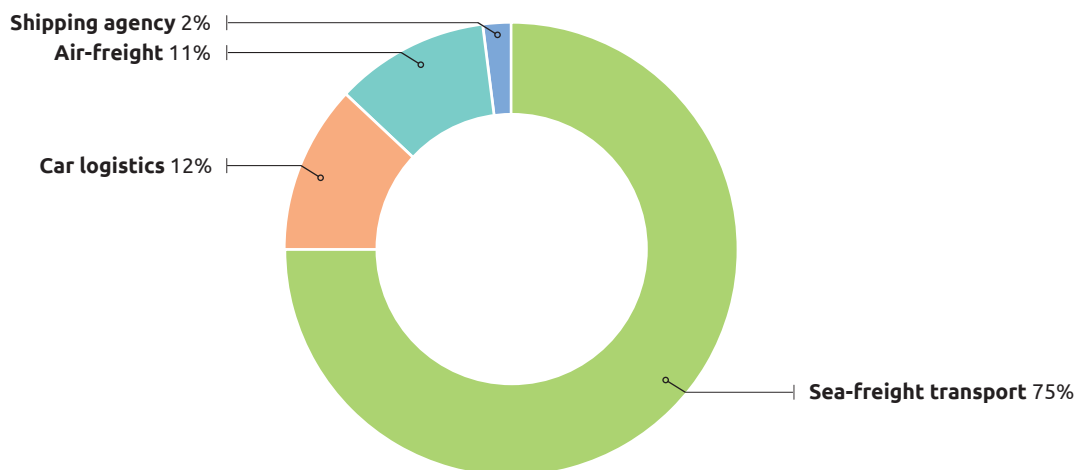
2.3.2 Intercontinental Transport

The sales revenues in our products of the Intercontinental Transport Area came to € 34.6 million. Our sales result was on the same level as a year ago and slightly above the sales targets for our area. The share of revenues of our area in the total sales structure of the Group rose to 26 percent.

The highest growth was achieved in sea-freight segment, in which the container transport and shipping agency excelled. The rising turnover in our shipping agency services derived from our successful representation of a container ship operator in Koper and in Rijeka. We also perceived recovery in air-freight transport in the region of SE Europe. With inclusion of air-freight services, the segment 'organization of logistics' yielded 12 percent higher sales revenue than a year ago.

The sales results were better in all our products except in car logistics, where a key customer rerouted a part of vehicles to Italian ports, which brought to a loss of physical volume of vehicles handled in the second half-year. Concurrently, we started with regular weekly car deliveries of Daimler-Mercedes vehicles via the Port of Koper in the last quarter of the year.

Graph 8: Structure of sales revenues in Intercontinental Transport Area



Sea-freight

Our Sea-freight products include container transports of full container loads (FCL) and of consolidated containers (LCL), the transport of conventional cargoes and the RO-RO /Ferry service. A part of our sea-freight product is the shipping agency that is pursued by our subsidiary Interagent d.o.o., Koper, Slovenia. In the reporting year, we developed the shipping agency operations in some other subsidiaries of our Group.

The products of our sea-freight segment generated € 25.8 million of sales revenues and achieved 10-percent growth over the preceding year. The share of this segment in the total sales structure of the Group has been growing and reached 19 percent.

In container transport, we achieved the highest growth rate of 15 percent, resulting mainly from the growing volume of container transport organized in Slovenia and in Serbia. Our sales revenues came to € 13.9 million. Notable improvement was seen in exports via Adriatic ports. In container consolidation services, we reached an agreement with a partner for joint use of as many as 13 direct consolidation lines from the Far East. Our focus is on organizing the transport process of a container along the supply chain to the largest extent possible, because it yields higher income.

In conventional shipping, we achieved sales revenue of € 11.1 million and exceeded the targets by 8 percent. Increased turnover in conventional sea-freight transport was attributable to higher liquid, dry-bulk and bulk cargo volumes and to cargo shipped from the Middle East and requiring a specific temperature regime, (we acquired a major customer).

In the RO-RO product, we achieved a 6-percent growth of sales turnover. Synergies in uniting the Departments of RO-RO and car logistics were beneficial for some newly acquired businesses that demand a combined approach and competences. Also, project goods were higher, both in import and in export.

In our Shipping Agency product, we were performing better than planned and achieved a 36-percent growth of sales revenue over the preceding year; we outstripped the targets by 84 percent. Improved results were achieved in Slovenia, which is our key market, and in Croatia with our representation of a container ship operator who maintains a regular weekly service to Rijeka Port. In the last quarter of the year, we started representing a Japanese shipowner who has established a regular weekly service for car shipments between Koper and the Far East.

The Sea-freight segment remains our key prospect for growth in the area of Intercontinental Transport. In accordance with the corporate development strategy, we expect a higher growth than in other products, in particular by development of container operations along the entire supply chain in import and export via North Adriatic ports. We will follow the development of our partners in business, shipowners and key customers through the target vertical industries (heavy industry and industrial projects, liquid and dangerous cargoes, logistics of perishable goods).



Car logistics

The year 2015 saw a continued downturn trend in the revenues from car logistics. Some car makers change their supply chains and routes of goods flows among the European ports, which had a significant impact on car logistics segment in the reporting year.

The sales revenues from car logistics came to € 4 million. The realization of sales revenues was 58 percent of the volume a year ago, although we physically processed 9 percent more vehicles and increased the number of vehicles processed above the preceding year. The decline in income is connected with the share of supply of integral logistics services, given that we lost the organization of shipping and land transport of vehicles in some project, but we retained the logistic services via port and our car terminals. We are proud of having obtained the representation of the renowned German car maker Daimler-Mercedes who established the car delivery logistics for the Far East via the Port of Koper in the last quarter of the year.

The car logistics product continues to be one of the principal products of our Intercontinental Transport and of the entire Group, as we are able to provide the logistics for a yearly turnover of 110,000 vehicles via port and our through terminals in Slovenia, Serbia and Montenegro. We are involved in new negotiations on import and export business for handling vehicles via Koper port for the markets in the Mediterranean and from the Far East. These operations could improve the sales revenue in 2016, provided that the investments in development of car logistics in the Port of Koper and in enhancement of infrastructural capacities as planned are realized.

Airfreight

This product yielded € 3.8 million of sales revenues, which was 12 percent better than a year ago. We surpassed the goals by 9 percentage points. In all our major markets, we were performing better than estimated. In Slovenia, which is our largest and key market, we recorded a 14-percent growth. Slovenia remains the holder for air-freight logistics in the year 2016, and the coordination hub for the development of this segment in the region. Significant development has been achieved in Serbia, Croatia, Kosovo and Montenegro. In Kosovo, we provided logistics for the German Army; in Croatia, we recorded several one-off businesses, whilst in Serbia we represented several charter flights in export via Belgrade and Niš airports. An agreement for commercial representation in the markets of former Yugoslavia was negotiated with some regional air carriers.

Air-freight development relies on close cooperation and further enhancement of global partner network. We maintain our focus on an active sales presence in local markets. As a response to increasing international competition in our markets, we seek opportunities in niche businesses as well, which demand expertise and flexible approach to establishing the supply chain. Specific structural changes in the operation of our service for regional airports are not expected for the year 2016. In view of strong export activity of local economies, the key for new business acquisition will be the price competitiveness of the service offered and the lead-time for the implementation of a transport process.

Plans for 2016

In accordance with the Strategic development plan of the Group until 2019, our plans include these major activities:

- on-going development of marketing activities on sea-freight products in the shipping agency offices of the Group located along the Eastern coast of the Adriatic, with a focus on the management of supply chains in the region and in Central Europe;
- keeping up with development strategies of shipowners and their shipping lines bound for the Adriatic ports, with particular attention to services via North Adriatic ports (Koper and Rijeka);
- current tracing of and competing in international tenders for the implementation of logistics processes in finished vehicle logistics handled via port of Koper;
- development of terminal activities and achieving high occupancy rates (above 95 percent) in our car terminals in Slovenia, Serbia, etc., and transport services through contractor carriers in our contractors database;
- execution of air-freight projects via airports in the Balkans that were launched at the year-end

2015 and will significantly contribute to operational efficiency of this segment;

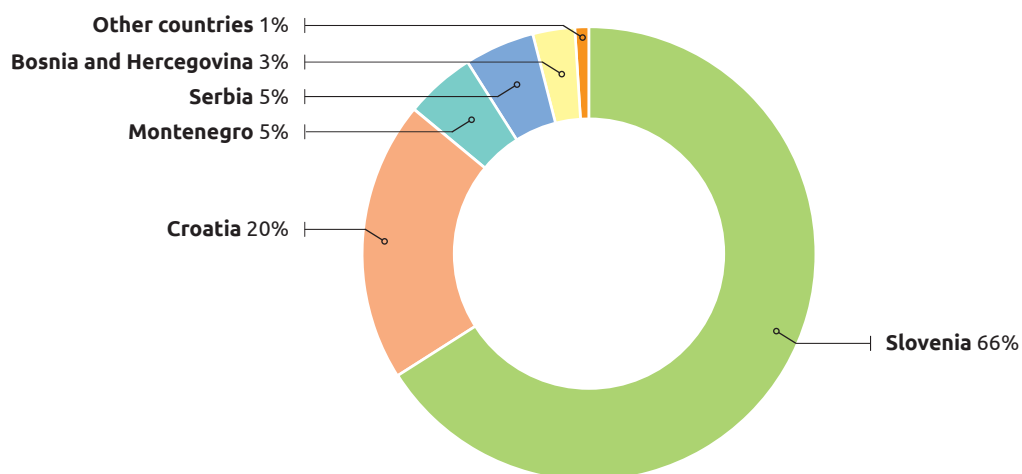
- acquisition of agency representation for an airfreight carrier in the Region,
- intensifying the cooperation within overseas partner networks and coordinated interaction among the Intercontinental Transport offices/units of our Group;
- development and launch of IT support to sea-freight products and to shipping agency in the Group;
- development of IT support for the operations of air-freight branches/ offices in other subsidiaries of the Group.

2.3.3 Logistics Solutions

The services in this business area generated a sales revenue of € 17.0 million in the reporting year, which stands for 13 percent in the sales revenue structure of the Group. There was only a minimal drop below the level of 2014, and a 7-percent setback behind the targets. Our key markets have not perceived any essential improvement yet. The volume of operations and inventories of goods kept by our customers remained on relatively low levels.

In Slovenia, being our key market, standing for 66 percent in the sales structure of logistics solutions, we exceeded our last year's results by 5 percent thanks to acquisition of new business. Except our Bosnian subsidiary, other subsidiaries of the Group remained below the results of the preceding year. Our subsidiary in Croatia conducted numerous activities to fill-up storage capacities and acquire new business with a higher added value, as well as to launch the new WMS IT solution supporting the warehouse processes.

Graph 9: Logistics Solutions Sales revenue structure by country



Furthermore, we invested much energy in standardization and optimization of logistics processes. We established EDI connections with some of our key customers. As regards technology, implementation of integral IT support to warehouse operations was carried on in Croatia and Slovenia. Our warehouses in Logatec, Sarajevo, Belgrade and Skopje were refurbished to satisfy the requirements for the goods requiring specific storage regimes.

Warehousing and storage

Our sales turnover from storage services came to € 15.6 million, representing 12 percent in the sales structure of the Group, or 92 percent on the level of the Logistics Solutions Area. We recorded a 4-percent rise over the achievement of last year, but a 3-percent setback behind the targets. Slovenia saw an 8-percent growth in the sales turnover and exceeded the planned result by 2 percent; subsidiaries in other countries did not achieve the plans.



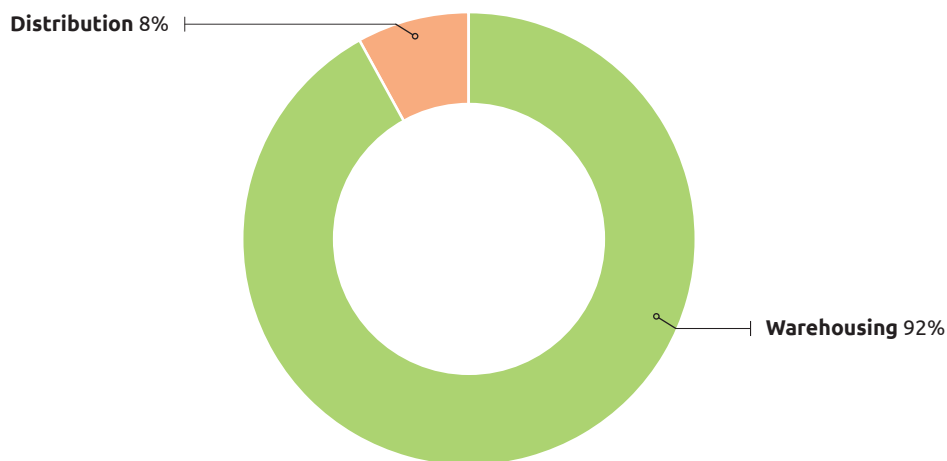
Major businesses in our warehousing segment were:

- a new business in pharmaceuticals in our warehouse in Logatec, which was rearranged and upgraded for this purpose;
- newly acquired businesses in dangerous goods and in goods with specific requirements for controlled temperature in Belgrade, where our warehouse was upgraded and customized for this customer;
- new business in handling the goods from Central Europe via our warehouse in Koper, bound for the Far East;
- a new major customer who filled our storage capacities in Varaždin, Croatia;
- completion of new warehouse with capacity of 1,000 qm (m²) in Sarajevo for a known customer dealing in fruit and vegetables;
- enlargement of our warehouse in Skopje by adding storage capacities for temperature-controlled regimes.

Distribution

The sales turnover from Distribution services in the reporting year was € 1.4 million, representing ca. one percent in the sales structure of the Intereuropa Group. A decline in the business with a key customer resulted in a 40-percent fall in the sales turnover on the Group level, as well as in underperforming (by 36 percent) below the year 2014.

Graph 10: Sales revenues structure by product



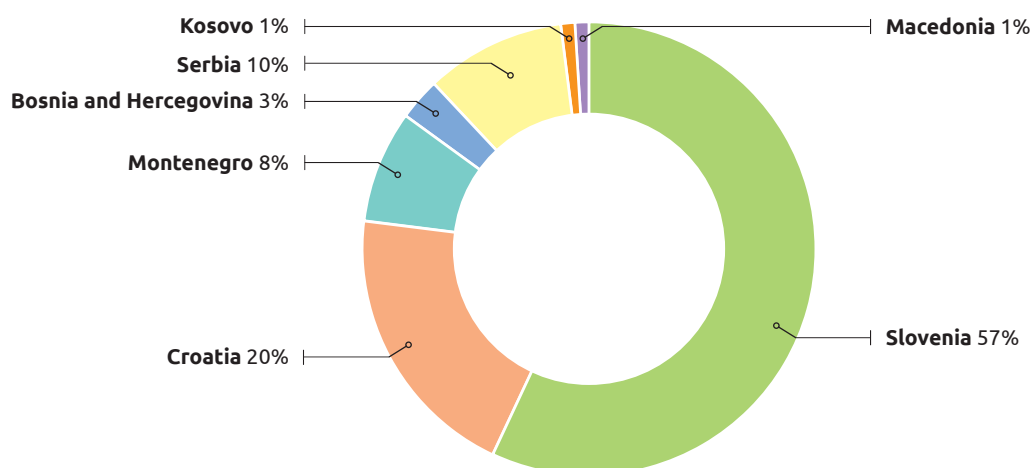
Logistics projects

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, and 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 the end of the year 2015, the Group was using 242,126 square meters (m²) of storage facilities, thereof 232,445 m² own and 9,681 m² hired capacities.

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



Plans for 2016

Key activities for the Logistics Solutions Area in 2016 comprise:

- development of partnership relations and enhanced cooperation with current customers;
- winning new logistics projects, primarily aiming to fill the unoccupied storage capacities in Slovenia and Croatia;
- continuation of installation of IT support to logistics solutions in Slovenia and in Croatia;
- improvement of energy efficiency (introducing LED-based illumination, replacing gas-driven forklift trucks with electric ones);
- continued specialisation and optimisation of logistic processes by commodity category.

2.4 Analysis of operation

2.4.1 Operating efficiency of the Group

The year 2015 brought a slight increase in the demand for logistics services on most geographical markets of Intereuropa: Croatia has finally come out of the long-lasting recession, and Serbia did it once again. The flows of goods in the region have gradually strengthened; contrary to the development in Ukraine, which saw an even worse situation in its economy after Russia slid into recession again.

Euro Zone saw a more modest recovery, supported by lower oil prices, expansive monetary policy and decreased exchange ratio of the euro. All that fuelled the exports and retail consumption, which was the main driving force of the growth. Nevertheless, the dynamics of growth was still very moderate and slower than expected due to low investing activity; however, the growth was satisfactory enough to stimulate the demand for logistics and transport services. Intereuropa perceived such trends in particular in the Slovenian part of the Group, where the physical volume was higher but the financial results of the sales did not follow at the same rate due to customers' huge pressure on the price of logistic services. Our activities focused on the sales activity and addressed cost efficiency of our services, placing great emphasis on informatisation of operations.

Sales revenues were lower than in the preceding year, which we compensated with operations streamlining. Despite our efforts, the Group was unable to maintain the operating result and EBITDA on the level of preceding year; a significant negative impact resulted from unforeseen operating expenses for the provisions for lawsuits from previous years in the Parent Company and in our subsidiary in Croatia amounting to € 0.9 million.



Financial operation was more effective than in 2014, attributable to lower interest expenses, less foreign exchange losses and lower expenses for write-offs/-downs and impairment of financial investments. We closed the financial year 2015 in the black.

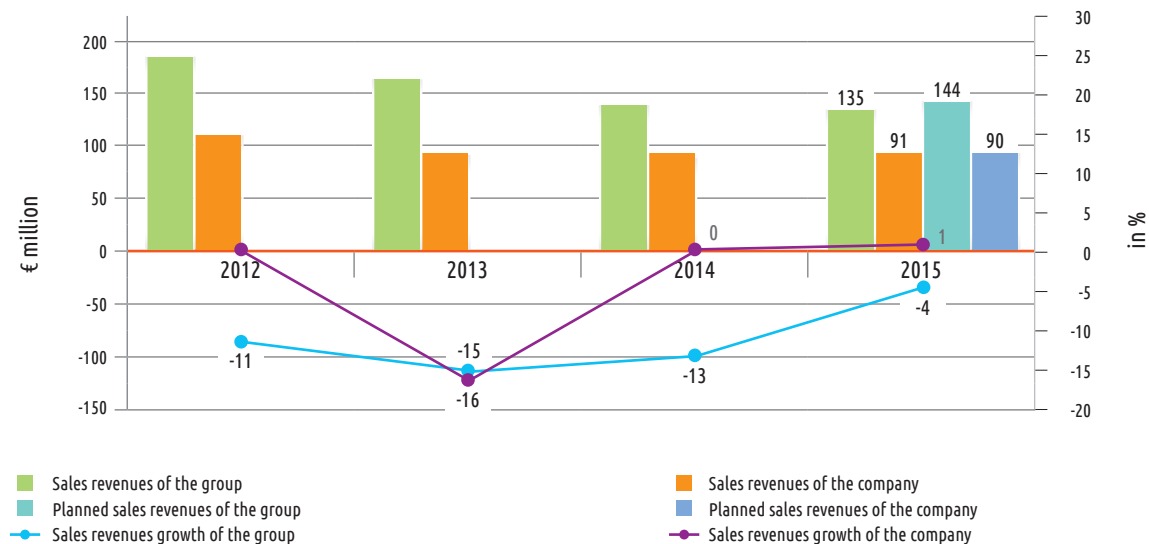
Sales revenue

In the reporting year, we recorded a decrease in sales turnover by 4 percent, or € 6.2 million below the preceding year. Ukraine was worst hit (-7.8 million €), followed by Croatia (-0.5 million €), and Macedonia (-0.25 million €), while Albania saw a minimal drop only.

Despite the 4-percent fall below the levels of the year 2014, we recorded improved results in several logistics products. The highest growth was achieved in the sea-freight segment; increased output was recorded in most of our land transport services, in particular in domestic transport. The downward trend in sales revenue from rail-freight services persisted in the reporting year, given that the tensions in Ukraine left negative economic outcome in the whole region. In part, the loss of total sales on the Group level was attributable to reduced sales turnover from car logistics services resulting from decreased physical volume of vehicles handled, and from changed features of this business.

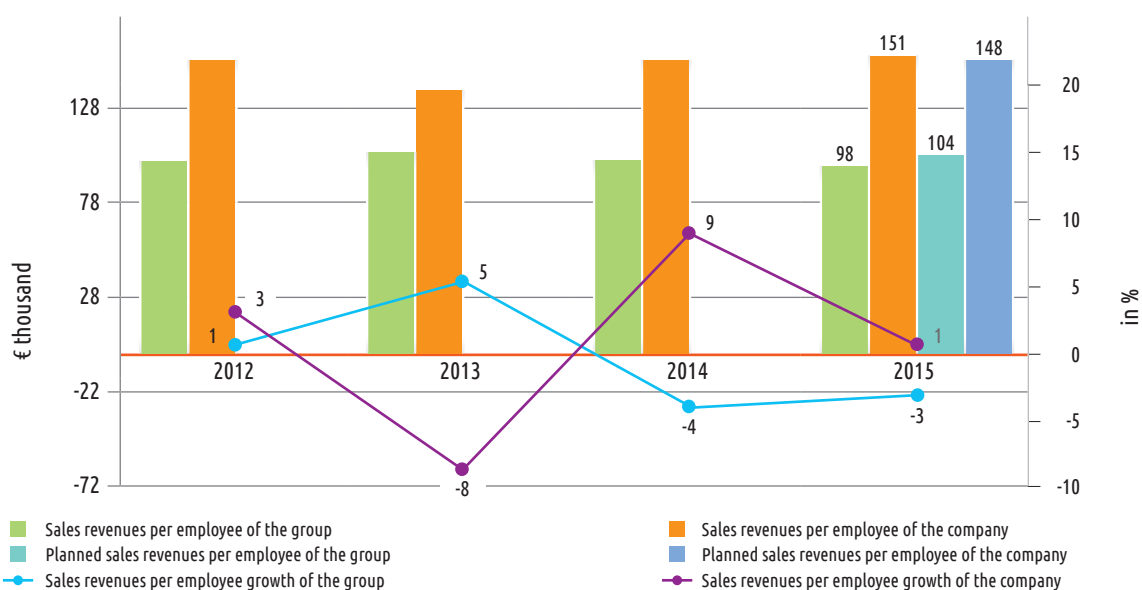
For more detailed overview and analysis of sales results by business area and service group, and by particular market of the Intereuropa Group, please refer to the chapter Marketing and Sales.

Graph 12: Sales revenues of the Group and Parent Company, 2012 - 2015



Declining revenue on the Group level resulted, to a slightly lesser extent, in a lower sales revenue per employee; on the other hand, the Parent Company improved the sales efficiency by 1 percent.

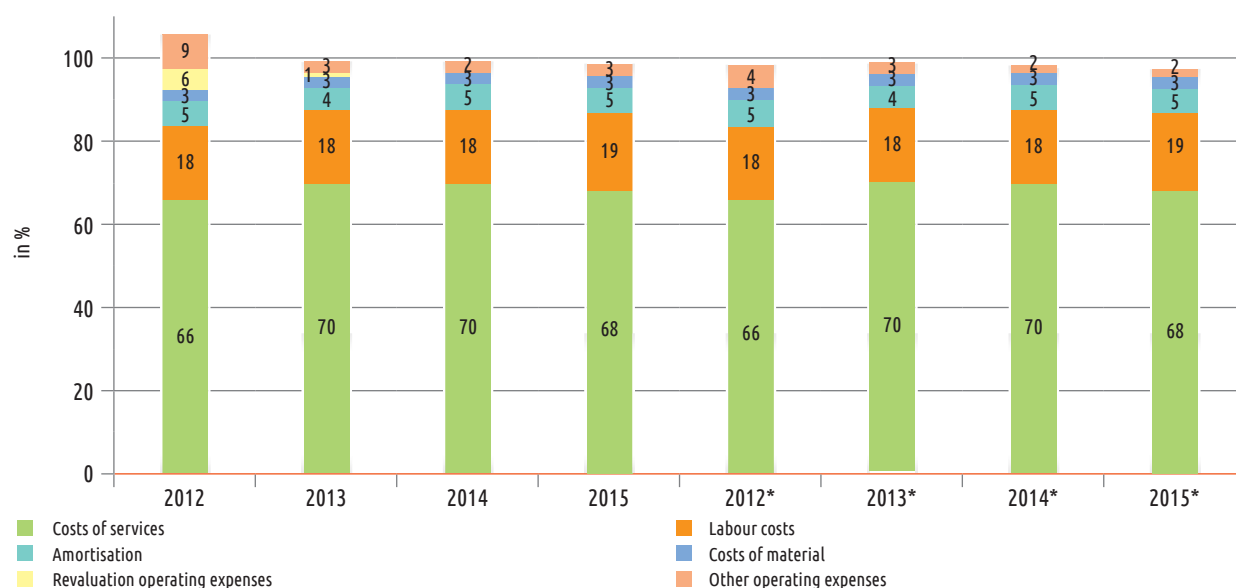
Graph 13: Sales revenues per employee of the Group and the Parent Company, 2012-2015



Operating expenses, EBITDA, and Operating Profit or Loss

The structure of operating expenses was quite stable; the only ratio that changed was lower share of cost of services versus higher share of cost of labour in the expenses structure. These costs stand for the major part of operating expenses. In the category 'cost of services', the direct cost of services had the biggest share (88 percent) or one percentage point lower than a year ago. The lower share of cost of services is attributable to the changed sales structure in favour of products from the areas Logistics Solutions and Intercontinental Transport. The increased share of labour costs resulted from higher labour costs per employee.

Graph 14: The structure of operating expenses as a share in the sales revenues of the Group, 2012-2015



* Excluded are the operating expenses from revaluation and other operating expenses arising from the disposal of Intereuropa - East Ltd., Moscow, and other operating expenses for the provisions for lawsuits.

In 2012, high expenses from revaluation owing to impairment of fixed assets (€ 9.8 million) were recorded 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, and of other operating expenses for provisions for lawsuits.

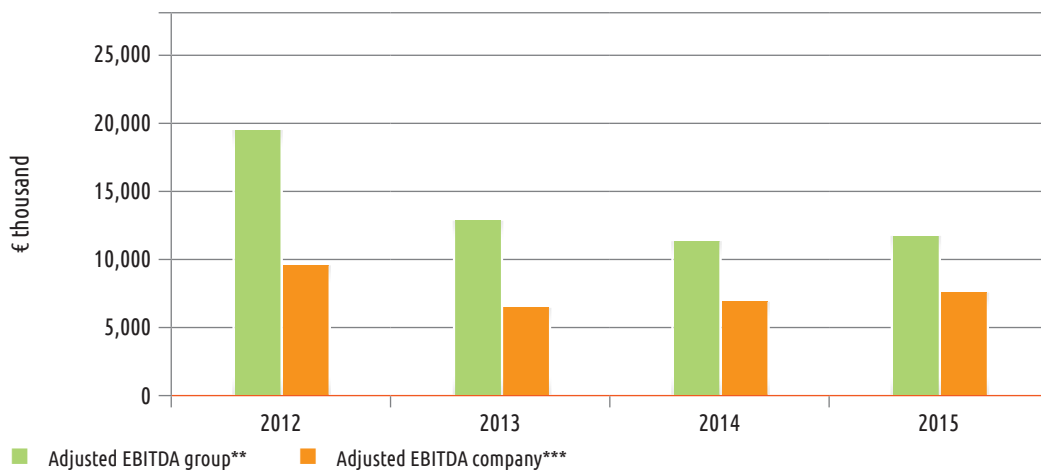
In the year 2013 and after that year, the share of other operating expenses settled at 2 or 3 percent. In 2015, the share of other operating expenses rose above the preceding year, as a result of expenses for the provisions for lawsuits in the Parent Company and in our subsidiary in Croatia, totalling to € 0.9 million. Operating expenses from revaluation were very low.

We continued with operations streamlining in the reporting year and achieved lower cost of materials and services, however, the amount saved was not sufficient to substitute the loss of sales turnover and to cover the unforeseen expenses for the a.m. provisions. Therefore, the Group stated a lower EBITDA and operating profit/loss than in the preceding year, while the Parent Company succeeded in improving both the EBITDA and the operating profit/loss. The growth in the Parent Company has mostly resulted from higher sales turnover and effective management of direct costs.

The downturn in operating result and EBITDA on the Group level was mainly attributed to deterioration in performance of the subsidiary TOV TEK ZTS, Uzhgorod (Ukraine), along with the a.m. expenses for provisions, As already explained under the item Sales Revenues, the loss of considerable portion of revenues from railfreight services could not be substituted to a full extent and that resulted in lower operating profit/loss and EBITDA in the end.

The movement of the adjusted EBITDA and of the adjusted operating profit/loss for the Group and the Parent Company, as shown in Charts 15 and 16, reveal that the downward trend in adjusted EBITDA and adjusted operating profit/loss of the Group stopped in 2015, whereas the adjusted EBITDA and adjusted operating profit/loss of the Parent Company was growing for the second year already.

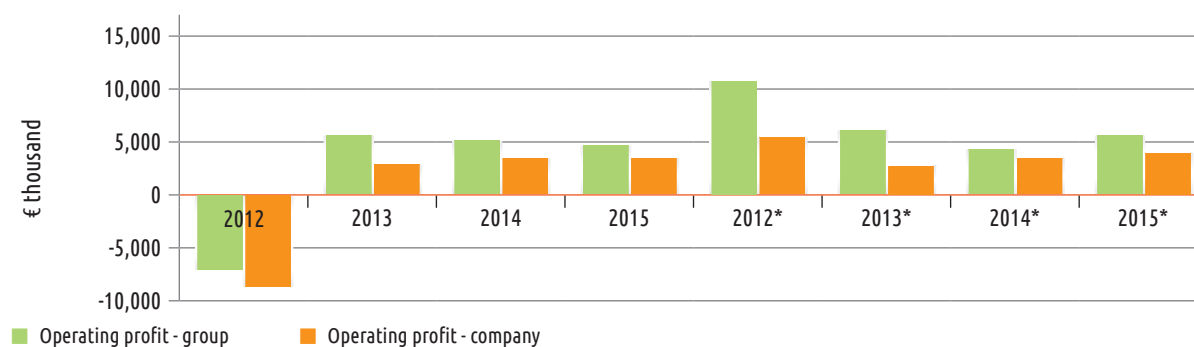
Graph 15: Movement of adjusted EBITDA of the Group and Parent Company, 2012-2015



** Excluded are the operating revenues, other operating expenses for the provisions for lawsuit, other operating expenses arising from the disposal of Intereuropa - East Ltd., Moscow, and other expenses for the allowances for receivables.

*** Excluded are the operating revenues, other operating expenses for the provisions for lawsuit, other operating expenses arising from subsidiaries and from the disposal of Intereuropa - East Ltd., Moscow, and other expenses for the allowances for receivables.

Graph 16: Movement of Operating Profit/Loss of the Group and of Parent Company, 2012-2015



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

The Company: Excluded are other operating revenues, operating expenses from revaluation of Intangible assets and of Property, Plant and Equipment, other operating expenses for the provisions for lawsuits, expenses for the allowances for, and write-offs of receivables, and other operating expenses arising from operations with subsidiaries.

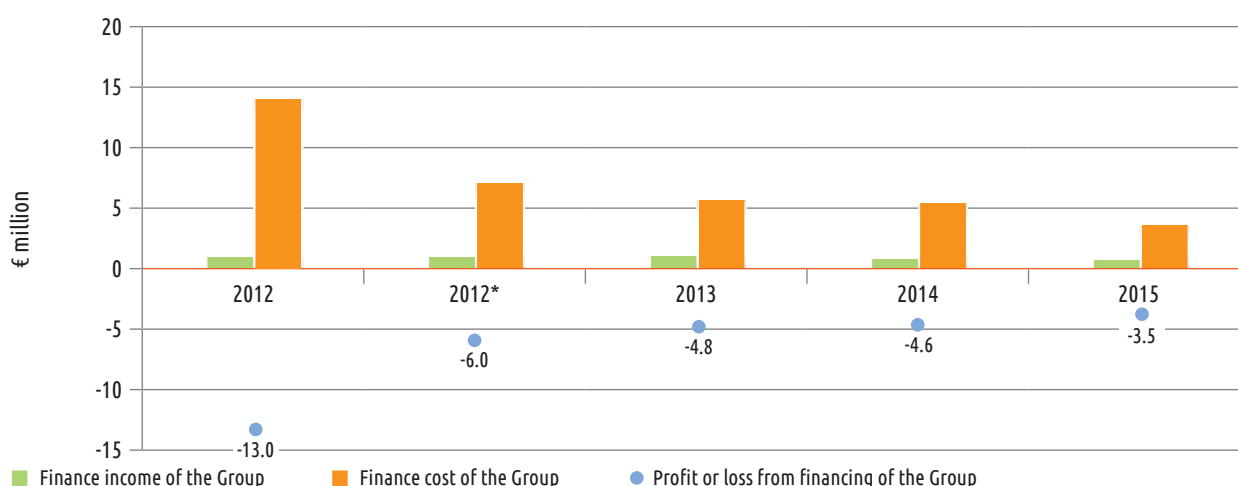
Financial revenues and expenses

Financial management of the Group is concentrated in the Parent Company to the greatest extent possible. Negative Financing Profit or Loss was recorded over the whole four-year term; however, it was improving from year to year (showing lower negative value).

Interest is the highest item in both financial revenues and financial expenses: the interest received from operating receivables and cash, and interest expenses paid for loans taken.

Major changes in the reporting year compared to the year 2014 were lower expenses for foreign exchange losses (by € 0.5 million), lower expenses for write-offs/depreciation and impairment of financial investments (by € 0.4 million) and lower interest expenses for loans (by € 0.5 million).

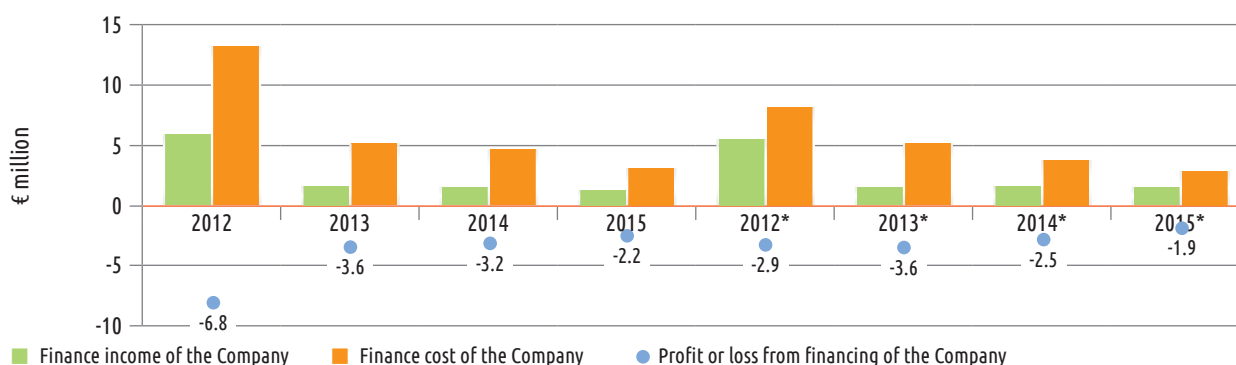
Graph 17: Financing Profit or Loss of the Group 2012-2015



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

Before the year 2013 and in the year 2014, 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.

Graph 18: Financing Profit or Loss of the Company 2012-2015



* 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, it is evident that the profit or loss from financing in the Parent Company was € 0.6 million better than in 2014. Similarly as in the Group, we recorded a notable decrease in interest expenses for loans in the Parent Company as well; however, the improvement in financial result was significantly attributable to lower impairment of financial investments outside the Group that were lower by € 0.4 million. Despite a negative financing result in the reporting year, we recorded a positive net operating result both in the Group and in the Parent Company.

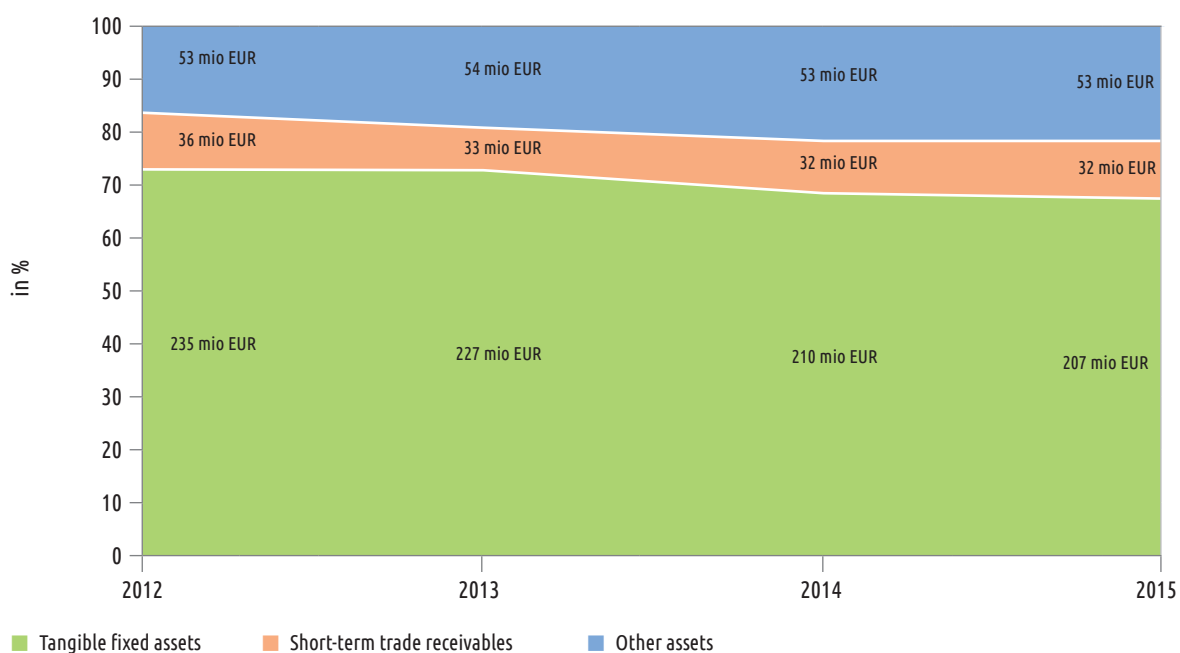
Structure of consolidated Statement of Financial Position

The Balance Sheet Total has been decreased for the sixth successive year. In the years 2013 - 2015, the decrease resulted mainly from depreciation and revaluation of land, unlike in the year 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 2014.

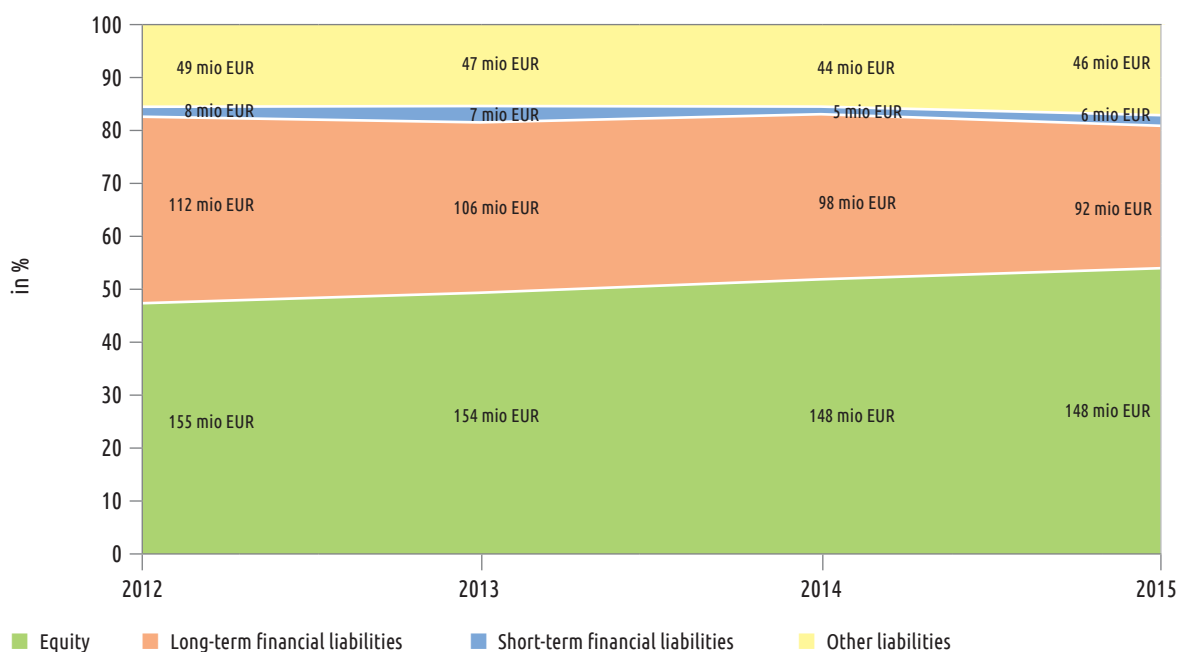
Table 12: Items of Consolidated Statement of Financial Position (Group) 2012 – 2015, in absolute terms

	€ thousand			
	2012	2013	2014	2015
ASSETS	322,969	313,419	295,246	292,420
A. NON-CURRENT ASSETS, of which	267,212	259,370	247,038	242,639
Property, plant and equipment	234,727	226,852	209,989	207,338
Long-term investments	3,295	2,030	1,744	698
B. CURRENT ASSETS, of which	55,757	54,049	48,208	49,781
Short-term operating receivables and other current assets	35,630	32,872	31,831	31,876
Cash	8,390	7,126	6,757	11,107
EQUITY AND LIABILITIES	322,969	313,419	295,246	292,420
A. EQUITY	154,893	153,763	147,638	148,174
B. NON-CURRENT LIABILITIES, of which	132,347	126,117	117,517	112,878
Non-current financial liabilities	111,663	105,611	98,196	92,499
C. CURRENT LIABILITIES, of which	35,729	33,539	30,091	31,368
Current financial liabilities	7,680	6,652	5,359	5,648
Short-term operating liabilities	28,048	26,887	24,732	25,720

Graph 19: Asset Structure of the Group 2012-2015



Graph 20: Structure of Equity and Liabilities of the Group, 2012-2015



Structure of Statement of Financial Position (Parent)

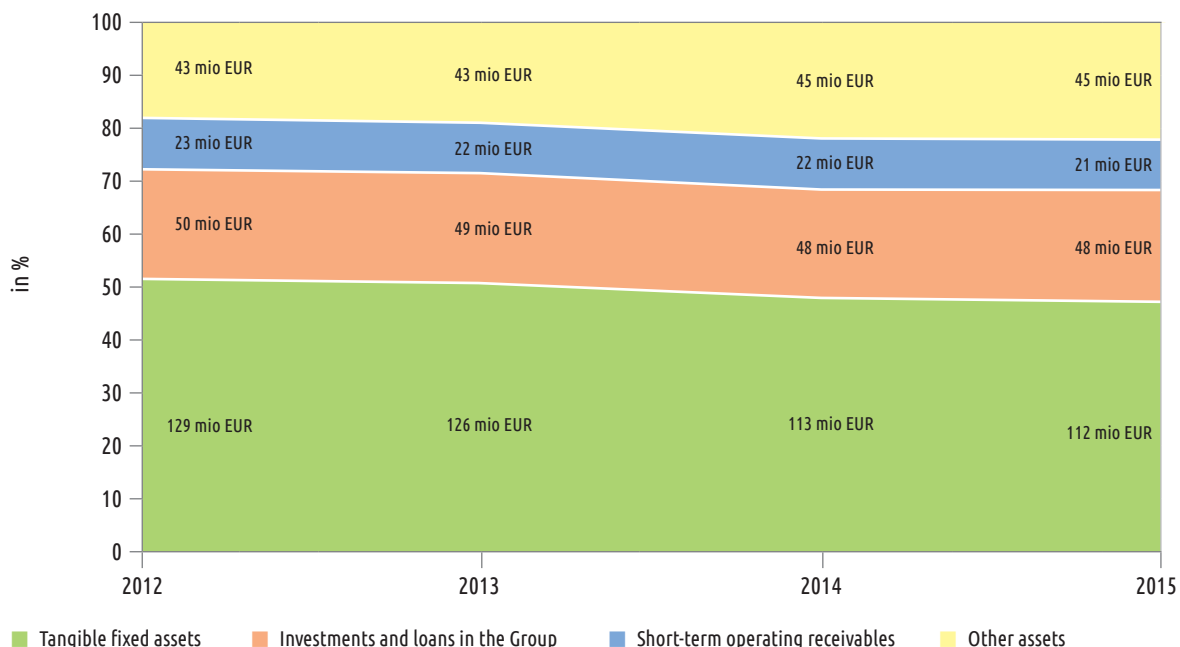
Compared with the year-end 2014, there were no major changes in the structure of the Statement of Financial Position either in the Group or in the Parent Company. The heaviest drop on the Assets side was seen in the item Plant, Property and Equipment due to the fact that investments were lower than depreciation; the second was the decrease in other financial investments. On the Liabilities side, the decrease in long-term financial liabilities resulting from repayment of loans to banks, and the growth in capital were most remarkable.

Table 13: Items of Statement of Financial Position of Parent Company, 2012 – 2015, in absolute terms

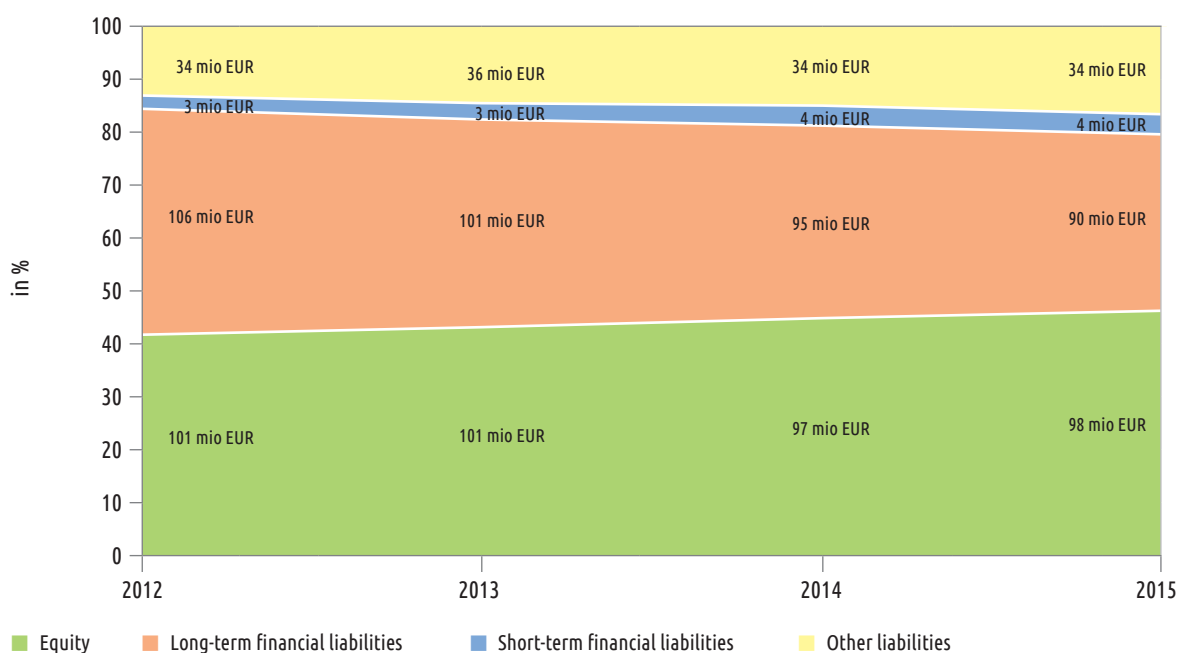
€ thousand

	2012	2013	2014	2015
ASSETS	244,758	240,974	228,976	226,292
A. NON-CURRENT ASSETS, of which	206,020	203,886	194,820	191,139
Tangible fixed assets	128,804	125,862	113,297	112,019
Long-term financial investments, of which	50,656	50,136	48,851	47,289
Investments in subsidiaries	47,481	47,347	46,669	46,453
B. CURRENT ASSETS, of which	38,738	37,088	34,156	35,153
Short-term operating receivables and other current assets	23,209	22,375	22,024	21,446
Current financial investments	11,870	11,101	7,510	5,529
LIABILITIES IN BROADER SENSE	244,758	240,974	228,976	226,292
A. EQUITY, of which	100,887	100,712	96,753	97,976
Share capital	27,489	27,489	27,489	27,489
Equity reserves	18,455	18,455	18,455	18,455
Revaluation surplus	54,068	52,815	48,755	48,659
B. NON-CURRENT LIABILITIES, of which	122,502	117,871	110,486	106,270
Long-term financial liabilities	106,279	101,202	94,944	90,109
C. CURRENT LIABILITIES, of which	21,369	22,391	21,737	22,046
Short-term financial liabilities	3,194	3,397	3,529	3,752
Short-term operating liabilities	18,175	18,994	18,208	18,294

Graph 21: Asset Structure of the Parent Company, 2012-2015



Graph 22: Structure of Equity and Liabilities of the Parent Company, 2012-2015



Highlights of operations, 2012 - 2015

Table 14: Information on Performance, 2012-2015

€ thousand

	Group				Parent Company			
	2012	2013	2014	2015	2012	2013	2014	2015
Sales revenues	188,409	161,061	140,769	134,613	108,222	90,994	90,723	91,492
EBITDA	12,693	13,755	11,786	11,268	5,960	6,760	7,516	7,578
Share in sales (in %)	6.7	8.5	8.4	8.4	5.5	7.4	8.3	8.3
adjusted EBITDA*	19,710	12,856	11,030	11,684	9,733	6,678	7,046	7,771
share in sales (in %)	9.5	6.9	6.8	8.7	8.3	6.5	7.1	8.5
EBIT	-7,226	5,301	5,052	4,733	-8,558	2,602	3,547	3,624
share in sales (in %)	-3.8	3.3	3.6	3.5	-7.9	2.9	3.9	4.0
adjusted EBIT**	10,684	5,612	4,375	5,182	5,146	2,535	3,154	3,831
share in sales (in %)	5.6	3.5	3.1	3.8	4.9	2.8	3.5	4.2
Net profit or loss	-13,430	2,152	329	526	-6,619	1,000	339	1,229
share in sales (in %)	-7.1	1.3	0.2	0.4	-6.1	1.1	0.4	1.3
Assets	322,969	313,419	295,246	292,420	244,758	240,974	228,976	226,292
ROA (in %)	-3.7	0.7	0.1	0.2	-2.4	0.4	0.1	0.5
Equity	154,893	153,763	147,638	148,174	100,887	100,712	96,753	97,976
ROE (in %)	-8.7	1.4	0.2	0.4	-6.9	1.0	0.3	1.3
Investment in fixed assets	2,009	2,180	2,450	3,962	843	824	1,510	2,153
No. of employees at the end of the year	1,702	1,464	1,425	1,417	720	644	618	623

* The Group: excluded are the operating revenues, other operating expenses for the provisions for lawsuit, other operating expenses arising from the disposal of Intereuropa - East Ltd., Moscow, and other expenses for the allowances for receivables. The Company: Excluded are the operating revenues, other operating expenses for the provisions for lawsuit, other operating expenses arising from subsidiaries and from the disposal of Intereuropa - East Ltd., Moscow, and other expenses for the allowances for receivables.

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

Cash Flow Analysis

The Group generated € 13.1 million of cash flow from operating activities, which was by one third higher than in the preceding year (2014). In the scope of investing activities, a positive net cash flow at € 0.3 million was recorded on the level of the Group. After covering the negative cash flow from financing activities of € 9.0 million, the companies in the Group were still left with € 11.1 million in cash at the year-end 2015, or € 4.4 million more than a year earlier.

In the reporting year, the Parent Company generated € 9 million of cash flow from operating activities, which is almost by one third or € 2.3 million more than in 2014. In the scope of investing activities of the Parent Company, a positive net cash flow at € 2.3 million was recorded in 2015, too. On account of repayments of financial liabilities and interest expenses for loans, the cash flow from financing activities continued to be negative in the year 2015, by € 7.7 million, as expected. At the year-end, the Parent Company had € 8.2 million in cash, which was € 3.6 million more cash than at the end of 2014.

Table 15: Cash flow 2012-2015

€ thousand

	Group				Parent Company			
	2012	2013	2014	2015	2012	2013	2014	2015
Cash flow from operating activities	19,282	12,503	9,851	13,055	8,819	7,162	6,709	8,981
Cash flow from investing activities	43,942	-2,294	2,416	295	50,450	1,240	3,979	2,304
Cash flow from financing activities	-72,465	-11,467	-12,650	-8,985	-65,191	-8,445	-9,500	-7,710
Exchange differences in cash assets	-20	-6	14	-15	0	0	0	0
Cash flow in the period	-9,261	-1,264	-369	4,350	-5,922	-43	1,188	3,575

2.5 Shares and Ownership structure

Despite slightly better general economic indicators, the trading in shares on the Ljubljana Stock Exchange achieved a considerably lower volume than a year ago. The market value of Slovenian companies listed in the Stock Exchange and the SBI TOP index were lower. The Intereuropa share IEKG was among the less traded shares. The share price more than halved during the year and closed the year at € 0.53.

Shares of Intereuropa d.d.

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

The share capital of the Company remained unchanged in the reporting year and amounted to € 27,488,803. 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 16: Key Data on Intereuropa Share

	2012	2013	2014	2015
Number of shares	27,488,803	27,488,803	27,488,803	27,488,803
Number of preference shares IEKN	10,657,965	10,657,965	10,657,965	10,657,965
Number of ordinary shares IEKG	16,830,838	16,830,838	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)	3.67	3.67	3.52	3.57
Data on trading				
Closing price in € (31 December)	0.55	0.44	1.18	0.53
Weighted average price	0.64	0.50	1.39	1.17
Highest price in €	1.32	0.85	1.78	1.27
Lowest price in €	0.30	0.32	0.44	0.50
Market capitalisation in € thousand	9,257	7,406	19,911	8,920
Turnover in € thousand	223	938	2,113	538
Indicators				
Earnings per share in €	-0.77	0.05	0.01	0.04
Cash flow per share in €	-0.07	0.19	0.15	0.19
Gross dividend per share in €	0.00	0.00	0.00	0.00
P/BV	0.15	0.12	0.34	0.15
P/CF	-7.44	2.32	7.87	2.79
P/E	-0.71	8.80	118.00	13.25
Capital gain	27.9%	-20.0%	168.9%	-55.2%
Dividend yield	0.0%	0.0%	0.0%	0.0%
Total return	27.9%	-20.0%	168.9%	-55.2%

Explanatory Notes:

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

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

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

Cash flow per share = (Net profit – dividends + depreciation) / (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.

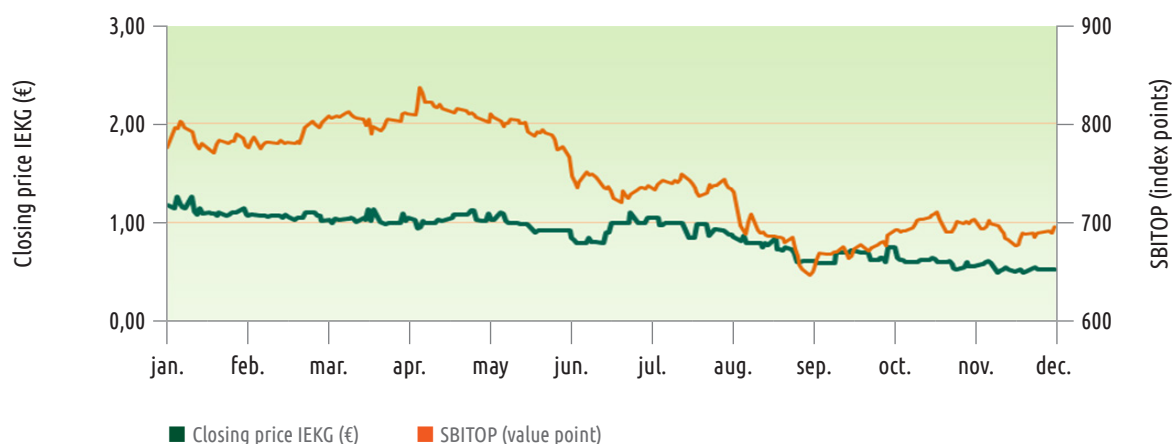
Dividend yield = gross dividend/ closing price as at the year-end.

Trading in IEKG shares

In the reporting year, the IEKG share recorded a much lower turnover - only a quarter of the figure achieved in 2014. That was attributable to decreased price, in particular in the second half-year, but also to the overall atmosphere on the share market. The market price of the IEKG share fluctuated between € 0.50 and € 1.27 per share. In the first half-year, the price remained at about € 1.00; then it turned downward and closed the year at € 0.53 on the last trading day. In one year, it lost 55.2 percent of its value, while the Slovenian Stock Exchange Index (SBITOP Index) recorded an 11.2 percent fall. The market capitalization closed the year at € 8.9 million, which stands for 0.2 percentage points of the market capitalization of all shares on the Ljubljana Stock Exchange.

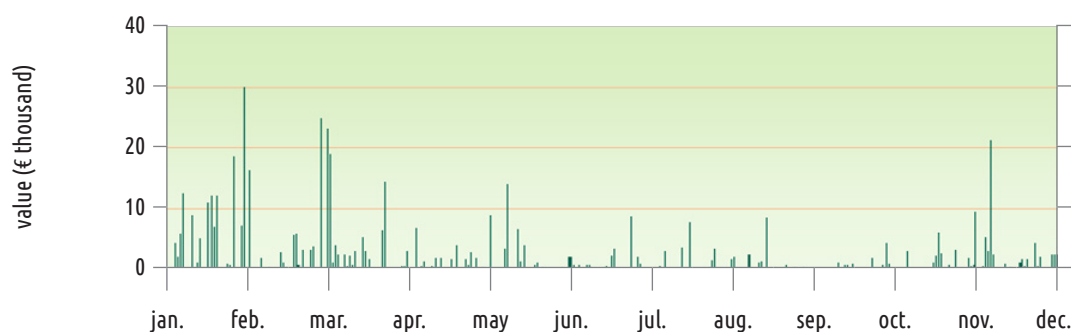


Graph 23: Movement of average price of Intereuropa Share and of the SBITOP index in 2015



The number of shares changing owners in the year 2015 was 591,451 IEKG shares in 810 transactions. The average daily turnover was € 2.1 thousand and total turnover with IEKG share amounted to € 538 thousand.

Graph 24: Intereuropa Share Turnover in 2015



Ownership structure of the Company

There were no major changes in ownership structure after the financial restructuring in 2012. The reporting year ended with 5,053 shareholders in the Shareholders' Register of Intereuropa d.d., or 3 percent less than a year ago. Despite downward trend of several years, shareholders - natural persons have still prevailed in number, but were holding only 12 percent of the share capital at the year-end 2015. The shareholdings held by foreign investors came to 0.6 percent at the end of the year.

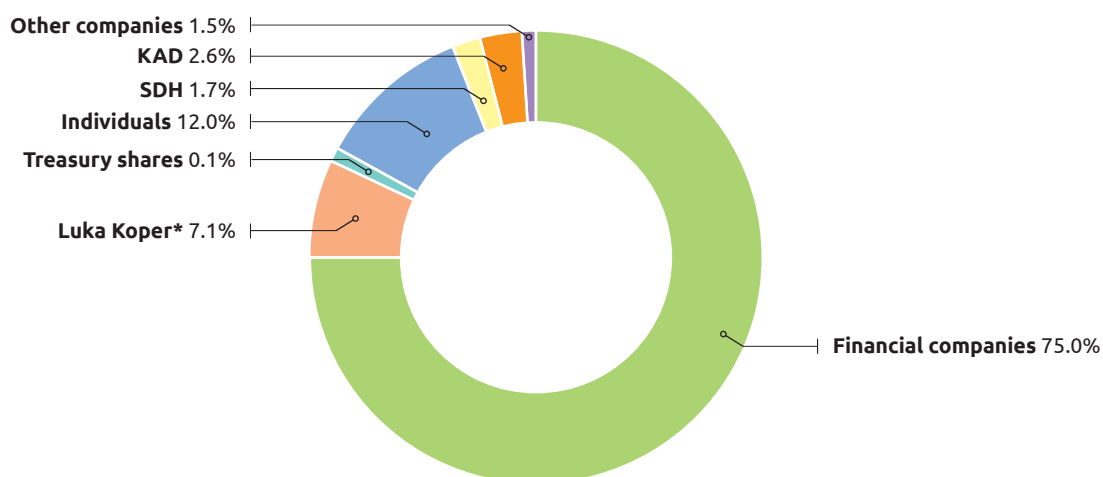
No changes occurred in top ten shareholders of Intereuropa d.d., among them seven banks (like in the preceding year), and Luka Koper d.d. and Kapitalska družba pokojninskega in invalidskega zavarovanja d.d. in addition to bankers. At the end of 2015, all the top ten shareholders held 81.9 percent in the capital of Intereuropa.

Table 17: Top ten shareholders as at 31 December 2015

No.	Shareholder	No. of Shares 31 Dec 2015	Share in % 31 Dec 2015
1.	SID banka d.d.	4,942,072	18.0%
2.	NLB d.d.	4,770,601	17.4%
3.	Gorenjska banka d.d., Kranj	3,068,990	11.2%
4.	Raiffeisen banka d.d.	2,850,752	10.4%
5.	SKB d.d.	2,254,980	8.2%
6.	Luka Koper, d.d.	1,344,783	4.9%
7.	Nova KBM d.d.	1,185,292	4.3%
8.	Banka Koper d.d.	753,703	2.7%
9.	Kapitalska družba, d.d.	719,797	2.6%
10.	Luka Koper INPO, d.o.o.	615,730	2.2%

In the Annual General Meeting, three shareholders exercised the voting rights arising from preference shares for the first time. Of the entire number of shares 27,488,803, the voting right was vested in 27,470,668 shares or 99.93 percent of all shares in the General Meeting. Only treasury shares had no voting rights.

Graph 25: Ownership structure of Intereuropa as at 31 December 2015



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

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. The Managing Board President Ernest Gortan, M.Sc., and Deputy President Tatjana Vošinek Pucer did not hold any shares of Intereuropa d.d., Koper as at 31 December 2015.

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

Table 18: Number of IEKG shares held by Supervisory Board members as at 31 December 2015

Supervisory Board members	No. of shares	Share in %
Nevija Pečar	4,185	0.053
M.Sc. Maša Čertalič	99	0.001

Authorized capital

As of 31 December 2015, the Company has no authorized capital.

Dividend policy

No dividend was distributed in the reporting year.

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. We are also committed to appropriate communication with analysts and prospective investors, and to providing correct and prompt information to creditor banks.

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

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

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

Financial Calendar of Publications for 2016

Date of publication	Publication of event
	3. 2. 2016 – 2. 3. 2016 No-communication period
3. 3. 2016 Thursday	Publication of the unaudited business report of Intereuropa d.d. and the Intereuropa Group for 2015
26. 4. 2016 Tuesday	Publication of the audited Annual Report for 2015
	1. 5. 2016 – 17. 5. 2016 No-communication period
18. 5. 2016 Wednesday	Publication of the unaudited business report of Intereuropa d.d. and the Intereuropa Group for the first quarter of 2016
24. 6. 2016 Friday	Publication of resolutions of the 29th Annual General Meeting
	11. 8. 2016 – 24. 8. 2016 No-communication period
25. 8. 2016 Thursday	Publication of the unaudited business report of Intereuropa d.d. and the Intereuropa Group for the first half of 2016
	2. 11. 2016 – 16. 11. 2016 No-communication period
17. 11. 2016 Thursday	Publication of the unaudited business report of Intereuropa d.d. and the Intereuropa Group for the first three quarters of 2016
14. 12. 2016 Wednesday	Presentation of plans of Intereuropa d.d. and the Intereuropa Group for 2017

These are the scheduled dates for publications. Any change thereto will be published on the website 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 (seonet.ljse.si) and of the Company at www.intereuropa.si.

2.6 Risk Management

Effective risk management and quick response to changes reduces our exposure to individual risks and significantly contributes to achievement of business goals. In the reporting year, we currently monitored all relevant risks and in the event of discrepancy found, we determined additional measures to address such risks. As the key risks, we identified: sales risk, credit and liquidity risk, the risk of financial stability assurance, personnel risks, and risks involved in the implementation of information communication projects.

Our highest exposure was to the sales risk of downward pricing pressures, and to credit risk. Due to our financial commitments under the financial restructuring programme, we are further exposed to the risks associated with maintaining financial stability. Thanks to more favourable economic situation and to the measures we implemented, we estimate that our exposure to risks is decreasing; however, new risks cannot be avoided due to dynamics of operations and our focus on acquiring new business.

Our activities address marketing and sales, increasing the productivity and added value, careful supplier management, cost streamlining, modernisation of business processes and assurance of financial stability. Having successfully coped with all the major risks in the reporting year, we contributed to the implementation of the goals set.



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 fundamental document for the risk management system in Intereuropa is the Risk Management Rules that contains all the basic guidelines for risk management.

In 2016, we plan to update the Risk Management Rules, to introduce improvements in the risk management process in the Parent Company, to transpose and implement the changes to the risk management process to other Group members.

The goals we pursue in the development of our risk management process are:

- effective management or risks factors that might present a threat to the accomplishment of our strategic goals and annual operating targets;
- careful monitoring of risk factors in which the level of potential damage and the probability of damage occurrence are the highest;
- integration of risk management process to all the companies of the Group;
- developing the risk management process and adapt it to match the needs and business model of the Group;
- expanding the awareness and culture of risk management among the staff in the Group.

The methodology of risk management is adequate and in conformity with the structure, complexity and riskiness of the Company's business. The Managing Board appoints the Risk Management Board. Members of the Risk Management Board are the executives of key business areas and supporting segments, whose activity is most associated with the risks of the particular business or supporting area/segment for which a particular executive is accountable and has the most qualified staff to address such risks. The competences and responsibilities in the scope of risk management are assigned to each individual Board member. They monitor the risks in their area of operation or business. All the risks identified are kept in the Register of Risks.

The assessment procedure of identified risks is made once a year. Exposure to risk is measured by two approaches: by qualitative assessment using qualifying attributes to describe the gravity of potential consequences (e.g. low, medium, high), or by quantitative assessment using an assessment scale with numerical values for the consequences of, and probability for risk occurrence or materialising (e.g. €, %).

Measurement of the level of exposure to risk and the opinion of the specialist in the respective area are the basis for determining the level of exposure to risk and the way of how to address the risk.

The measures applied to change the exposure to risk are directed to one of the following activities:

- risk avoidance - the management decides not to start, or to discontinue an activity that increases such risk;
- risk acceptance;
- elimination of, or reducing the cause of the risk;
- risk sharing or transfer.

The implementation of risk management process is supervised by the Company management, by members or risk management board and by internal audit.

The risks identified are classified in three groups:

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

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 the reporting year, 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 to that end.

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 of 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 been even more acute for some years already, and our full attention is dedicated to it. We address that risk by current analyses of credit rating information on 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 medium 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 hryvnia. The cash flows of those cases are quite effectively hedged by matching 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.

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 falling EURIBOR value in the year 2015, we estimate that our exposure to interest rate risk as low, however, with a great potential impact of that risk on our operations.



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

Liquidity Risk

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

We manage that risk by planning and active management of cash flows in the Group. The liquidity risk was reduced after successful completion of financial restructuring of the Parent Company at the year-end 2012, by which the sound basis for financial stability of all Group members was assured. Although we did not fulfil one of the commitments agreed in the Contract on Financial Restructuring of 2012, creditor banks approved the preliminary waiver of breach thereof in the reporting year. The probability of liquidity problems is assessed as low; it would, however, have a high potential impact on our operations.

2.6.3 Operational Risks

Our highest attention is dedicated to manage the risks in the sales area. Moderate recovery in global economy has slightly increased the goods flows and thereby the demand for logistic services, which is mainly seen in higher physical volume of goods; however, there is a huge pressure on the price of logistic services and the competition intensifies in all our markets.

We adapt our services to the needs of our customers, negotiate our operating terms to satisfy them, and establish dialog and closer relationship with them. Numerous sales activities are focused on acquiring new customers and thereby increasing the productivity in our employees and utilisation rates of our logistics facilities. In response to increasing price sensitivity in our customers, our internal process streamlining and cost management are very important, in particular in the area of warehousing where the fixed costs are the highest. Underlying for these efforts is the information support to processes, in the upgrading of which we dedicate much energy and investment.

On the Group level, we are consistently implementing the sales strategy in which we highlight close cooperation, approaching to and keeping up with development of our current customers, and winning new customers. Our subsidiaries operate in international environment and are exposed to external risks resulting from social, economic and political changes in respective countries. Lately, we perceived such risks as an outcome of unstable social and political situation in Ukraine and Russia, of long-lasting recession in Croatia and EU-accession, and of immigration flows overflowing the Balkans.

Land Transport

Risk of failure to achieve business results due to economic conditions and political instability

The risks we face in our Land Transport Area are inherent in the economic situation in the countries in which we operate, 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 economic growth in Slovenia and on the growth of imports and exports. Furthermore, it should be noted that Slovenia is largely dependent on the Euro Zone, which is recovering slowly and the growth prospects for the coming years are estimated to be gradual and to vary according to Member States. The problems pressing on other countries in the region (those of former Yugoslavia) lead to low investing, and additionally aggravated by weak consumption characteristic for that part of Europe. Unstable political and economic situation in Ukraine have considerably affected the operation of our Ukrainian subsidiary. In case of aggravation of geopolitical tensions in Europe and in the world, the risk of underachievement of results may increase.

Providers of transport services are facing strong competition in the logistics market. Customers are pressing hard to reduce their costs for logistics. The risk involved herein is identified as incapacity to maintain the volume of revenues and levels of margin.

Like before, the key measures available for managing this risk rely on 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 in our customers and match the range of our services to be offered to them. Particular attention is dedicated to monitor the markets in which we operate and keeping 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.

Risk of changed fuel prices

Oil prices were falling during the year 2015, which was attributable to the two factors below: low demand due to lack of sound economic growth in developed countries and in the developing markets, combined with big supply that remains surprisingly high, on the other hand. Oil prices are expected to grow after the world economic growth has improved. The oil supply is also dependent on political situation in the world (e.g. fall on the supply side due to unstable political situation or wars in any of the oil-exporting countries). However, no future development in this area can be predicted. The biggest oil-importing countries welcome cheaper oil; among them are the Euro Zone member states. Lower prices for petroleum products are favourable for consumers and businesses as they reduce operating costs and expenses for the purchase of fuel and leave more funds for spending and investing. In Slovenia, it is the government that regulates fuel prices by excise duty, which means that not all global trends in crude oil prices are reflected on the price of fuels. Analysts cannot agree in their forecasts on the movement of energy prices on account of many factors that may influence the price trends.

Any increase in fuel prices poses a high risk because the fuel costs stand for nearly one third of transport cost. Furthermore, fluctuating fuel prices involve a high risk in preparing long-term quotations and require much prudence in designing the sales and purchasing policies. Price changes in the market of energy products are beyond our control. Therefore, we can only address this risk by choosing the most favourable supplier, or by adjusting our selling prices accordingly. The control of this risk is assumed by the management of the business area, assisted by managers of individual organizational units.

Risk arising from unforeseen change in the network of partners

In logistics, acquisitions and disposals of logistics providers are very common. It can happen that our partner - logistics supplier sets up a company in our market, or takes over one of our competitors, or our competitor acquires one of our logistics providers. 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 or even bigger risks (depending on compatibility of new shareholders with the existing partner network). The impacts of this relatively high risk depend on the country, or number of countries in which a change of a partner in logistics takes place. We manage the risk of unforeseeable changes in the network of partners by linking with a larger number of logistics 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

Operational risks in Intercontinental Transport are directly related to development and trends in international markets. Most of our customers and partners in business come from or have business partners outside Europe. Unstable situation and uncertainty in key international markets would have a bearing on the demand and supply for overseas shipments by sea or by air. Uncertainty in sea-freight operations is indicated by extremely low Baltic Dry Index values (BDI), which hit the historical through at the end of the year 2015.

Risks were perceived in certain customers who have changed the performance of supply chain management, and in extreme fluctuations of sea-freight rates. Uncertain financial situation and changes in the structure of shipowners' alliances will also lead to unforeseeable fluctuation of sea-freight rates for the year 2016. We assess the probability of risk materialising in the products of Intercontinental Transport Area as moderate.

Risks in operations with customers

The risk in operations with customers remains our key risk for the Intercontinental Transport Area. Similarly as in the reporting year, we estimate aggravated business environment in our key markets to continue in the year 2016, given that, ill payment practices in some our customers have not improved. We estimate that our customers will continue expecting extended payment terms such as we can achieve with ship operators and air carriers. We will have to maintain active current informing on the status of shipment or cargo for our customers and adapt the information solutions to the operational needs. In overseas shipments, the impact of potential congestion of land traffic routes may bring about re-routing the cargo and customers to other competitive Adriatic ports to North European ports. We assess this risk in operations with customers as moderate and impact thereof on operations as medium.

The management of this risk is monitored throughout the year and adapted to the current situation on the local and international markets. It is led and coordinated by the company management team and in addition, the management of individual customers is assigned to managers of individual organizational units and to the sales staff. Screening and reporting is made at monthly scheduled dedicated meetings of the Company management and on the levels of commercial/operational coordinating organisational units.

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

In the reporting year, the risks associated with operations with suppliers and the network of partners and agents were moderate. There were no major difficulties in operations with partner networks. The interaction has further developed and improved, and the subsidiaries got even deeper involved in cooperation. More uncertainty was perceived over the whole year due to fluctuation of sea- and airfreight rates. Ship operators and air carriers change the terms and freight rates on a weekly basis. Prices are not falling due to lower fuel prices, but are rather a reflection of low demand for shipping in international markets.

Considering the persisting extremely low Baltic Dry Index values, we expect more ship space to be available in the year 2016 and that may result in new alliances among shipowners and eventual takeovers in the branch of industry. Accordingly, we expect further uncertainty on the purchase side, and extreme volatility in purchase terms. The risk is assessed as moderate, with a medium impact on the operation of the Company.

We manage this risk by a flexible approach to purchasing terms of ship operators and air carriers. negotiating in direct communication with individual carriers and through the network of partners and agents in order to acquire more favourable purchase terms on a longer-term basis. We have established the levers for monitoring, communication and assessment on the level of individual products. Particular attention is dedicated to air-freight transport and to sea-borne container transport. Risk management on the Group level is assigned to Product Manager. In the Parent Company, the risk is managed on the level of organizational units. Reporting and resolving on the action to be taken is held once per month.

Risk associated with competition on the logistics market

We are facing intensified presence and activities of logistics providers competing in the products of Intercontinental Transport in the key markets of our Group. New international logistics providers expand to our traditional markets in the Balkans, and some of them are forming new alliances. The impact thereof has resulted in tough competition for purchase terms and in cutting the margin for the logistic services supplied. Customers change logistics operators more frequently, based on more favourable purchase terms.

Also, the specialization of companies for individual vertical industries and for customers from niche industry branches has been increasing. Competitors tailor their own processes, the informatisation of business processes, their investments in infrastructure and equipment, and the price of their services to customers and support their relationship with customers by agreements on cooperation for several years, or even by capital relationships. As a regional logistics provider, we face difficulties in retaining our market shares in individual products, in particular in big and international customers.

We assess this risk as moderate in the year 2016 too. The impact on our operations is also assessed as medium. We will continue to reduce our exposure to this risk by current monitoring of development and operations of our competitors. Activities are implemented to address individual products of our Intercontinental Transport, so as to respond to competitors who adapt to vertical industries and horizontal effects of products. Individual activities are coordinated on the level of organizational units, while the activities on the level of the Group fall under the competence of the management of individual company or product manager. Screening and dealing with the situations perceived are discussed once per month at regular coordination meetings dedicated to operating results.

Logistics Solutions

Sales Risks

In the provision of services, we respond to the expectations of customers who increasingly demand complex, integral and IT-supported logistics solutions. On the one hand, the risks are associated with the expectations and satisfaction of customers with our services, and with our cost efficiency or competitiveness - professional service, respectively, on the other hand. Warehouse facilities are often linked with the local industry, which in turn increases dependency on individual providers. Concurrently, there are pressures from customers to reduce the prices for our services, or they reduce their volume of business due to unfavourable economic situation and as a result of surplus storage capacities on the market. We reduce the risk of losing a customer through mechanisms for continual internal quality control in rendering our services and by checking the customer satisfaction; in addition, we address the declining volume of operations and the falling prices for services by dedicated marketing of logistics solutions, search for internal reserves and by measures aimed at synergies.

These risks are managed by the respective business area /segment and organizational unit that decide on appropriate measures to be taken. The effectiveness of measures addressing the sales risks is subject to scrutiny, by careful screening of sales and financial results, of customer satisfaction and by taking measures to promote the sales. The impact of sales risks on operations is assessed as high and risk materialising as medium.

Risk of availability of warehousing capacity

The risk is associated with the possibility that a new enquiry for using an already occupied warehouse capacity is received from our customer, or from a potential new customer. We manage this risk by arrangements with customers and internally directing the demand to appropriate locations, including the cost-based convenience 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 monitors the customer's needs on the market, supported by the managers of our subsidiaries, branches and organizational units. The risks of availability of warehousing capacity has a medium impact on operations and a low probability.



Risks of providing for requirements of product groups (dangerous goods, foodstuffs and animal feed)

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

We manage the risk by strict compliance with 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 work in the warehouse, and release of goods. 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 requirements of product groups have a medium impact on operations and a medium probability.

2.6.4 Inherent Risks

The inherent risks are associated with the implementation and supervision of business processes.

The essential inherent risks include:

- risks to ensure financial stability;
- risks associated with information-communication technologies (ICT risks);
- risks associated with personnel (HR);
- risks associated with customs offences, fraud and crime;
- risks of revenue decline due to the sale process of the Parent Company.

Risks associated with ensuring the financial stability

Due to our financial commitments under the financial restructuring programme, we are exposed to the risks associated with ensuring financial stability of the Company. The risk is reduced by regular repayment of our debt and by active management of working capital, along with activities leading to additional de-leverage by disposal of the assets that are not sufficiently utilised in economic terms. In the financial year 2015, we were acting towards fulfilment of financial goals and commitments agreed with the banks in the Contract on Financial Restructuring entered into in 2012. Although the Parent Company fulfilled all the commitments thereunder, the Group failed to accomplish one of them, namely the financial leverage ratio. The reason for that non-achievement is attributed from the formation of unplanned provisions for lawsuits arising from disputes from previous years. Creditor banks approved the preliminary waiver of breach of financial commitments. The risk is assessed as high, however, at a low probability.

Risks associated with information-communication technologies (ICT risks)

The ICT risks were identified as our key risks due to close dependence of operations on the availability of information solutions and on the competitive edge assured by this technical segment, as well as due to expansion of the application or transfer of the new IT solutions supporting the logistics processes. Following the acquisition of new ICT equipment and maintaining strict control over effective implementation of ICT projects, we have succeeded in reducing the risks involved in information-communication technologies and keeping them on an acceptable level. Some of the risks identified have a relatively high impact on the operation of the Company, however, the elimination of those risks demands high investment costs. In the interim period until such investments are realized, we will implement the measures based on arrangements binding on the suppliers for timely supply of the necessary ICT services, and carefully monitor the functioning of ICT system; all preventive actions will be taken to reduce the materialisation of the identified risks. The risk was assessed as moderate and the probability medium.

Personnel Risks

These risks are associated with hiring and retention of appropriate qualified staff, personal development of staff, their remuneration and motivation. Our particular attention is focused on the commitment and efficient development of key competences in our staff, on which the competitiveness of our services relies to a great extent.

Personnel management runs through established systems, such as the HR planning system and the fulfilment thereof or resolving any redundancies, 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 employees, the system of internal communications, the promotion of occupational health in the workplace, management of the organizational atmosphere and corporate culture, and the system of workers' participation in management. The development stage of these systems in the Group varies from subsidiary to subsidiary, therefore constant harmonization with our business goals, on-going development or maintenance are needed. The materialising of any personnel risk is assessed as medium, with a moderate impact on the Company's performance.

Risks associated with customs offences, fraud and crime

Intereuropa is exposed to such risks due to potential fraud and crime on the part of our customers or arising due to inexplicit legislation and differing interpretation of customs regulations. The measures taken to address this risk include: education and training for employees, observance of ethical values as defined in our Code of Ethics, checking the early warning mechanisms to detect the indicators implying fraud and other crime in all parties participating in the logistics processes, careful selection of customers and sub-contractors, cooperation with customs and other authorities involved, etc. Exposure to these risks in the reporting year was on acceptable levels.

Risks of revenue decline due to the sale process of the Parent Company

Intereuropa cooperates with a partner network in operations on foreign markets, which are not covered by Intereuropa subsidiaries. Our network includes foreign forwarders who act as our partners in these markets, both in the role of suppliers of services and as our customers – the takers of our services. Activities involving a change to the shareholders structure of Intereuropa d.d. may lead to cancellation of cooperation on the part of our current partners in business. We address these risks by linking with a larger number of partners in a particular territory, and by constantly and actively monitoring the situation in our partner network.



Table 19: 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						
Land transport area						
The risk of failure to achieve business results due to economic conditions and political instability			X			X
Changed fuel prices			X		X	
Change in the network of partners		X			X	
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	
Logistic solutions area						
Sales risks		X				X
Risk of availability of warehousing capacity	X				X	
Risk of providing for requirements of product groups		X			X	
3. Inherent risks						
Risk to ensure the financial stability	X					X
ICT risks		X			X	
Personnel risks		X			X	
Risk of customs offenses, fraud and crime	X				X	
Risk of revenue decline due to the sale process of the company		X			X	

2.7 Development and Investments

2.7.1 Development of Informatisation of Operations

In the scope of operations informatisation, we implemented two complex projects that were time consuming and demanding in terms of resources engaged.

The first one was the introduction of the new IT solution (WexVS) to support logistics to our subsidiary in Croatia. The launch of all logistics modules was planned: the WexVS application supporting air-freight logistics, shipments in customs bond and road transport was successfully implemented, and the WMS module supporting the logistics processes in warehouses in part only, just for a few customers. In the scope of preparations for the launch of the WexVS module to support our products Groupage and Domestic Transport, we upgraded the Internet-based service for tracking the status and consignments in Croatia.

Concurrently with the project to launch the WexVS IT solution in the Croatian subsidiary, preparatory activities to expand the information solution to other subsidiaries in Serbia, Bosnia and Herzegovina, Montenegro, Kosovo, and Interagent d.o.o., Koper were conducted.

Further development of the WexVS IT solution to support sea-freight operations was going on in the Parent Company.

In the scope of IT support to our Car Logistics Area, a new information solution for the Daimler-Mercedes project was established and all the necessary interfaces for electronic message interchange with the customer were put in place, thanks to the Intereuropa e-commerce platform that enables flexible integration of new customers and connecting with partners. The platform was designed for electronic capture of orders, exchange of status reports on consignments and catalogues of products. Thus, it enables effective paperless implementation of services, as well as acceleration and optimization of logistics processes.

In the scope of renewal of support to the Domestic transport product, we developed a new solution based on the Android operating system for cellular phones for implementing work processes in assignments carried out outside.

The other complex project was the introduction of the standardised SAP solution for informatisation of finance and accounting in our subsidiaries in Serbia, Bosnia and Herzegovina, and Montenegro; it was in progress for almost the whole year 2015 and concluded at the beginning of 2016. That project added to the completion of a uniform information platform, unification and simplification of processes in the field of finance and accounting.

The project of digitalisation of incoming documentation was completed in the subsidiary Interagent d.o.o., Koper; under the same project of incoming documentation digitalisation in the course of implementing operational services in the Parent Company, we continued expanding the circle of our partners in business who cooperate with us through e-invoices, and further supported the mandatory fiscalisation of invoices issued from our operational systems.

As regards infrastructure, we carried out the procedures for purchasing the equipment to renew the communications infrastructure in Slovenia and in Croatia; in other daughter companies in Serbia, Montenegro and Bosnia and Herzegovina, their ICT-network was to a certain part integrated with the network of the parent company in Slovenia.

Plans for 2016

In the scope of computerisation of operations, we plan to develop the following segments in the year 2016:

- proceed with integration of the new IT system for Logistics Solutions and migration of customers to the new IT solution in organizational units in Slovenia and Croatia;
- launch of the new informatisation system to the sea-freight segment of the Parent Company;
- launch of the IT solution supporting the operational business in Interagent d.o.o., Koper;
- launch of the WexVS solution supporting the Groupage Services and Domestic Distribution in Intereuropa, logističke usluge, d.o.o., Zagreb (Logistic Service ltd.);
- preparatory activities to introduce the WexVS solution in subsidiaries in Serbia, Bosnia and Herzegovina, Montenegro, Macedonia and Kosovo;
- optimisation of the standardised SAP solution for informatisation of finance and accounting in the Parent Company and in subsidiaries in Croatia, Serbia, Bosnia and Herzegovina, and Montenegro;
- launch for operational work, and further development of the IT solution on the Android platform to support the drivers in delivery and pick-up operations;
- introduce digitalisation of all operational documentation in Slovenia and Croatia.



For infrastructure, the focus will be placed on integration of ICT-network of Slovenia and other subsidiaries in our Group, modernisation of communication infrastructure, upgrading of server system infrastructure, and modernisation of computer equipment for employees.

2.7.2 Participation in European Projects

On 31 December 2015, Intereuropa completed the project b2mos (Business to Motorways of the Sea), which was co-financed by the European Innovation and Network Executive Agency (INEA) in the framework of development of Pan-European transport network. Intereuropa focused on the operations of forwarding agents combining the goods transports by sea and by land via the port of Koper, as well as on specific tasks of a shipping agency in making announcements for ships and cargo via the envisioned uniform information platform. The cooperation in the project enabled the development of prototypes, by which we upgrade the IT solutions for electronic interchange of invoices, simplify the organization of maritime consolidation shipments and the implementation of procedures in railway transport. Our Shipping Agency is getting ready for operations via the envisioned uniform information platform.

In view of strengthening the competitiveness of the logistics branch in our region, we formally completed in August 2015 the project Competence Centre for HR Development in Logistics (COC Logistics). We fulfilled all the contractual commitment under the project as regards the number of persons included, partners, number of participations, internal training forms among partners, and achieved the main goals: creating the branch-specific competence model; identification of key competences for the competitiveness of the branch; development of key competences in employees; associating among logistics providers in the field of HR development; improvement of efficiency and identity /recognisability in the media.

The project involved 16 partners and was funded by the European Social Fund and the Slovenian Ministry of Labour, Family, Social Affairs and Equal Opportunities.

2.7.3 Investments in Fixed Assets

The Intereuropa Group

On the Group level, we realized investments in fixed assets in the amount of nearly € 4 million, thereof € 1.3 million in real estate and € 2.6 million in equipment and intangible assets. The annual plan of investments was exhausted to the level of 79.3 percent.

Most funds were spent on the purchase of new trucks and cars (€ 904,640), on refurbishment of warehouse in Logatec (€ 779,416), on development and modernisation of information technology (€ 772,919), on warehouse equipment (€ 478,337), on reconstruction of warehouse in Belgrade (€ 169,209), on renovation of heating and air-conditioning in Koper (€ 128,668), and on replacement of roofing tiles in the warehouse in Maribor (€ 113,328).

Table 20: Overview of Investment Plan implementation in 2015*

€ thousand

	Real property		Plant & Equipment		Total investments		
	Plan	Realization	Plan	Realization	Plan	Realization	Realization in %
Intereuropa d.d.	1,145	876	1,054	1,277	2,199	2,153	97.9
Subsidiaries	980	441	1,815	1,368	2,795	1,809	64.7
Total Group	2,125	1,317	2,869	2,645	4,994	3,962	79.3

* Breakdown of items Property, Plant and Equipment, and Intangible assets: of total investments € 3.96 million in the Group, € 3.6 million was invested in Property, Plant and Equipment, and € 407,000 in Intangible assets.

Investments in the Parent Company Intereuropa d.d.

Major investments in the Parent Company Intereuropa d.d. were as follows:

- refurbishment of warehouse with controlled temperature regime in Logatec for the needs of a major customer;
- replacing the forklift trucks in Ljubljana, Celje, Maribor and Koper;
- development of integrated information solution to support logistics processes;
- partial renovation of the fleet of company vehicles, purchase of semitrailers for road transport;
- purchase of computer equipment (PC, lap tops, printers, bar-code readers, server equipment);
- renovation of energy system the office building in Koper (heat pump, renovated heating and air-conditioning system);
- replacement of roofing of warehouse in Maribor;
- purchase of warehouse racks and renovation of lighting equipment in Vrtojba, Celje and Maribor;
- renewal and re-coating of rail tracks, erection of fire wall in the warehouse A in Celje for dangerous goods storage;
- installation of new warehouse gates in Celje, Dravograd and Maribor, replacement of two loading platforms in Ljubljana;
- installation of video-control systems in storage facilities in Ljubljana, Celje and Jesenice.

Investment in subsidiaries

Major investments implemented in the subsidiaries of the Intereuropa Group:

- renewal of fleet of freight vehicles in Zagreb with five new heavy trucks purchased;
- purchase of various computer equipment in all Group members; purchase of SAP software and licences in Sarajevo, Belgrade and Podgorica;
- renewal of fleet of delivery vans and company cars in Sarajevo, Zagreb, Prishtina and Podgorica;
- purchase of warehouse equipment in Zagreb, Sarajevo, Skopje, Prishtina and Podgorica;
- completion of a warehouse with capacity of 1,000 m² in Sarajevo;
- floor re-coating in warehouses in Podgorica;
- purchase of anti-burglar appliances and video-control systems in Zagreb, Sarajevo and Podgorica.

Plans for 2016

Investments on the level of the Group are planned at € 4.5 million. The highest amounts will be invested in real estate: construction of new cold store in Maribor, renovation and refurbishment of warehouses in Belgrade and in Celje. In addition to that, we intend to renew our fleet by replacing delivery vans and cars, as well as heavy freight vehicles in Zagreb. Further investments will be dedicated to warehouse equipment (purchase of forklift trucks and anti-burglar video-control systems) and in information technology. The Parent Company Intereuropa d.d. has earmarked € 2.3 million for investments.

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



SUSTAINABLE DEVELOPMENT



3 SUSTAINABLE DEVELOPMENT

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

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

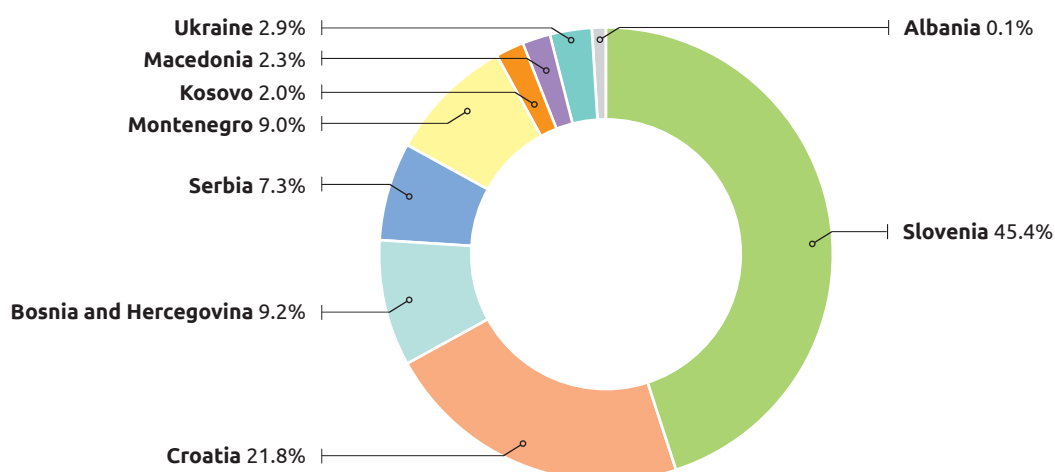
- ethical conduct in respect of employees, natural environment, local community and society at large;
- care and attention to the needs of the environment;
- strict compliance with the law, and
- concern for consumers and meeting their requirements for better quality of service, also complying with the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

3.1 Employees

3.1.1 Number of employees

The Intereuropa Group closed the year 2015 with 1,417 employees. Thereof, 45 percent were employed in the Slovenian part of the Group and 55 percent in the subsidiaries abroad. The total number of employees fell by 1 percent or 8 employees less, compared with the year-end 2014.

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



3.1.2 Changes in employee numbers

On the Group level, 88 new employees were recruited and 96 employees terminated their employment in our Group. The number of employees rose by 6 in the Slovenian part of the Group, and fell by 14 in the subsidiaries, as follows: it rose in our subsidiaries in Croatia (by 4) and Kosovo (by 2), and fell in our subsidiaries in Bosnia and Herzegovina (-7), Montenegro (-6), Macedonia (-2) and Ukraine (-5). The fluctuation rate in our biggest companies was 6.28 percent.

We substituted the planned and unforeseen staff turnover with internal staff transfers and new recruitment. In the Parent Company, there were no less than 64 employees (10 percent) temporarily or permanently transferred to another area of work or to another workplace.



Temporary requirements for workforce were filled up through other forms of labour (such as employment agencies, student job services). In this way, 132 persons had work in our Group, representing additional 9 percent of the workforce as at 31 December 2015.

Comparison of employee numbers by subsidiary in the Group in the years 2014 and 2015 is presented in the table below.

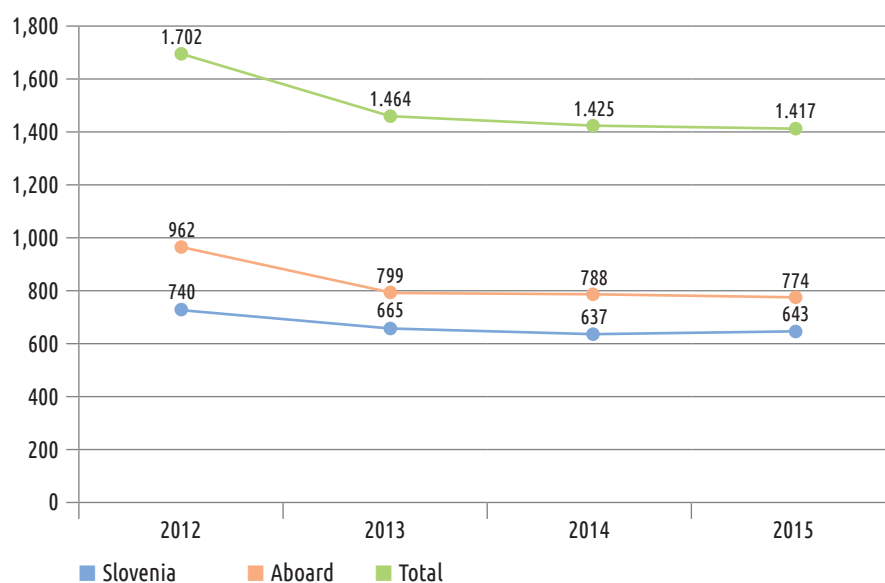
Table 21: Number of employees in the Group by company

Company	31 Dec 2014	31 Dec 2015	Difference 15-14	I 15/14
Intereuropa d.d., Koper	618	623	5	101
Interagent, d.o.o., Koper	16	17	1	106
Interzav, d.o.o., Koper	3	3	0	100
Slovenia	637	643	6	101
Intereuropa, logističke usluge, d.o.o., Zagreb	298	302	4	101
Intereuropa Sajam, d.o.o., Zagreb	7	7	0	100
Intereuropa RTC d.d. Sarajevo	137	130	-7	95
AD Intereuropa - logističke usluge Beograd	103	103	0	100
Intereuropa Kosova L.C.C., Priština	27	29	2	107
Zetatrans A.D. Podgorica	133	127	-6	95
Intereuropa Skopje, DOO Skopje	35	33	-2	94
TOV TEK ZTS, Užgorod	46	41	-5	89
Intereuropa Global Logistics Service Albania shpk, Durres	2	2	0	100
Other countries	788	774	-14	98
Total	1,425	1,417	-8	99

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

The Group closed the reporting year with 92 percent of staff on a permanent and full time basis, and 8 percent on a temporary employment basis.

Graph 27: Changes in employee numbers, 2012-2015

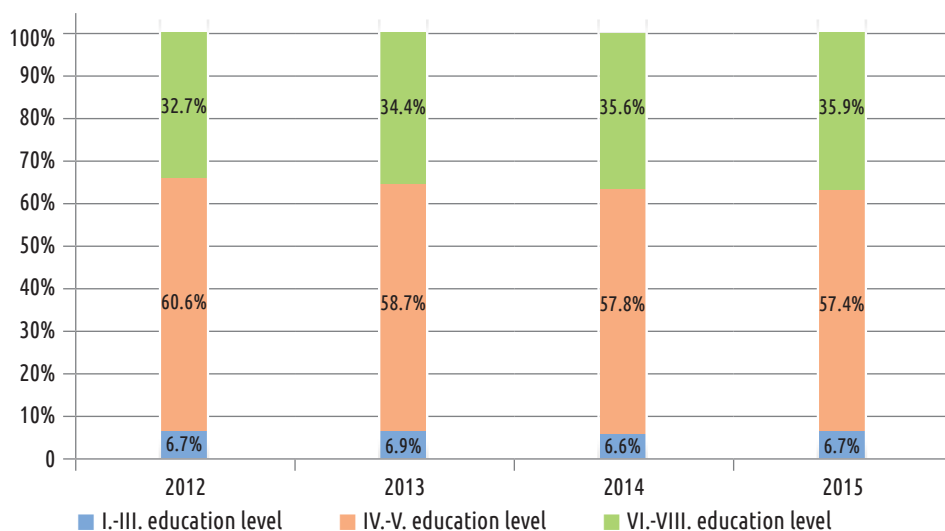


3.1.3 Employee Structure

Qualification structure of employees

The qualification structure of our employees changed only slightly from that of the year ago. The share of employees with post-secondary vocational education, or higher (university) education has been gradually increasing, whilst the share of employees with secondary and vocational qualifications has been falling. That is attributable to the fact that we hire vocational and lower level profiles through employment agencies.

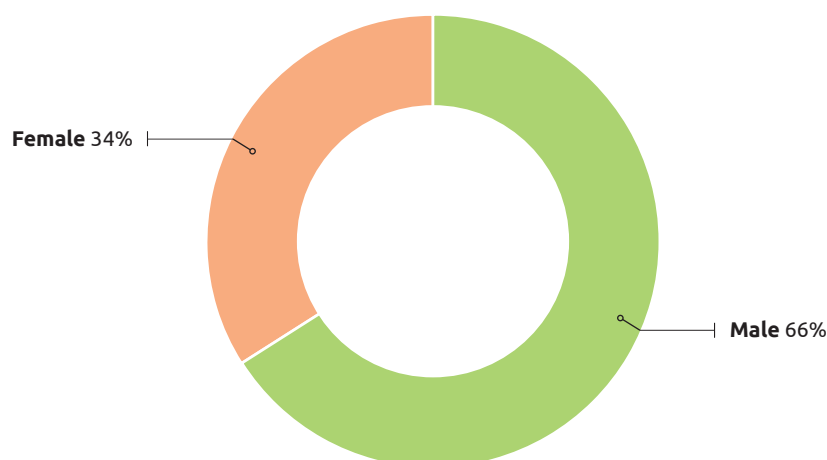
Graph 28: Qualification structure of staff in the Intereuropa Group, 2012-2015



Employee structure by age and sex

There are 64 percent of male and 36 percent of female employees in the Intereuropa Group, thereof in the Slovenian part 55 percent male and 45 percent female employees. The average age is gradually rising; in 2015, it was 46.5 years in the Parent Company. That is attributable to lower number of newly recruited employees, and to gradual rising of the retirement age. Also in other major subsidiaries, the average age of employees rose above 43.

Graph 29: The management structure (under service contract) by sex in the Intereuropa Group, in 2015

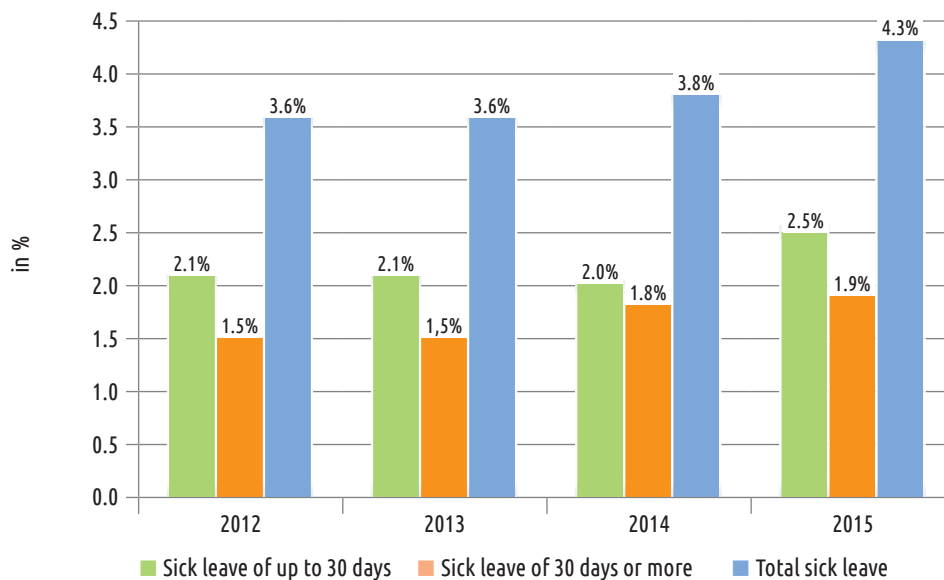


There are 70 staff employed under an individual contract in the Group, while 1,347 staff members (95 percent) are employed under the collective wage agreements or other internal acts.

3.1.4 Work Time Utilisation, and Sickness Absenteeism

In the Parent Company, the utilisation of work time was 81 percent or 1 percent better than a year ago, attributable to fewer holidays falling on a workday in the year 2015.

Graph 30: Sickness absenteeism in Intereuropa d.d., 2012-2015



Despite the measures taken to cut sickness absenteeism, we find that absenteeism rose slightly and exceeded 4 percent in the Parent Company. Sickness absenteeism beyond 30 days rose by 0.5 percent, which resulted from longer absence from work due to accidents at work (more than triple number than 2014), higher average age of employees and consequently longer sickness absences in particular in our employees in warehouses in Ljubljana Branch and in clerical staff in the Koper Branch.

3.1.5 Training and development of employees

In line with the strategic guidelines of the Group, our key emphases for education /training were laid on improving the competences in our staff and on the transfer of good business practices to our subsidiaries. We recorded ample investments in education /training forms on IT and automation of business processes (SAP for supporting functions in our subsidiaries in Montenegro, Bosnia and Herzegovina and Serbia, and WexVS in Croatia), on leadership and motivation, as well as on branch-specific competences covering various aspects of logistics (customs clearance, storage, transportation). In all these areas of business, we increased the volume of training forms/hours over the last year's volume. Compared with the preceding year, we slightly reduced the number of hours dedicated to foreign language courses and sales skills.

- Our Group dedicated altogether 13,417 hours, or € 79 thousand (out of the € 89 thousands planned) to acquisition of new skills.
- On the level of our Group, there were 9.5 hours used per employee on average in training forms, compared with 8 hours/employee in the Slovenian part of the Group and with 18 hours/employee in our subsidiary in Croatia. In our subsidiaries located abroad, the employees took part in training programmes for 28 hours/employee on average.
- The sales staff of the parent company and of subsidiaries attended a two-day internal workshop on sales and marketing, conducted by the executive director and product managers in Zagreb and in Koper.

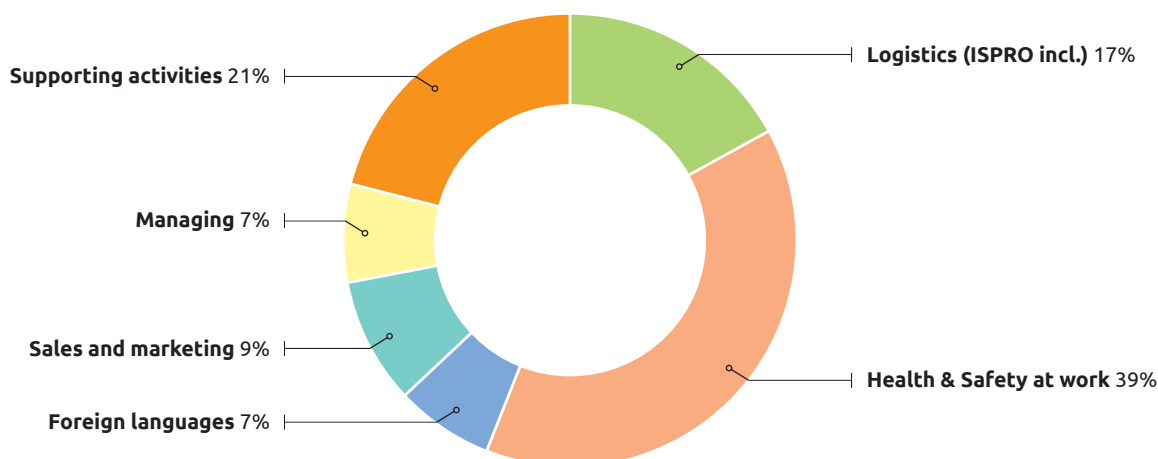
- All executive staff members in Slovenia and Croatia were included in the workshop on the annual interview and started implementing the interviews aiming to improve the commitment, motivation and productivity of employees.
- Our subsidiaries in Serbia, Montenegro, and Bosnia and Herzegovina organised most comprehensive training forms on the SAP information support, logistics and foreign languages; in Zagreb, priority was given to training forms on occupational health, information support to logistics and leadership.
- Internal lecturers were involved in about 51 percent of training forms in the reporting year (compared to 30 percent in 2014).

Table 22: Education /training in the Group, comparison for 2012-2015

	2013	2014	2015
Hours of functional training (seminars, courses, technical meetings, etc.)	17,572	12,417	13,417
Number of hours of training per employee (internal education)	11,612	3,683	6,774
Number of participants	1,297	1,288	1,406
Funds spent on education & training (total)*	55,637	77,414	79,103
Funds spent on education & training per employee*	38	54	56

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

Graph 31: Education and Training structure by content



3.1.6 Care for Employees and the broader social environment

In our concern for optimal organizational and personnel structure and productivity of employees, we also focus on the measures to strengthen affiliation and loyalty of staff members and a positive influence on wider social environment.

Therefore, we offer additional benefits to our employees and students:

- educating executives and other staff members in 'soft' skills (relations, communication and conflict resolving skills) aiming at life-long learning and ensuring permanent employability of our staff;
- presentations of achievements and of good business practices in individual business units and by individual employees, published on the intranet;



- every second year we measure the quality of relations of employees with the Company through the Golden Tread project (»Zlata nit«). Since 2009, the satisfaction of employees has been rising: from the grade 2.75 in 2009 to 3.03 in the year 2015. The elements that received a better grade in the reporting year than in the last measurement (2013) were: perception of safety in the company; commendation for good work; interview with the superior on the personal progress achieved; satisfaction at work; opportunity to gain experience and expertise that qualify for employability outside the Company;
- our present and retired employees are offered to use the holiday accommodation facilities of Intereuropa (in spas, at the seaside, in the mountains);
- publishing of comments and memos from training forms attended by our employees, making them available to all staff in the Company;
- 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, 138 children received a 30€ gift coupon for a children's shop, as a New Year /holiday season present;
- on the occasion of a round anniversary of service, we awarded 50 employees in the Slovenian part of the Group;
- our employees are offered the option for flexible shorter work schedule to facilitate their coordination of work and family life; as at 31 December 2017, seven female employees used this option in the Slovenian part of the Group, and all employees return to work after maternity leave;
- financial aid in total amount of € 20 thousand was granted to 42 our employees who were affected by difficult health condition or had to cope with inferior financial position or death of a family member;
- in the Slovenian part of the Group, all our full-time employees and the employees on a temporary basis (for a limited term) with a more than one year of service at our Company are included in the Pension Plan (collective voluntary pension insurance), funded by the employer in the average amount of € 45 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 73 secondary school and tertiary level students; students can also be assigned mentoring help by our experts in their 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 (picnics, gathering, celebrations, sports events and competitions, marathon runs, etc.);
- employees have the option of using 8 paid hours of absence from work per month if they seek medical aid for themselves or their child, medical examinations and therapy that cannot be arranged for outside the Company's worktime.

3.1.7 Occupational Safety and Health

Intereuropa d.d. endeavours to provide for safe and healthy work environment. This is how we can achieve and maintain high levels of bodily, mental and social welfare of our employees in all workplaces in the Company.

Promotion of occupational health

In the scope of activities implemented within the "Health Promotion Plan", we took active measures to reduce the most frequent or the inveterate health problems of our employees, addressing four areas: bone and muscular diseases, mental disorders (stress, tension, burn-out, depression), respiratory diseases and neoplasms (cancer).

Included were activities, such as: organization of hiking tours, encouraging people to use the stairs instead of elevator; introducing 10-minute stretching exercises during the worktime; hiring gyms or fitness studios for sports activities; subsidizing tickets for swimming pools; checking ergonomics in individual workplaces; producing and distributing folders on how to lift loads correctly, exercising and effective stress management at work.

These activities are coordinated by the Group for Health, which includes 18 qualified employees representing each business unit in the Slovenian part of the Group. For the sake of prevention of occupational diseases, the measures are tailored to various groups of employees. One group comprises all staff members working in offices, in forced sedentary position with main risks affecting the shoulder section and wrists, the spine sections, and the eyes. The second group covers the employees in terminals and warehouses, who are faced with higher risks of serious injuries at work.

Employee Healthcare

In agreement with authorized physicians of occupational medicine, we referred 191 employees to dedicated preventive, preliminary, periodical control and target medical check-ups; on the Group level, the total number was 337. In the Slovenian part of the Group, we organised vaccination against flue: 63 employees took part.

Injuries at work

In the Group, there were 18 injured employees or 6 more than in the preceding year. Thereof, 8 of our permanent employees and 4 persons working under contract were injured in the Slovenian part of the Group. Injuries in one accident were severe.

The analysis of risk factors, sources and causes of accidents proved that the injuries occurred mainly due to the personal factor of each individual: slips, falls, squeezes between pallets, and similar. Causes for accidents were lack of attention, incorrect approach to work, etc.

Accordingly, we dedicate much time and effort in 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. In the reporting year, 888 employees took part in these training forms on the Group level.

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, 2,506 sets of different working assets/ equipment were examined and tested, or 2,581 sets in the whole Group, respectively.

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 October 2015, we carried out a practical evacuation exercise for employees and tenants/ lessees of the premises in BU Ljubljana - local office Logatec at the time when our new customer who hired the Warehouse B – LEK Ljubljana - started his business with us.



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, separate waste collection and recycling, and is also compliant with the guidelines of the Energy Act and European environmental Directives.

Energy efficiency and responsible attitude towards the environment are observed in our work processes and business decisions, comprising:

- energy efficiency of buildings and installations;
- waste management, incl. waste computer equipment;
- procedures in handling dangerous goods;
- luminous pollution;
- waste water monitoring.

Efficient use of energy and separate waste collection/disposal

The following measures are applied to achieve energy efficiency:

- replacing energy sources by alternative heating sources;
- 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.

External lighting equipment was replaced and/or upgraded in our facilities in Maribor (logistics centre, entire lighting equipment), in Vrtojba warehouse (existing equipment was upgraded), in Intereuropa RTC d.d. Sarajevo and Zetatrans A.D. Podgorica (completion). Energy-saving LED-base illumination equipment was used in line with the European guidelines and environmental Directives; we expect savings in electricity consumption.

In the office building in Koper, we installed two high temperature heat pumps for heating and air conditioning, and completed the existing central heating system. We expect to cover up to 75 percent of our needs for heating with these heat pumps, and achieve savings in the consumption of heating oil and electricity in the summer (for air-conditioning). Therefore, we started replacing the existing convector appliances with modern ones that will be applied for air conditioning and heating.

In the office buildings in Koper and Celje, we installed thermostatic heads on heating devices, as recently imposed by law, and expect savings from lower heating energy supply.

In accordance with our energy-saving strategy for forklift trucks and to reduce the cost of maintenance, we purchased 25 forklift trucks for Intereuropa d.d. and 4 electric forklift trucks for our subsidiaries, which stands for 85 percent of all new purchases.

In 2015, we also partly renewed the roofing of warehouse A in Maribor (5,000 m²) and completed the renovation work and replaced the roofing of the warehouse for dangerous goods in the subsidiary AD Intereuropa-logističke usluge, Belgrade. Thereby, we provided for adequate work conditions and installed additional thermal insulation that will contribute to lower heat losses in warehouses.

In all our organizational units, we are introducing standard oil catchers or collectors that are prescribed by the law for warehouses and terminals in which cars and trucks are held or passing. We completed the oil catchers and separators on the customs terminal in Intereuropa RTC d.d. Sarajevo. Concurrently, we undertook an overhaul and a reconstruction of own transformer station in that terminal in order to achieve savings in electricity consumption and to satisfy safety requirements for operation.

We proceeded with replacing of spent air conditioning appliances, which contributes to lower consumption of electrical energy and improves work conditions in business premises.

There are six solar power plants built on the rooftops of our facilities, with a total power of 5,355 kWp, sufficient to meet the electricity requirements for 1,485 households. Our contribution to lower CO₂ emissions is 3,640 tons per year. The utilisation rate and energy output from the solar power plants on rooftops are compliant with the business plans of investors. The year 2015 was very good for solar power plants: it had 15 percent more days of sunshine than a year ago.

Separate waste collection supports our long-term goals towards reducing the waste volume and achieving 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 computer screens, printing toner cartridges, batteries and other waste computer equipment is collected separately and removed to dumping ground, under an agreement with a certified waste collector, at least once a year, as required by the law.

Reducing adverse impacts on environment arising from 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 type designation - the share of eco-engines in the fleet of our sub-contractors as a relevant criterion for selection.

For the needs of our subsidiary Intereuropa, logističke usluge, d.o.o., Zagreb, we purchased 5 sets of new trucks and trailers with engines EURO 6 to replace the existing vehicles; for all other subsidiaries, we purchased 5 delivery vans with more economical and powerful motors. The plan for the year 2016 included 4 sets of freight vehicles and 9 delivery vans with ecological engines.

We followed the guidelines of energy efficiency also in the purchase of forklift trucks, having replaced the existing gas-powered forklift trucks with 29 electric forklift trucks. We expect from this purchase to contribute to reducing the negative impact on the environment, energy consumption and maintenance costs.

We are directly reducing the negative impacts on environment in other business processes, too, by avoiding paper administration, by various energy-saving measures in our warehouses and buildings, and by raising awareness of the contribution of each individual to preserve the environment.

In 2015, the power consumption in the Parent Company was 6,345,000 kWh, slightly higher than in 2014, primarily on account of higher quantity of work done. After three heating seasons with lower annual consumption of heating oil (even -16 percent) in sequence, the heating oil consumption remained on the level of 2014, which is an indicator of our careful energy management. We expect an essentially lower consumption for the year 2016 as a result of heat pumps in the office building in Koper that were installed for heating and air conditioning at the end of the reporting year. On the other hand, the consumption of natural gas for heating was higher by 46,000 cbm in Maribor and Dravograd, which resulted in 12 percent higher cost, despite additional favourable effect of the cogeneration system for co-production of thermal and electrical energy in Maribor.

Our concern for environment and energy efficiency is passed on and shared by 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 2016

In the coming year (2016), we will proceed with the measures addressing energy efficiency and update the rules on energy management, as well as environmental management regulations. Modernisation of our fleet of trucks and cars, mobile machinery (forklifts), air conditioning and heating systems, external and internal illumination will be implemented in line with our guidelines, aiming to reduce the energy and maintenance costs, and to improve the efficiency of machinery and work conditions for employees. For that purpose, we earmarked € 1,565,000 in our investment plan for the year 2016.

3.3 Responsibility to social environment

In the projects supported by our Company, we endeavour that their scope is associated with our core activity and with local environment, in which we live and operate. That principle applies to all the companies in the Group acting as sponsors or donors and contributing 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 social responsibility of the Intereuropa Group contributes to a higher competitiveness of the entity.

The funds earmarked for sponsoring and donations remained on the same level as in 2014. Within the limits of our position and potential, we supported certain projects to the welfare of society and strived for equal treatment of all areas of society.

3.4 Quality Management System

Implementation of quality management strategy

We continued implementing activities related to the maintenance of the Quality Management System (QMS) in the scope service quality assurance. The year was marked by successfully completed external audits in three certified entities of the Group and by an increased number of quality management audited by the customers in Slovenia, and an audit of handling dangerous goods under the Safety and Quality Assessment System (SQAS).

Seventy-four percent of our total staff is working in the companies certified under the ISO 9001:2008 standard (Intereuropa d.d., Intereuropa logističke usluge, d.o.o., Zagreb, and Intereuropa RTC d.d. Sarajevo).

Indicators of quality

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 value of complaints in the reporting year was double than a year ago; also the number of complaints rose by 5 percent. The quality-related risks for logistics services are insured through our subsidiary Interzav d.o.o., Koper.

The punctuality of deliveries in domestic transport operations fell slightly from 97.33 percent to 97.06 percent.

Internal auditing of service quality

Internal audits were conducted in all 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); in October and November, the verification of the HACCP system, or compliance with good practices in handling foodstuffs, respectively, was performed in the hub warehouses in Dravograd, Maribor, Ljubljana and in the foodstuff store in Celje. Three non-compliances and two recommendations were issued, addressing cleanliness of premises and measuring devices control.

External audit on quality of service

Table 23: 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	24
Intereuropa, logističke usluge, d.o.o., Zagreb	ISO 9001:2008	SIQ	June	0	8
Intereuropi RTC d.d., Sarajevo	ISO 9001:2008	SIQ	October	0	7

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

In addition to auditing the quality management system by certification authorities, there were three second-party audits, two in our warehouses in Maribor and one in the warehouse Logatec. The quality of operations was audited by the customer. We responded to the non-compliance cases and recommendations in the agreed term.

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

In the Koper Branch, we passed the external audit on storage system compliance for organic products imported from third countries with the (European Organic) Regulations (EC) 834/2007 and 889/2008 for the ninth time in sequence. The auditor did not find any non-compliance and issued no recommendation.

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 of service and payment terms, quality and deadline/ delivery terms, cooperation, references of a supplier and experience from previous cooperation, 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 no less than two 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 increasingly important factor in selecting a supplier is the possibility of compensation of services, which contributes to a faster settlement of mutual outstanding liabilities and strengthens further cooperation.

In 2015, we issued additional guidelines and recommendations for supplier management in all our core business areas and in all subsidiaries.

Goals for 2016

The main purpose of supplier management is to support the work process with services or materials at the best possible price and in appropriate quality, in view of establishing and maintaining long-term business relations with the suppliers selected.

3.6 Communication with key public

On behalf of the Company, our Public Relations Office is responsible for consistent communication and competent interpretation to internal and to external public of overall activities in our Company. Great care is dedicated to consistent and precise communication to all shareholders, especially to the strategic public of our Company: the media, employees, customers and investors. The Office is also responsible for the information flow and internal control over price-sensitive information.

We are focused on the communication with all interested publics who enter into relations with Intereuropa – investors, customers, suppliers, employees, media and the social environment, in our concern to 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 respond 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

In addition to achieving the performance-related goals, we spend more effort and energy to improve the transparency of operations, develop the corporate governance and on the implementation of activities addressing the relations with investors. Intereuropa d.d. is listed on the Ljubljana Stock Exchange, so a section of the Annual 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. 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. Information on our Company is available to current and potential investors and to analysts on our websites.

Communication with the media

Our key principle is consistent communication, competent interpretation of the areas of business of our Group and accordingly, comprehensive and active communication with all segments of public interested in the Intereuropa Group. Thus, our customers, employees, shareholders, investors and other target public groups can create an image of 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. 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, implemented in person and via the intranet (internal web portal), through which our employees are informed on the 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

An important function of communication with customers is our concern for the satisfaction of users of our logistics services. The Public Relations Office operates as a support to marketing activities addressing our 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. We cultivated our contacts and held regular meetings at conventions and business events.



FINANCIAL REPORT



4 FINANCIAL REPORT of the Intereuropa Group and of the parent company Intereuropa d.d. for the financial year 2015

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 that is consolidated under the equity method. The Company Intereuropa d.d. is categorised as a large company under the Slovenian Companies Act (ZGD), 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.

4.1 Financial report of the Intereuropa Group for the financial year 2015

Financial statements of the Intereuropa Group, with Notes

The financial statements are the consolidated financial statements of the Intereuropa Group (hereinafter: the Group) for the year ended at 31 December 2015. As required by the Companies Act (ZGD), the Group must compile and publish the Annual Report and the consolidated annual financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union (hereinafter: 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 companies shown in the table below.



Table 1: Group members – subsidiaries and joint venture as at 31 December 2015

€ thousand

	Country of registered office	Stake in % as at 31 Dec 2015	Total equity of the company	Pertaining net profit or loss for 2015
Direct subsidiaries of the parent company Intereuropa				
Intereuropa Transport, d.o.o., Koper*	Slovenia	100.00	-1,280	-94
Interagent, d.o.o., Koper	Slovenia	100.00	688	137
Interzav, d.o.o., Koper	Slovenia	71.28	60	21
Intereuropa, Logističke usluge, d.o.o., Zagreb	Croatia	99.96	49,968	-738
Intereuropa sajam, d.o.o., Zagreb	Croatia	51.00	664	16
Intereuropa Skopje, d.o.o., Skopje	Macedonia	99.56	1,791	71
Intereuropa RTC, d.d., Sarajevo	Bosnia and Herzegovina	95.77	15,326	293
A.D. Intereuropa-logističke usluge, Belgrade	Serbia	73.62	6,842	269
TOV TEK ZTS, Uzhgorod	Ukraine	89.93	100	-176
Intereuropa Kosova L.L.C., Prishtina	Kosovo	90.00	445	80
Zetatrans A.D. Podgorica	Montenegro	69.27	20,637	338
TOV Intereuropa-Ukraina, Kiev	Ukraine	100.00	-158	-314
Intereuropa Global Logistics Service, Albania, Durrës	Albania	100.00	84	14

* 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	232	34

Table 2: Consolidated Income Statement of the Intereuropa Group for 2015

€ thousand

	Notes	2015	2014
Sales revenues	1	134,613	140,769
Other operating revenues	2	1,614	2,253
Costs of goods, materials and services	3	-95,706	-102,663
Labour costs	4	-25,213	-25,371
Depreciation	5	-7,728	-8,190
Other operating expenses	6	-2,847	-1,746
Operating profit		4,733	5,052
Finance income		365	638
Finance costs		-3,861	-5,310
Profit from financing activities	7	-3,496	-4,672
Profit or loss from investments recognised by the equity method	8	34	41
Profit from continuing operations		1,271	421
Corporate income tax (including deferred taxes)	9	-474	-92
Net profit for the period		797	329
Net profit - non-controlling interest		271	258
Net loss - controlling interest		526	72

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 2015

€ thousand

	Notes	2015	2014
Net profit for the period		797	329
Other comprehensive income	19	-16	-6,102
Items that will be reclassified to profit or loss		-9	-979
Change in fair value of available-for-sale financial assets	16	-9	146
Deferred tax in revaluation surplus related to available-for-sale financial assets	23	2	-24
Conversion exchange differences	19	-2	-1,101
Items that will not be reclassified to profit or loss		-7	-5,123
Change fair value of land	10	0	-5,622
Transfer of surplus from revaluation of land to retained earnings (in sale of land)		0	-14
Deferred tax in surplus from revaluation of land	23	0	781
Retained earnings from revaluation of land (in sale of land)		0	14
Actuarial gains / losses from severance pay benefits and anniversary bonuses, recognized in the revaluation surplus		0	57
Other changes in retained earnings		-7	-339
Total comprehensive income		781	-5,772
Total comprehensive income - non-controlling interest		250	88
Total comprehensive income - controlling interest		531	-5,860

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



Table 4: Consolidated Statement of Financial Position of the Intereuropa Group as at 31 December 2015

€ thousand

	Notes	31 Dec 2015	31 Dec 2014
ASSETS			
Property, plant and equipment	10	207,338	209,989
Investment properties	11	11,278	11,565
Intangible assets	12	6,553	6,698
Other non-current assets	13	62	105
Long-term receivables		44	0
Deferred tax assets	23	16,666	16,937
Long loans and deposits	14	45	44
Investment in a joint venture	15	135	141
Other financial assets	16	518	1,559
TOTAL NON-CURRENT ASSETS		242,639	247,038
Inventories		137	249
Short loans and deposits and certificates of deposits	14	6,604	9,180
Short-term trade receivables	17	31,602	31,460
Current income tax assets		57	191
Cash	18	11,107	6,757
Other current assets		274	371
TOTAL CURRENT ASSETS		49,781	48,208
TOTAL ASSETS		292,420	295,246
EQUITY			
Equity - controlling interest		138,954	138,422
Share capital		27,489	27,489
Equity reserves		18,455	18,455
Revenue reserves		5,029	4,302
Revaluation surplus		64,089	64,272
Translation exchange differences		-7,902	-7,917
Transferred net profit		31,962	32,088
Net profit		-168	-267
Equity - non-controlling interest		9,220	9,216
TOTAL EQUITY	19	148,174	147,638
LIABILITIES			
Provisions and long-term deferred revenues	20	6,282	5,471
Long-term loans and financial leases	21	92,499	98,196
Long-term operating liabilities		691	454
Deferred tax liabilities	23	13,406	13,396
TOTAL NON-CURRENT LIABILITIES		112,878	117,517
Short-term loans and financial leases	21	5,232	4,950
Other current financial liabilities	22	416	409
Short-term operating liabilities	24	25,606	24,598
Current corporate income tax payable		113	134
TOTAL CURRENT LIABILITIES		31,368	30,091
TOTAL LIABILITIES		144,246	147,608
TOTAL EQUITY AND LIABILITIES		292,420	295,246

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 2015

€ thousand

	Note	2015	2014
Cash flows from operating activities			
Net profit for the period		797	329
Adjustments for:			
- depreciation		6,502	6,655
- impairment tangible fixed assets and intangible assets		21	75
- revaluation operating revenues from disposal of tangible fixed assets and investment property		-192	-181
- revaluation operating expenses from disposal of tangible fixed assets and investment property		12	4
- impairment and write-offs of receivables		1,139	1,456
- non-cash expenses		1,308	282
- non-cash revenues		-186	-487
- finance income		-365	-638
- profit or loss from the joint venture recognised by the equity method		-34	-41
- finance costs		3,861	5,310
- corporate income tax		474	92
Operating profit before working capital changes and tax		13,336	12,856
Changes in working capital and provisions			
Change in receivables		-1,378	-145
Change in inventories		63	-8
Change in other current assets		97	-109
Change in operating liabilities		1,040	-2,644
Changes in provisions and long-term deferred revenue		-23	-116
Corporate income tax paid		-80	17
Net cash flows from operating activities		13,055	9,851
Cash flows used in investing activities			
Interest received		385	650
Dividends and other profit participations received		49	37
Proceeds from sale tangible fixed assets		306	286
Proceeds from long-term loans		2	2
Proceeds from granted long-term deposits		52	0
Proceeds from reduction in short-term loans		0	45
Proceeds from the reduction in short-term bank deposits and certificates of deposits given		2,567	3,898
Proceeds from sale of other investments		1,000	0
Expenditures for acquisition of property, plant and equipment		-3,605	-2,085
Expenditures for acquisition of intangible assets		-420	-267
Expenditures for granted long-term deposits		-30	-20
Expenditures from an increase in short-term loans		-11	0
Other financial expenditures		0	-130
Net cash flows used in investing activities		295	2,416
Cash flows from/(used in) financing activities			
Proceeds from received long-term loans and financial leasing		756	271
Proceeds from increase short-term loans		448	0
Interest paid		-3,335	-3,755
Expenditures for repayment of long-term loans and financial leasing		-6,608	-7,448
Expenditures for a decrease in short-term loans		0	-1,315
Dividend paid		-246	-403
Net cash flows from financing activities		-8,985	-12,650
Opening balance of cash and cash equivalents		6,757	7,126
Exchange difference in cash		-15	14
Net cash flow from continuing operations		4,350	-369
Closing balance of cash and cash equivalents	18	11,107	6,757

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 2015

€ 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 2015		27,489	18,455	3,976	180	-180	326	64,272	-7,917	32,088	-267	138,422	9,216	147,638
Total comprehensive income		0	0	0	0	0	0	-7	15	-3	526	531	250	781
Net profit or loss for the year		0	0	0	0	0	0	0	0	0	526	526	271	797
Other comprehensive income		0	0	0	0	0	0	-7	15	-3	0	5	-21	-16
Transactions with shareholders														
Transfer of net profit/loss for the previous year to transferred net profit		0	0	0	0	0	0	0	0	-267	267	0	0	0
Payment of dividends and profit participation		0	0	0	0	0	0	0	0	0	0	0	-246	-246
Transfer to retained earnings reserves		0	0	714	0	0	12	0	0	-32	-694	0	0	0
Other changes		0	0	1	0	0	0	-176	0	176	0	1	0	1
Closing balance as at 31 Dec 2015	19	27,489	18,455	4,691	180	-180	338	64,089	-7,902	31,962	-168	138,955	9,466	148,174

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 2014

€ 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 2014	27,489	18,455	3,682	180	-180	158	68,777	-6,937	31,865	793	144,282	9,481	153,763	
Total comprehensive income	0	0	0	0	0	0	-4,626	-980	-326	72	-5,860	88	-5,772	
Net profit or loss for the year	0	0	0	0	0	0	0	0	0	72	72	258	330	
Other comprehensive income	0	0	0	0	0	0	-4,626	-980	-326	0	-5,932	-170	-6,102	
Transactions with shareholders														
Transfer of net profit/loss for the previous year to transferred net profit	0	0	0	0	0	0	0	0	793	-793	0	0	0	
Payment of dividends and profit participation	0	0	0	0	0	0	0	0	0	0	0	-353	-353	
Transfer to retained earnings reserves	0	0	294	0	0	168	0	0	-283	-179	0	0	0	
Other changes	0	0	0	0	0	0	121	0	-121	0	0	0	0	
Coverage of losses from previous years	0	0	0	0	0	0	0	0	160	-160	0	0	0	
Closing balance as at 31 Dec 2014	19	27,489	18,455	3,976	180	-180	326	64,272	-7,917	32,088	-267	138,422	9,216	147,638

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 (hereinafter: the Company) is a company established in Slovenia. Its registered office is at Vojkovo nabrežje 32, 6000 Koper. The consolidated financial statements of the Group for the year ended at 31 December 2015 include the Company, its subsidiaries (hereinafter jointly referred to as the Group), and an interest in a joint venture. The Intereuropa Group offers comprehensive logistic services and solutions in land transport, sea and air-freight, including all terminal, customs and other logistic services to support an unhindered flow of goods from the manufacturer to the buyer.



I. BASIS FOR COMPILATION

Declaration of Conformity

The financial statements of the Intereuropa Group were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and the interpretations adopted by the International Reporting Interpretations Committee (IFRIC), which were accepted by the EU, and in compliance with the Slovenian Companies Act (ZGD).

Considering the approval process of standards in the EU, there are no differences in accounting policies of the Intereuropa Group between the IFRS applied by Intereuropa as at the cut-off date hereof and the IFRS as adopted by the European Union.

The Managing Board approved the consolidated financial statements on 23 February 2016.

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 (Note 17);
- recoverable amount serving for comparison with the book value (carrying amount) in test of asset impairment;
- useful life of depreciable assets (Notes 10, 11 and 12);
- residual value of depreciable assets (Notes 10, 11 and 12);
- valuation of financial instruments at fair value (Notes 16 and 26);
- formation of deferred tax assets and deferred tax liabilities (Note 23);
- formation of provisions (Note 20);
- appraising the value of land which is posted at fair value (Notes 10 and 26);
- option to use deferred tax assets (Note 23);
- assessing the assumptions of control of subsidiaries and of joint venture (Table 1 and Note 15).



Reclassification of items

In the Statement of Financial Position and in the Statement of Cash Flows, we have presented separately the item Other current assets that were in previous statements included in short-term receivables, and we adjusted the comparable data.

II. CHANGES IN ACCOUNTING ESTIMATES

There were no changes to accounting estimates in the reporting year.

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.

(a) Groundwork for consolidation

Subsidiaries

Subsidiaries are entities controlled by the Parent Company. Control exists when:

- the Investor has power over the investee,
- the Investee is exposed or has rights to variable returns from involvement with the investee, and
- it is able to use power over the investee to affect the amount of the investor's returns.

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.

Joint ventures

A joint venture is a part of a joint arrangement. The management assesses at its own discretion whether a joint arrangement is a joint operation or a joint venture. A joint operation is a joint arrangement in which the parties having joint control of the arrangement have rights to the assets, and obligations from the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Based on the rights and obligations arising from a joint arrangement, we assessed that the joint arrangement is a joint venture. An investment in a joint venture is accounted for at procurement value in separate financial statements, whereas in the consolidated statements, said investment is presented according to equity method.

Transactions excluded from consolidation

Excluded from the compilation of consolidated financial statements are balances and unrealised gains and losses stemming from intragroup transactions.

(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 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 other comprehensive income 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

	Functional currency	year 2015		year 2014	
		Closing exchange rate in €*	Average exchange rate in €*	Closing exchange rate in €*	Average exchange rate in €*
Montenegro, Kosovo	€	-	-	-	-
Croatia	HRK	7.638	7.614	7.658	7.634
Macedonia	MKD	61.555	61.510	61.695	61.561
Bosnia and Herzegovina	BAM	1.956	1.956	1.956	1.956
Serbia	RSD	121.230	120.560	120.600	116.870
Ukraine	UAH	25.390	23.811	18.736	15.482
Albania	ALL	138.110	139.750	140.220	139.890

* ECB reference exchange rates.

(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 available for sale

Upon initial recognition, they are evaluated at fair value (including the costs directly attributable to the purchase). Changes in the fair value are recognised in other comprehensive income (in 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.

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.

(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.

Capital reserves

Capital reserves are amounts arising from the simplified decrease of share capital of the Parent Company.

Legal reserves

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

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.

Surplus from Revaluation

The surplus from revaluation relates to the increase in the carrying amount of assets under the revaluation model. It consists of the surplus from revaluation arising from land, and of the surplus from revaluation from financial investments.



Foreign currency translation adjustment

Foreign currency translation differences result from currency adjustments incurred in the input of financial statements of subsidiaries into the consolidated accounting statements.

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 of dividend pay-out.

(e) Property, Plant and Equipment

Upon initial recognition, property, plant and equipment are stated under the procurement value model. The procurement value comprises the amounts directly attributable to acquisition of assets, as well as capitalised borrowing costs. After the initial recognition of this item, we apply the procurement value model to measure the buildings and equipment, and the revaluation model for the land. Under the procurement value model, the buildings and fittings/equipment are carried at their cost price (procurement value) deducted by the depreciation allowance and by any accumulated impairment loss. On the other hand, the revaluation model applied for presenting the land requires posting the land at its 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 Net Profit or Loss carried forward 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 investments in acquired industrial property rights (concessions, patents, licences, brand names and similar rights) and other rights, the goodwill of the acquired entity (target), and other intangible assets. 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. It is recognised in the 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

Investment property is any property held for the purpose of earning the rentals or increasing the long-term investment in value, or both. 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 supply of services. Only such 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. The transfer of revalued investment property (land) from the item Property, Plant and Equipment is made at their carrying amount as at the transfer date, and the surplus from revaluation of such investment property remains in the equity; upon disposal, it is transferred to the Net Profit or Loss Carried Forward. Depreciation of investment property applies the same depreciation rates as used for real estate in the scope of 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 the Property, Plant and Equipment. Other leases are dealt with as operating leases.

(i) Inventories

Inventories of materials 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. In the Profit or Loss, the value of a loss owing to impairment is recognised as an expense.

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. In the Profit or Loss, the value of a loss owing to impairment is recognised as an expense.

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. If there is an accumulated loss in these assets which is recognised in the capital, such loss has to be removed from the capital and recognised in the Profit or Loss as an expense amounting to the difference between the procurement value and current fair value of the financial asset, and deducted by any impairment loss previously recognised in the 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 for the purpose of testing for impairment. If signs of impairment are found, the recoverable amount of the asset will be determined. Also the 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 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 is 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 the assets of property, plant and equipment, it applies only to land and buildings, in view of 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 of their elements or of 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 assets (or disposal groups) are 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; if a reliable estimate can be made of the amount of the obligation; and if 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 to be 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 are recognised by calculating the corresponding costs or expenses accrued, and they are decreased in a time sequence directly by the covered costs or expenses in respect of which the provisions have been made, except actuarial gains and losses that arise from increases or decreases of the present value of an obligation for certain employee benefits for termination payment upon retirement due to changes in actuarial assumptions and experiential adjustments that are recognised in the surplus from revaluation and transferred to the retained net profit or loss. 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 that were made inclusive of the corresponding costs or expenses. 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.

Provisions for employee benefits (jubilee rewards and termination benefits upon retirement)

The 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 have changed materially.

(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 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, therefore revenues are 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

These include grants, subsidies, premiums and project co-financing. 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

Granted

Income from operating lease is recognised during the lease term.

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, foreign exchange gains, and the revenues from elimination of impairment of financial investments. 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.

Financial expenses comprise interest expenses and other cost of borrowing (unless capitalised), foreign exchange losses, and losses owing to impairment of financial investments. In the Income Statement, the cost of borrowing are recognised under the effective interest rate method as an expense of the period in which they accrue.

(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 the 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 fiscal 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 that do not affect accounting or taxable profit; and the differences relating to the investments in subsidiaries and jointly-controlled entities to the extent that they will probably not reverse in the foreseeable future. Deferred tax is not recognised for the purpose of taxable temporary differences incurred upon the initial recognition of goodwill.

Deferred tax asset is recognised only to the amount expected to be paid upon reversal of temporary differences based on the applicable legislation 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) 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 for which separate financial data are to be available. 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 to 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 sales turnover by customer and the volume of operations on the presented geographical segments is monitored on the level of business segments.



(§) New standards and interpretations

Changes in standards and interpretations in 2015

The accounting policies applied in the compilation of consolidated financial statements are the same as those used in the preparation of consolidated financial statements for the year ended 31 December 2014, except for adoption of new or amended standards that came into effect for annual periods beginning on or after 1 January 2015 and which are presented below.

New adopted standards and interpretations

Annual Improvements 2010-2012 Cycle

All improvements to IFRS 2, IFRS 3, IFRS 8, IAS 16, IAS 38 and IAS 24 are effective for accounting periods beginning on or after 1 February 2015. These improvements did not have a material impact on the Group's financial statements.

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be re-valued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 February 2015. The amended standard did not have a material impact on the Group's financial statements.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 January 2015. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- joint arrangements, not just joint ventures, are outside the scope of IFRS 3; and
- this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination.

These improvements did not have a material impact on the Group's financial statements.

IFRIC Interpretation 21 (Levies)

The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. These amendments have no impact on the consolidated financial statements.

New standards issued but not yet effective and not early adopted

The standards and interpretations disclosed below have been issued but were not yet effective up to the date of issuance of the consolidated financial statements. The Group intends to adopt these standards and interpretations, if applicable, in the preparation of its financial statements when they become effective.



IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which includes the requirements of all phases of the IFRS 9 improvement project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The revised standard introduces new requirements for the classification and measurement of financial assets and liabilities, the recognition of their impairment, and hedge accounting. The revised IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 issued in 2009, 2010 and 2013 is permitted if an entity made a transition to IFRS before 1 February 2015.

The adoption of the revised IFRS 9 will have probably effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of its financial liabilities.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity to continue applying most of its existing generally accepted accounting principles to accounting for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statements of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. The Group does not expect the amendments to have a material impact on the financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board issued IFRS 15, which establishes a new five-step model for the recognition of revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new standard is applicable to all entities and supersedes all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017. Early application is permitted. The Group is currently assessing the impact of the new standard and plans to adopt it on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exception has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. They are effective for annual periods beginning on or after 1 January 2016. Early application is permitted. The amendments to IFRS 11 are not expected to have any impact on the Group's financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

These amendments are not expected to have any impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. Following initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity).

The amendments also require that produce that grows on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016. Early application is permitted. These amendments are not expected to have any impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group's financial statements.

Annual improvements 2012-2014 Cycle

The amendments are effective for annual periods beginning on or after 1 January 2016, but can be applied earlier.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Changes in methods of disposal)
The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment applies for annual periods beginning on or after 1 January 2016.



The amendments introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments state that:

- such reclassifications should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied; and
- assets that no longer meet the criteria for held for distribution to owners (and do not meet the criteria for held for sale) should be treated in the same way as assets that cease to be classified as held for sale.

These amendments are not expected to have any impact on the Group's financial statements.

IFRS 7 Financial Instruments: Disclosures (with consequential amendments to IFRS 1)

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets. Paragraph 42C (c) of IFRS 7 states that a pass through arrangement under a servicing contract does not, in itself, constitute a continuing involvement for the purposes of the transfer disclosure requirements. However, in practice, most service contracts have additional features that lead to a continuing involvement in the asset, for example, when the amount and/or timing of cash flows collected.

Applicability of the amendments to IFRS 7 offsetting disclosure to condensed interim financial statements

Amendments to IFRS 7 were made to remove uncertainty as to whether the disclosure requirements on offsetting financial assets and financial liabilities (Introduced in on December 2011 and effective for periods beginning on or after 1 January 2013) should be included in condensed interim financial statements, and if so, whether in all Interim financial statements after 1 January 2013 or only in the first year. The amendments clarify that the offsetting disclosures are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 Interim Financial Reporting.

The amendments apply retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These amendments are not expected to have any impact on the Group's financial statements.

IAS 19 Employee Benefits (discount rate: regional market issue)

Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period. These amendments are not expected to have any impact on the Group's financial statements.

IAS 34 Interim Financial Reporting (disclosure of information elsewhere in the interim financial report)

The amendments clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the Interim financial report that is available to users on the same terms and at the same time as the Interim financial statements. The amendments apply retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These amendments are not expected to have any impact on the Group's financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments should be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group's financial statements.

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 receivables

In our view, the disclosed value of operating receivables reflects their fair value.

Financial liabilities

The fair value for reporting purposes is calculated based on 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 individual (above stated) risks, and our goals, policies and procedures for measuring and managing risks, as well as dealing with the 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. It established the risk management committee 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;
- continual awareness 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 effective 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 tough 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 the loss formed for groups of similar assets due to already incurred loss, but unspecified yet.

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, which 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 reasonable limits, while optimising return.

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

In view of the falling variable interest rates in the reporting year, the Group concluded no interest swaps or other derivatives for hedging against fluctuations or rise of the variable interest rate. The effect of changes in the EURIBOR variable interest rate on the Income Statement is presented in the table Analysis of the impact of changes in interest rates on profit before tax (Note 27).

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 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. Our subsidiaries in Ukraine bear the highest exposure to currency risk.



On the contrary, 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, to 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 damage to reputation of the Group, and between overall cost efficiency, as well as avoiding such control procedures that would hinder or limit self-initiative and creativity. The key responsibility for developing and introducing the 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 Parent Company and the audit committee.

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 2015, items of the Consolidated Statements of Financial Position as at 31 December 2015 and 31 December 2014, and other necessary data.

NOTE 1: Sales revenue

Table 9: Sales revenue

	€ thousand	
	2015	2014
Sales revenues	134,613	140,769

The sales volume of the Group by area of business is presented in section 2.3.

NOTE 2: Other operating revenue

Table 10: Other operating revenue

	€ thousand	
	2015	2014
Revaluation operating revenues from disposal of tangible fixed assets and investment property	192	181
Income from reversal of provisions	40	68
Received state support	213	261
Income from the reversal of allowances for receivables and recoveries of written-off receivables	935	1,299
Other operating revenues	234	443
Total	1,614	2,253

We received € 213 thousand from state grants (€148 thousand awarded for co-financing of projects (section 2.7.2 Participation in European Projects), while € 65 thousand for incentives and funds obtained for employing disabled persons above the quota.

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 € 910 thousand (see Note 17) and from the latter € 25 thousand, respectively.

NOTE 3: Cost of goods, materials and services

Table 11: Cost of goods, materials and services

	€ thousand	
	2015	2014
Cost of material	4,168	4,509
Cost of services	91,538	98,154
Direct costs	80,565	87,240
Telephone costs	427	493
Maintenance costs	2,390	2,454
Insurance premiums	735	709
Training and education costs	79	72
Other costs of services	7,344	7,186
Total	95,706	102,663

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

Other costs of services mostly relate to refunds of work-related expenses to employees, to the costs of professional/ intellectual services, of public utilities, of security and hired workforce, of rentals/leases and fees for payment transactions.

NOTE 4: Labour costs

Table 12: Labour costs

	€ thousand	
	2015	2014
Wages and salaries	18,608	18,119
Social security costs	3,761	4,214
Other labour costs:	2,844	3,039
Holiday allowances	603	711
Travel and meal allowances	2,065	2,048
Other labour costs	176	280
Total	25,213	25,371

Information on the number of employees in the Group and their qualification structure are disclosed in Section 3.1 of the Business Report.



NOTE 5: Depreciation and amortisation

Table 13: Depreciation and amortisation

	€ thousand	
	2015	2014
Amortisation of intangible assets	548	546
Depreciation of property, plant and equipment and investment properties	5,954	6,109
Revaluatory operating expenses of intangible and tangible fixed assets	33	79
Expenses from revaluation adjustments (impairment) and written-off receivables	1,139	1,456
Expenses from revaluation adjustments (impairment) and written-off receivables inventories	54	0
Total	7,728	8,190

In the scope of Expenses from value adjustments and receivables write-offs, the former amount to € 1,069 thousand (Note 17), and the latter to € 70 thousand.

NOTE 6: Other operating expenses

Table 14: Other operating expenses

	€ thousand	
	2015	2014
City land tax and similar expenses	1,178	1,166
Provisions	903	184
Other operating expenses	766	397
Total	2,847	1,746

Other Operating Expenses of the reporting year comprise the expenses from revaluation of labour costs, i.e. the accrued expenses for the employee profit-sharing scheme (€ 363 thousand) and other expenses, such as municipal and other levies, membership fees and damages paid (totalling € 403 thousand).

NOTE 7: Financial revenues and expenses

Table 15: Financial revenues and expenses

	€ thousand	
	2015	2014
Interest income	339	626
Income from dividends and profit participations in others	8	3
Income from reversal of impairment of investments	18	9
Finance income	365	638
Interest expenses	-3,270	-3,785
Finance costs from impairment of financial assets held for sale	-38	-468
Net exchange differences	-553	-1,057
Finance costs	-3,861	-5,310
Profit from financing activities	-3,496	-4,672

Financial expenses owing to impairment of investments (€38 thousand) relate to the impairment of investments available for sale. The Group recognised net foreign exchange losses in the amount of € 553 thousand: they mainly resulted from the Ukrainian currency value decrease.

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. Additional disclosures are shown in Table 1 and in Notes 15 and 28, and in Notes 13 and 26 in the financial report of the Intereuropa d.d.

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

The corporate income tax of the Group came to € 474 thousand, consisting of the expenses for tax assessed at € 193 thousand, and of the effect of deferred tax at € 281 thousand.

Table 16: Ratio between accounting and tax profits

	€ thousand	
	2015	2014
Tax	193	190
Deferred tax	281	-98
Corporate income tax	474	92
Profit before tax	1,271	421
Tax calculated at the average weighted tax rate	248	31
Tax on non-deductible expenses	210	443
Tax on tax reliefs	-6	-102
Tax on revenues reducing tax base	-39	-372
Tax on income reducing tax base	-33	-33
Tax on other items	95	125
Corporate income tax	474	92

The average weighted tax rate for 2015 was 10.92 percent, compared with -0.04 percent in 2014.



NOTE 10: Property, Plant and Equipment

Table 17: Changes in Property, Plant and Equipment in 2015

€ 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 2015	109,166	174,375	34,738	1,600	769	46	320,694
Reconciliation of opening balance	0	-296	-158	0	0	0	-454
Purchasing	0	0	0	0	3,532	23	3,555
Activation	0	1,330	2,110	610	-4,048	0	0
Transfer advances	0	0	0	0	23	-23	0
Disposals	0	-38	-959	-264	0	0	-1,261
Write offs	0	-91	-1,837	0	0	0	-1,928
Transfer between items	0	-21	515	-494	0	0	0
Other	0	-1	6	0	0	0	5
Exchange differences	-1,212	30	-242	2	-2	0	-1,424
As at 31 Dec 2015	107,954	175,289	34,173	1,454	274	45	319,190
VALUE ADJUSTMENT							
As at 1 Jan 2015	-6,003	-72,559	-31,159	-985	0	0	-110,705
Reconciliation of opening balance	0	296	158	0	0	0	454
Depreciation and amortisation	0	-4,290	-1,232	-165	0	0	-5,687
Disposals	0	6	928	231	0	0	1,165
Write offs	0	72	1,834	0	0	0	1,906
Transfer between items	0	15	-504	489	0	0	0
Other	0	1	-5	0	0	0	-4
Exchange differences	876	-8	154	-2	0	0	1,020
As at 31 Dec 2015	-5,127	-76,468	-29,827	-433	0	0	-111,852
RESIDUAL VALUE							
As at 1 Jan 2015	103,163	101,816	3,579	615	769	46	209,989
As at 31 Dec 2015	102,827	98,821	4,346	1,023	274	46	207,338

Land is stated at fair value, whilst other items of fixed assets are stated at procurement value and decreased by depreciation and impairment. The check for existence of indicators for impairment showed that no impairment of assets be necessary. The carrying amount of land as at 31 December 2015 would equal to € 28,713 thousand if it were posted under the procurement value model.

As of the balance sheet date, the Intereuropa Group had property, plant and equipment pledged as loan security in the amount of € 96,412 thousand, and for contingent liabilities € 28,316 thousand. There were no other legal restrictions for disposal with fixed assets. On the reporting date, the carrying amount of mortgaged real estates was € 148,556 thousand (compared with € 167,864 thousand on the year-end 2014). We made a provision amounting to the procurement value € 75 thousand on account of the lawsuit for the recognition of title to real estate. The pertaining portion of the surplus from revaluation is € 291 thousand.

Table 18: Changes in Property, Plant and Equipment in 2014

€ 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 2014	123,298	175,927	35,216	1,664	218	50	336,373
Reconciliation of opening balance	0	0	59	-59	0	0	0
Purchasing	0	0	0	0	2,284	31	2,315
Activation	0	560	1,161	0	-1,721	0	0
Transfer advances	0	0	0	0	35	-35	0
Disposals	-29	-290	-542	0	0	0	-861
Write offs	0	-169	-461	0	0	0	-630
Transfer to investment property	-4,940	-1,034	0	0	0	0	-5,974
Transfer from investment property	0	2	0	0	0	0	2
Revaluation to fair value	-5,622	0	0	0	0	0	-5,622
The observed excess census	0	0	41	0	-41	0	0
Exchange differences	-3,541	-622	-736	-5	-6	0	-4,910
As at 31 Dec 2014	109,166	174,375	34,738	1,600	769	46	320,694
VALUE ADJUSTMENT							
As at 1 Jan 2014	-8,281	-69,185	-31,337	-719	0	0	-109,521
Reconciliation of opening balance	0	0	104	-104	0	0	
Depreciation and amortisation	0	-4,328	-1,377	-163	0	0	-5,868
Disposals	0	215	531	0	0	0	746
Write offs	0	94	460	0	0	0	554
Transfer to investment property	0	511	0	0	0	0	511
Exchange differences	2,278	134	460	1	0	0	2,873
As at 31 Dec 2014	-6,003	-72,559	-31,159	-985	0	0	-110,705
RESIDUAL VALUE							
As at 1 Jan 2014	115,017	106,742	3,880	946	218	50	226,852
As at 31 Dec 2014	103,163	101,816	3,579	616	769	46	209,989



NOTE 11: Investment Property

Table 19: Changes in Investment Property

	€ thousand	
	2015	2014
HISTORICAL COST		
Balance as at 1 Jan	15,638	9,666
Disposals	-44	-2
Increasing	0	5,974
Balance as at 31 Dec	15,594	15,638
VALUE ADJUSTMENT		
Balance as at 1 Jan	-4,073	-3,321
Amortisation	-267	-241
Increasing	0	-511
Disposals	24	0
Balance as at 31 Dec	-4,316	-4,073
RESIDUAL VALUE		
Balance as at 1 Jan	11,565	6,345
Balance as at 31 Dec	11,278	11,565

Included in the carrying amount of investment properties is also the land revaluation amount to fair value at € 4,479 thousand, which is a component of the item Surplus from Revaluation of Land in the capital of the Group that occurred before the transfer of land to investment property. On the reporting date, the carrying amount of mortgaged investment property was € 9,887 thousand (compared with € 10,513 thousand on the year-end 2014). That pledge is an additional collateral for liabilities for which the pledged tangible items are the underlying security.

Table 20: Revenues and expenses from investment property

	€ thousand	
	2015	2014
Rental income from investment properties	1,505	1,526
Direct operating expenses creating revenue from investment properties	-498	-482
Total	1,007	1,044

In 2015, the market values of investment properties maintained a higher value than their carrying amount as at 31 December 2014, therefore we assessed that no indication of eventual impairment existed. Fair value of investment properties amounts to € 11,888 thousand.

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 impairment to goodwill as at 31 December 2015. The basis for calculation was the target sales turnover for 2016-2018, estimating 1.8 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 December 2015.

Table 21: Changes in Intangible Assets in 2015

€ thousand

	Long-term title rights	Other intangible assets	Goodwill	Long-term deferred development costs	Intangible assets in preparation	Advances for intangible assets	Total
HISTORICAL COST							
As at 1 Jan 2015	6,691	0	1,275	4,293	0	18	12,277
Purchasing	98	204	0	0	96	9	407
Decrease from disposals (write-off)	-49	0	0	0	0	0	-49
Transfer advance	0	27	0	0	0	-27	0
Transfer between items	0	4,293	0	-4,293	0	0	0
Exchange differences	-2	1	0	0	0	0	-2
As at 31 Dec 2015	6,737	4,525	1,275	0	96	0	12,632
VALUE ADJUSTMENT							
As at 1 Jan 2015	-4,905	0	0	-673	0	0	-5,578
Amortisation	-273	-275	0	0	0	0	-548
Decrease from disposals (write-off)	49	0	0	0	0	0	50
Transfer between items	0	-673	0	673	0	0	0
Exchange differences	-2	0	0	0	0	0	-2
As at 31 Dec 2015	-5,130	-948	0	0	0	0	-6,079
RESIDUAL VALUE							
As at 1 Jan 2015	1,785	0	1,275	3,620	0	18	6,698
As at 31 Dec 2015	1,605	3,577	1,275	0	96	0	6,553

Long-term deferred development costs relating to the software solution supporting integral logistics services were reallocated to Other intangible assets.

On the reporting date, the carrying amount of pledged intangible assets was € 728 thousand (compared with € 759 thousand a year ago). That pledge is an additional collateral for liabilities for which the pledged tangible items are the underlying security.



Table 22: Changes in Intangible Assets in 2014

€ thousand

	Long-term title rights	Goodwill	Long-term deferred de- velopment costs	Advances for intangi- ble assets	Total
HISTORICAL COST					
As at 1 Jan 2014	6,604	1,275	4,235	0	12,114
Reconciliation of opening balance	73	0	0	0	73
Purchasing	57	0	58	18	133
Decreases arising from disposal	-25	0	0	0	-25
Exchange differences	-19	0	0	0	-19
As at 31 Dec 2014	6,691	1,275	4,293	18	12,277
VALUE ADJUSTMENT					
As at 1 Jan 2014	-4,573	0	-418	0	-4,990
Reconciliation of opening balance	-73	0	0	0	-73
Amortisation	-291	0	-255	0	-546
Decreases arising from disposal	25	0	0	0	25
Exchange differences	7	0	0	0	6
As at 31 Dec 2014	-4,905	0	-673	0	-5,578
RESIDUAL VALUE					
As at 1 Jan 2014	2,031	1,275	3,817	0	7,124
As at 31 Dec 2014	1,785	1,275	3,620	18	6,698

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 € 62 thousand.

NOTE 14: Loans granted and deposits

Table 23: Structure of loans and deposits

€ thousand

	31 Dec 2015	31 Dec 2014
Long-term loans and deposits	45	44
- loans given	7	11
- deposits	38	32
Short-term loans given, deposits and certificates of deposit	6,604	9,180
- loans given	79	58
- deposits and certificates of deposit	6,525	9,122
Total	6,649	9,224

As of the cut-off date, the Intereuropa Group had short-term deposits of € 4,198 thousand pledged as a security for a potential liability for which a long-term provision was made at € 4,160 thousand, and for potential liabilities amounting to € 38 thousand.

As at the cut-off date, the Intereuropa Group had a long-term deposit of € 30 thousand pledged as a security for potential liability of € 30 thousand.

Table 24: Changes in long-term loans and deposits

	€ thousand	
	2015	2014
Opening balance	44	83
New deposits	30	20
Transfer to the short-term part	-21	-52
Repayments	0	0
Exchange differences	-7	-7
Closing balance	45	44

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

	€ thousand	
	31 Dec 2015	31 Dec 2014
Maturity from 1 to 2 years	30	20
Maturity from 2 to 3 years	1	12
Maturity from 3 to 4 years	7	0
Maturity from 4 to 5 years	0	0
Maturity over 5 years	7	11
Total	45	44

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

	€ thousand	
	31 Dec 2015	31 Dec 2014
Secured	7	11
Unsecured	0	0
Total	7	11

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

	€ thousand	
	31 Dec 2015	31 Dec 2014
Secured	0	5
Unsecured	78	53
Total	78	58

NOTE 15: Investment in Joint Venture

Intereuropa d.d., Koper, holds 50 percent in the joint venture Intereuropa-FLG d.o.o, Ljubljana.



Table 28: Changes in Investment in Joint Venture

€ thousand

	31 Dec 2015	31 Dec 2014
Balance as at 1 Jan.	141	135
Equity accounted profits	34	41
Payment of profit	-41	-34
Balance as at 31 Dec.	135	141

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

€ thousand

	31 Dec 2015	31 Dec 2014
ASSETS	2,034	2,166
Non-current assets	29	31
Current assets	2,005	2,134
LIABILITIES	2,034	2,166
Equity	232	246
Non-current liabilities	16	16
Current liabilities	1,786	1,904
	2015	2014
Revenues	11,228	11,635
Expenses (including corporate income tax)	11,161	11,554
Net profit for the period	68	81

NOTE 16: Other financial investments

Financial assets available for sale

Table 30: Changes in financial assets available for sale

€ thousand

	2015		2014	
	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	1,418	141	1,272	541
Revaluation to fair value	-12	0	146	0
Impairment	0	-29	0	-400
Sale	-1,000	0	0	0
Balance at the end of period, 31 Dec	406	112	1,418	141

Expenses owing to impairment are stated in Note 7.

NOTE 17: Short-term operating receivables

Table 31: Short-term operating receivables

	€ thousand	
	31 Dec 2015	31 Dec 2014
Short-term accounts receivable	28,696	29,242
Other short-term operating receivables	2,906	2,218
Total	31,602	31,460

Short-term operating receivables totalled € 28,696 thousand, thereof € 720 thousand related to receivables for services incomplete as of 31 December 2015.

Value adjustments of operating and other receivables

Table 32: Value adjustments of operating and other receivables

	€ thousand	
	2015	2014
Value adjustment of receivables as at 1 Jan	5,785	6,889
+ Reconciliation of opening balance	0	115
- receivables written off	-873	-1,177
- collected receivables	-910	-1,274
+ additional increase in value adjustments	977	1,233
- exchange differences	22	-2
Closing balance of adjustments of receivables as at 31 Dec	5,001	5,785
Value adjustment of other short-term operating of receivables as at 1 Jan	1,267	1,259
+ additional increase in value adjustments	92	11
- collected receivables	-2	-3
Closing balance of other short-term operating of receivables as at 31 Dec	1,358	1,267



Structure of short-term receivables by maturity

Table 33: Structure of short-term receivables by maturity

€ thousand

	Gross amount 31 Dec 2015	Value adjustment 31 Dec 2015	Gross amount 31 Dec 2014	Value adjustment 31 Dec 2014
Short-term accounts receivable				
Outstanding	20,269	0	21,029	0
Overdue from 0 to 30 days	4,855	1	4,649	3
Overdue from 31 to 90 days	2,229	9	2,571	6
Overdue from 91 to 180 days	770	13	807	29
Overdue over 181 days	5,574	4,978	5,971	5,747
Total short-term accounts receivable	33,697	5,001	35,027	5,786
Other short-term operating receivables				
Outstanding	2,692	0	1,982	0
Overdue from 0 to 30 days	181	0	131	0
Overdue from 31 to 90 days	16	0	11	11
Overdue from 91 to 180 days	6	0	3	0
Overdue over 181 days	1,369	1,358	1,357	1,256
Total other short-term operating receivables	4,264	1,358	3,485	1,267

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 customers obtained from specialised credit rating companies. Based on the acquired information, we request the customers with lower credit ratings to supply instruments to secure payments (bills of exchange, bank guarantees, mortgages, pledges of movable property and sureties).

As of the cut-off date, the Intereuropa 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.

NOTE 18: Cash and cash equivalents

Cash and cash equivalents of the Group amount to € 11,107 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 2015 are shown in the Statement of Cash Flows.

NOTE 19: Capital

The equity of the Group amounts to € 148,174 thousand, thereof the controlling interest with € 138,954 thousand, and non-controlling interest with € 9,220 thousand. Changes in equity items in 2015 are presented in the Statement of Comprehensive Income and in the Statement of Changes in Equity.

Financial debt/ Equity

The purpose of equity management is to assure capital adequacy, solid financial stability, long-term solvency to finance the operations and achieve the highest value possible for shareholders. The indebtedness of the Group in relation to equity decreased by the year-end 2015. The Group implemented its strategic guideline to reduce financial debt throughout the year.

Table 34: Financial debt/ Equity

€ thousand

	2015	2014
Long-term loans and financial leases	92,499	98,196
Short-term loans and financial leases	5,232	4,950
Total financial liabilities	97,731	103,146
Total equity	148,174	147,638
Debt/equity	0.66	0.70

Share capital

The rights vested in ordinary shares entitle the shareholders to participation in the management of the Company (voting right) and in the portion of profit (dividend), as well as 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 to 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

There were no changes in 2015, so the balance as at 31 December 2015 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. This item rose by € 727 thousand in the reporting year.

Treasury shares

The Parent Company had 18,135 treasury shares on the reporting date; the number of treasury shares has not changed since 31 December 2014. 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

The surplus from revaluation mainly relates to the revaluation of land (incl. the revaluation of land occurred before the reallocation thereof to investment property) and to the sale of financial assets available for sale. Changes in the financial year are shown in the Comprehensive Income Statement.

Foreign currency translation adjustment

Foreign exchange losses from translation decreased by € 15 thousand below the level of 2014 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 € 9,220 thousand; it was € 4 thousand higher than a year ago.



NOTE 20: Provisions and long-term deferred revenues

Table 35: Provisions and long-term deferred revenues

€ thousand

	Balance 1 Jan 2015	Use of pro- visions	The elimi- nation	The creation	Trans- fer from short-term liabilities	As at 31 Dec 2015
Provisions	5,339	-84	-38	903	42	6,162
Provisions for employee benefits and severance pay	1,128	-57	0	0	0	1,071
Provisions for legal proceedings	51	-27	-38	891	42	919
Other provisions	4,160	0	0	12	0	4,172
Long-term deferred revenues from state support	37	0	-59	49	0	27
Long-term deferred revenues	95	-4	-7	8	0	92
Total	5,471	-88	-104	961	42	6,282

The majority of other provisions relates to provisions for liabilities arising from contracted assurances (€ 4,160 thousand).

The calculation of provisions for employee benefits upon retirement and long-service awards was based on an actuarial calculation, relying on the following assumptions:

- number of employees, their gender, age, total length of service, length of service with the Company and the respective basis for calculation;
- method for calculating employee benefits under the national laws;
- growth of average salaries in respective countries;
- age-based turnover of employees, prerequisites for retirement in accordance with the minimum requirements for obtaining the entitlement to old-age pension;
- discount rates applied: 2.45% in Slovenia, 5.0% in Serbia, 2.75% in Montenegro, 2.75% in Bosnia and Herzegovina, and 4.0 percent in Croatia.

Reversal and additional formation of these provisions were based on the actuarial calculation as at 31 December 2014. In the reporting year, said provisions were decreased by the pay-out of termination benefits upon retirement and of jubilee rewards.

In the provisions for lawsuits, there is more than 50 percent probability that the plaintiff would be successful in their claim, which would result in outflows of resources embodying economic benefits.

They were made based on the opinions and estimates by internal and external legal experts.

LONG-TERM LIABILITIES

NOTE 21: Loans received, and Financial Leases

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

€ thousand

	31 Dec 2015	31 Dec 2014
Long-term loans received on the basis of loan agreements	91,733	97,708
Long-term loans received on the basis of financial lease	766	488
Total	92,499	98,196

Table 37: Changes in long-term loans and financial leases

€ thousand

	31 Dec 2015	31 Dec 2014
Balance as at 1 Jan	98,196	105,611
New loans	756	271
Repayments	-1,400	-2,729
Transfer to current liabilities (current part of non-current liabilities)	-5,042	-4,866
Exchange differences	-11	-91
Balance as at 31 Dec	92,499	98,196

Table 38: Long-term loans and financial leases by maturity

€ thousand

	31 Dec 2015	31 Dec 2014
Maturity from 1 to 2 years	5,194	5,726
Maturity from 2 to 3 years	4,797	4,582
Maturity from 3 to 4 years	82,157	4,609
Maturity from 4 to 5 years	352	83,280
Maturity over 5 years	0	0
Total	92,499	98,196

Table 39: Long-term loans and financial leases by collateral

€ thousand

	31 Dec 2015	31 Dec 2014
Secured	92,265	97,872
Mortgaged real estate and pledged securities	91,399	96,621
Bills of exchange and corporate guarantee	867	1,251
Unsecured	234	324
Total	92,499	98,196

Table 40: Short-term loans and financial leases

€ thousand

	31 Dec 2015	31 Dec 2014
Short-term loans received	5,121	4,854
Financial leases	111	96
Total	5,232	4,950



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

€ thousand

	31 Dec 2015	31 Dec 2014
Secured	5,232	4,950
Mortgaged real estate and pledged securities	4,587	4,355
Bills of exchange	562	501
Other	83	94
Total	5,232	4,950

All the liabilities due by the Group under loan agreements as at the reporting date were settled.

In the financial year 2015, we were acting towards fulfilment of financial goals and commitments agreed with the banks in the Contract on Financial Restructuring entered into in 2012. Although the Parent Company fulfilled all the commitments thereunder, the Group failed to accomplish one of them, namely the financial leverage ratio. The main reason for that non-achievement is attributed to the formation of unplanned provisions for lawsuits arising from disputes from previous years. Creditor banks approved the preliminary waiver of breach of financial commitments.

NOTE 22: Other short-term financial liabilities

Other short-term financial liabilities amounted to € 416 thousand and related to liabilities for dividends.

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 recognised directly in equity, and for temporary differences in property, plant and equipment that mostly arose from revaluation to fair value.

Table 42: Changes in not-offset deferred tax assets and liabilities, in 2015

€ thousand

Deferred tax assets	As at 1 Jan 2015	Changes in the income statement	Changes in other com- prehensive income	Exchange differences	As at 31 Dec 2015
Property, plant and equipment	40	-24	0	0	16
Revaluation of receivables from value adjustments	7	0	0	0	7
Financial assets revaluation	2,346	-258	0	0	2,088
Provisions	108	0	0	0	108
Tax loss	14,433	11	0	0	14,444
Other	3	0	0	0	3
Total	16,937	-271	0	0	16,666
Deferred tax liabilities	As at 1 Jan 2015	Changes in the income statement	Changes in other com- prehensive income	Exchange differences	As at 31 Dec 2015
Revaluation from land	13,129	0	0	2	13,131
Other tangible fixed assets	256	10	0	0	266
Revaluation of investments	11	0	-2	0	9
Total	13,396	10	-2	2	13,406
Effect		-281	2		

Table 43: Changes in not-offset deferred tax assets and liabilities, in 2014

€ thousand

Deferred tax assets	As at 1 Jan 2014	Changes in the income statement	Changes in other com- prehensive income	Exchange differences	As at 31 Dec 2014
Property, plant and equipment	40	0	0	0	40
Revaluation of receivables from value adjustments	3	4	0	0	7
Financial assets revaluation	2,323	36	-13	0	2,346
Provisions	134	-24	0	-2	108
Tax loss	14,338	95	0	0	14,433
Other	5	-2	0	0	3
Total	16,843	109	-13	-2	16,937
Deferred tax liabilities	As at 1 Jan 2014	Changes in the income statement	Changes in other com- prehensive income	Exchange differences	As at 31 Dec 2014
Revaluation from land	13,947	0	-781	-37	13,129
Other tangible fixed assets	244	11	0	1	256
Revaluation of investments	0	0	11	0	11
Total	14,191	11	-770	-36	13,396
Effect		98	757		



NOTE 24: Short-term operating liabilities

Table 44: Short-term operating liabilities

	€ thousand	
	31 Dec 2015	31 Dec 2014
Short-term accounts payable	21,653	20,220
Short-term operating liabilities from advances	680	518
Other short-term operating liabilities	3,273	3,860
Total	25,606	24,598

Of the total amount of short-term operating liabilities as at 31 December 2015, € 2,353 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 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.

Table 45: Contingent liabilities

	€ thousand	
	31 Dec 2015	31 Dec 2014
Arising from bank guarantees and guarantees given	11,771	11,246
Arising from legal proceedings	1,140	1,866
From D.S.U., družba za svetovanje in upravljanje	250	250
Other contingent liabilities	105	105
Total	13,266	13,467

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 € 1,140 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 last known transactions, or based on their operations.

Loans granted and received

The fair value equals the carrying amount.

Receivables and liabilities

It is assumed for receivables and liabilities falling due within one year that their carrying value reflects their fair value.

Table 46: Fair Value

€ thousand

	31 Dec 2015		31 Dec 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets available for sale	518	518	1,559	1,559
- measured at fair value	407	407	1,420	1,420
- measured at historical cost	112	112	139	139
Loans and deposits	6,649	6,649	9,224	9,224
Operating receivables	28,696	28,696	29,242	29,242
Cash and cash equivalents	11,107	11,107	6,757	6,757
Total	46,970	46,970	46,782	46,782
Financial liabilities				
Loans	97,731	97,731	103,146	103,146
- at a fixed interest rate	316	316	437	437
- at a variable interest rate	97,415	97,415	102,709	102,709
Other short financial liabilities	416	416	409	409
Short-term operating liabilities	21,653	21,653	20,220	20,220
Total	119,800	119,800	123,775	123,775

Fair Value Levels of 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 47: Fair Value Levels

€ thousand

31 Dec 2015				
Fair value amounts	Level 1	Level 2	Level 3	Total
Assets, that are measured at fair value				
Land	0	0	102,827	102,827
Available-for-sale financial assets	407	0	112	519
Assets, for which fair value is disclosed				
Loans and deposits	0	6,649	0	6,649
Operating receivables	0	28,696	0	28,696
Cash and cash equivalents	0	11,107	0	11,107
Liabilities, for which fair value is disclosed				
Loans	0	97,731	0	97,731
Other short financial liabilities	0	416	0	416
Short-term operating liabilities	0	21,653	0	21,653
31 Dec 2014				
Fair value amounts	Level 1	Level 2	Level 3	Total
Assets, that are measured at fair value				
Land	0	0	103,163	103,163
Available-for-sale financial assets	1,420	0	139	1,559
Assets, for which fair value is disclosed				
Loans and deposits	0	9,224	0	9,224
Operating receivables	0	29,242	0	29,242
Cash and cash equivalents	0	6,757	0	6,757
Liabilities, for which fair value is disclosed				
Loans	0	103,146	0	103,146
Other short financial liabilities	0	409	0	409
Short-term operating liabilities	0	20,220	0	20,220

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

NOTE 27: Financial Risks

Risk management is described in section 2.6.2 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 48: Liquidity risk, 31 December 2015

€ thousand

31 Dec 2015	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	96,854	106,314	3,826	3,988	7,558	90,942	0
Loans received on the basis of financial lease	877	986	63	83	438	401	0
Accounts payable	21,984	21,882	21,494	20	119	119	137
Liabilities from advances	680	680	525	0	0	155	0
Other liabilities excluding advances	3,633	3,633	3,273	0	352	0	0
Total	124,028	133,495	29,181	4,091	8,468	91,618	137

Table 49: Liquidity risk, 31 December 2014

€ thousand

31 Dec 2014	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	102,562	115,882	3,782	3,864	7,877	100,360	0
Loans received on the basis of financial lease	584	637	42	74	74	447	0
Accounts payable	20,576	20,576	20,137	38	120	120	161
Liabilities from advances	518	518	518	0	0	0	0
Other liabilities	3,954	3,954	3,699	0	90	165	0
Total	128,193	141,567	28,178	3,976	8,160	101,092	161

Table 50: Interest rate risk

€ thousand

2015	Change in percent	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
EURIBOR	+15%	-10	-9	-18	-29	0	-66
EURIBOR	+10%	-6	-6	-12	-19	0	-44
EURIBOR	-10%	6	6	12	19	0	44
EURIBOR	-15%	10	9	18	29	0	66

Table 51: Interest rate risk

€ thousand

2014	Change in percent	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
EURIBOR	+15%	-6	-6	-11	-28	0	-51
EURIBOR	+10%	-4	-4	-8	-19	0	-34
EURIBOR	-10%	4	4	8	19	0	34
EURIBOR	-15%	6	6	11	28	0	51

The table presents the sensitivity analysis and impact on the Profit or Loss from Ordinary Activities.



Currency Risk

Table 52: Currency risk, 31 December 2015

€ thousand

31 Dec 2015	€	HRK	UAH	MKD	Other	Total
Operating receivables excluding advances	24,431	3,775	562	627	2,042	31,436
Receivables for advances	116	0	0	0	48	165
Long-term loans given and deposit	38	1	7	0	0	46
Short-term loans given and deposit	6,469	91	2	6	36	6,604
Long-term loans received and financial leases	-91,534	-732	-35	0	-199	-92,499
Short-term loans received and financial leases	-4,881	-91	-20	0	-238	-5,231
Short-term operating liabilities	-20,623	-3,000	-263	-103	-1,617	-25,606
Gross exposure of the statement of financial position	-85,984	45	253	530	73	-85,085

Table 53: Currency risk, 31 December 2014

€ thousand

31 Dec 2014	€	HRK	UAH	MKD	Other	Total
Operating receivables	25,076	3,701	424	364	1,988	31,553
Receivables for advances	196	0	5	1	76	278
Long-term loans given and deposit	20	0	8	0	16	44
Short-term loans given and deposit	8,946	90	15	3	126	9,180
Long-term loans received and financial leases	-97,499	-373	-85	0	-240	-98,197
Short-term loans received and financial leases	-5,068	-63	-24	0	-203	-5,357
Short-term operating liabilities	-20,120	-2,401	-60	-171	-1,845	-24,597
Gross exposure of the statement of financial position	-88,449	954	283	197	-82	-87,098

Credit Risk

Table 54: Credit Risk

€ thousand

	31 Dec 2015	31 Dec 2014
Long-term loans granted to others	7	11
Long-term deposits	38	32
Short-term loans to others	79	58
Short-term deposits	6,525	9,122
Short-term trade receivables	31,602	31,460
- of which accounts receivable	28,696	29,242
Cash and cash equivalents	11,107	6,757
Available-for-sale financial assets	518	1,559
Total	49,876	48,999

Cost of auditors

Table 55: Cost of auditors

	€ thousand	
	2015	2014
Annual report audit	57	58
Other services	0	0
Total	57	58

NOTE 28: Related parties

Table 56: Compensation to key management personnel

	€ thousand	
	2015	2014
Short-term earnings (salary and social security contributions, annual and sick leave, profit participation, non-cash earnings (bonuses))	768	797
Severance	2	0
Other benefits	3	4
Total	773	801

The Group did not grant any loans to the key management personnel in 2015.

Table 57: Disclosure of transactions with related parties

	€ thousand	
Revenue from services		
Joint venture	1,460	1,033
Costs of services		
Joint venture	4,304	4,346

Liabilities of the Group to joint venture per 31 December 2015 amounted to € 555 thousand (€ 531 thousand as at 31 December 2014); receivables came to € 91 thousand (€ 75 thousand as at 31 December 2014).



NOTE 29: Information by business segments

Table 58: Information by business segments

€ thousand

	Slovenia		Croatia		Bosnia & Herzegovina		Serbia		Montenegro	
	Jan-dec 2015	Jan-dec 2014	Jan-dec 2015	Jan-dec 2014	Jan-dec 2015	Jan-dec 2014	Jan-dec 2015	Jan-dec 2014	Jan-dec 2015	Jan-dec 2014
Revenues from external customers	89,264	88,725	20,399	20,951	6,145	5,717	4,108	3,717	5,069	4,723
Revenues from business with other segments	3,144	2,826	423	336	433	404	648	628	131	127
Total revenues	92,408	91,551	20,822	21,287	6,579	6,121	4,756	4,345	5,200	4,850
Depreciation	3,946	3,899	1,481	1,611	328	330	193	209	430	452
Operating profit or loss	3,682	3,635	-712	-688	358	318	558	577	479	418
Revenues from interest rates	295	553	42	76	0	0	7	9	52	73
Expenses from interest rates	3,041	3,495	48	83	14	12	99	137	0	0
Net profit or loss from ordinary activities	1,580	453	-698	-691	344	306	436	329	531	490
Corporate income tax	279	11	10	-108	38	32	71	22	43	80
Assets	228,289	230,814	59,006	58,909	17,072	17,004	9,553	9,645	22,202	22,334
Tangible fixed assets under construction	119	103	156	189	0	391	0	40	39	83
Long-term assets	191,170	194,852	53,157	53,576	15,737	15,764	8,577	8,576	18,080	18,317
Operating liabilities	20,077	19,665	3,456	2,782	987	912	605	642	816	762
Financial liabilities	95,184	99,794	2,125	2,485	268	290	1,519	1,903	409	408
Investment in jointly controlled entities	75	75	0	0	0	0	0	0	0	0
Revenues from investment in jointly controlled entities	41	34	0	0	0	0	0	0	0	0

€ thousand

	Ukraine		Others		Total		Adjustments*		Group	
	Jan-dec 2015	Jan-dec 2014	Jan-dec 2015	Jan-dec 2014	Jan-dec 2015	Jan-dec 2014	Jan-dec 2015	Jan-dec 2014	Jan-dec 2015	Jan-dec 2014
Revenues from external customers	5,025	12,530	4,617	4,381	134,628	140,744	-16	25	134,613	140,769
Revenues from business with other segments	1	1	743	710	5,523	5,031	-5,523	-5,031	0	0
Total revenues	5,026	12,530	5,360	5,091	140,152	145,775	-5,539	-5,006	134,613	140,769
Depreciation	60	94	63	60	6,502	6,655	0	0	6,502	6,655
Operating profit or loss	162	671	225	165	4,753	5,097	-21	-922	4,733	4,175
Revenues from interest rates	8	14	2	4	406	729	-65	-103	340	626
Expenses from interest rates	131	159	1	2	3,335	3,888	-65	-103	3,270	3,785
Net profit or loss from ordinary activities	-509	-446	206	165	1,891	606	-620	-185	1,271	421
Corporate income tax	0	34	32	21	474	92	0	0	474	92
Assets	2,186	2,883	3,086	3,105	341,394	344,694	-48,974	-49,448	292,420	295,246
Tangible fixed assets under construction	6	8	0	0	320	815	0	0	320	815
Long-term assets	1,388	1,958	1,106	1,098	289,214	294,143	-46,574	-47,104	242,640	247,039
Operating liabilities	940	714	761	828	27,643	26,305	-1,346	-1,254	26,297	25,051
Financial liabilities	1,304	1,639	0	35	100,809	106,554	-2,662	-2,998	98,148	103,556
Investment in jointly controlled entities	0	0	0	0	75	75	60	66	135	141
Revenues from investment in jointly controlled entities	0	0	0	0	41	34	-7	7	34	41

* All adjustments are subject to consolidation procedures.

The performance of business segments is regularly monitored by the management, using it as the basis for decision-making on the resources to be allocated to a segment and assessing the performance of the Group.

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.



Report on the Intereuropa Group by independent auditor



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 statement of financial position as at December 31, 2015, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and 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 consolidated financial statements present fairly, in all material respects, the financial position of Intereuropa Group, as of December 31, 2015, 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.

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, 5 April 2016

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

4.2 Financial report of the Parent Company Intereuropa d.d. for the financial year 2015

Financial statements of the Parent Company Intereuropa d.d., Koper, and Notes thereto

The Company Intereuropa d.d., Koper (hereinafter: 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) incl. the interpretations by the Interpretations Committee (IFRSIC), as adopted by the European Union, for a period of five years counting from 1 January 2006, and applied the IFRS for compiling and presenting its separate financial statements, and pursuant to the General Meeting resolution adopted on 8 July 2011, the Company resolved to apply them for an unlimited period of time, no less than five years, from 1 January 2011.

Table 1: Income Statement of the Company Intereuropa d.d., Koper, for 2015

	Notes	2015	2014
Sales revenues	1	91,492	90,723
Other operating revenues	2	583	1,063
Costs of goods, materials and services	3	-66,469	-66,876
Labour costs	4	-15,777	-15,562
Depreciation	5	-4,246	-4,547
Other operating expenses	6	-1,959	-1,254
Operating profit		3,624	3,547
Finance income		1,181	1,496
Finance costs		-3,331	-4,705
Profit from financing activities	7	-2,150	-3,209
Profit from continuing operations		1,474	338
Corporate income tax (including deferred taxes)	8	-245	1
Net profit for the period		1,229	339
Basic and diluted earnings / loss per ordinary share (€)	17	0.04	0.01

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 2015

	Notes	2015	2014
Net profit for the period		1,229	339
Other comprehensive income	17	-7	-4,298
Items that will be reclassified to profit or loss		-7	120
Revaluation of available-for-sale financial assets to fair value	13	-9	144
Deferred tax in revaluation surplus related to available-for-sale financial assets	21	2	-24
Items that will not be reclassified to profit or loss		0	-4,418
Change in fair value of land		0	-5,129
Transfer of surplus from revaluation of land to retained earnings in sale of land		0	-13
Deferred tax in surplus from revaluation of land	21	0	874
Retained earnings from revaluation of land (in sale of land)		0	13
Actuarial gains / losses from severance pay benefits and anniversary bonuses recognized in the revaluation surplus	18	0	-33
Other changes		0	-130
Total comprehensive income		1,222	-3,959

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

Table 3: Statement of Financial Position of Intereuropa d.d., Koper as at 31 December 2015

€ thousand

	Notes	31 Dec 2015	31 Dec 2014
ASSETS			
Property, plant and equipment	9	112,019	113,297
Investment properties	10	10,308	10,562
Intangible assets	11	5,048	5,347
Other non-current operating assets	12	62	105
Deferred tax assets	20	16,413	16,658
Long-term financial investments, except for loans and deposits	13	47,036	48,288
Long-term loans and deposits	14	253	563
TOTAL NON-CURRENT ASSETS		191,139	194,820
Inventories		9	28
Short-term financial investments, except for loans, deposits and certificates of deposits		250	250
Short-term loans, deposits and certificates of deposits	14	5,279	7,260
Short-term operating receivables	15	21,406	21,985
Cash	16	8,169	4,594
Other current assets		40	39
TOTAL CURRENT ASSETS		35,153	34,156
TOTAL ASSETS		226,292	228,976
EQUITY			
Share capital		27,489	27,489
Equity reserves		18,455	18,455
Revenue reserves		2,749	2,054
Revaluation surplus		48,659	48,755
Transferred net profit		89	0
Net profit		535	0
TOTAL EQUITY	17	97,976	96,753
LIABILITIES			
Provisions and long-term deferred revenue	18	5,539	5,129
Long-term loans and financial leases	19	90,109	94,944
Long-term operating liabilities		656	445
Deferred tax liabilities	21	9,966	9,968
TOTAL NON-CURRENT LIABILITIES		106,270	110,486
Short-term loans and financial leases	19	3,752	3,529
Short-term operating liabilities	21	18,294	18,208
TOTAL CURRENT LIABILITIES		22,046	21,737
TOTAL LIABILITIES		128,316	132,223
TOTAL EQUITY AND LIABILITIES		226,292	228,976

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 2015

€ thousand

	Note	2015	2014
Cash flows from operating activities			
Net profit for the period		1,229	339
Adjustments for:			
- depreciation		3,940	3,892
- impairment tangible fixed assets and intangible assets		9	75
- revaluation operating revenues from disposal of tangible fixed assets and investment property		-34	-155
- revaluation operating expenses from disposal of tangible fixed assets and investment property		5	2
- impairment and write-offs of receivables		291	578
- non-cash expenses		809	196
- non-cash revenues		-144	-333
- financial revenues		-1,181	-1,496
- financial expenses		3,331	4,705
- corporate income tax (including deferred taxes)		245	-1
Operating profit before working capital changes and tax		8,501	7,803
Changes in working capital and provisions			
Change in receivables		274	-72
Change in inventories		19	0
Changes in other short-term assets		-1	-13
Change in operating liabilities		202	-961
Change in provisions		-14	-48
Net cash flows from operating activities		8,981	6,709
Cash flows used in investing activities			
Interest received		291	526
Dividends and other profit participations received		886	955
Proceeds from sale of tangible fixed assets		68	264
Proceeds from granted long-term loans		240	321
Proceeds from given long-term deposits		50	0
Proceeds from sale of other long-term investments		1,000	0
Proceeds from a decrease in short-term loans		60	76
Proceeds from a decrease in short-term deposits and certificates of deposits		1,983	3,506
Expenditures for acquisitions of tangible fixed assets		-1,972	-1,246
Expenditures for acquisition of intangible assets		-241	-248
Expenditures for long-term deposits		-30	-20
Expenditure for the recapitalization of subsidiaries		-31	-25
Other financial expenses		0	-130
Net cash flows used in investing activities		2,304	3,979
Cash flows from/(used in) financing activities			
Interest paid		-3,099	-3,448
Expenditures for repayment of long-term loans		-4,611	-6,052
Net cash flows from financing activities		-7,710	-9,500
Opening balance of cash and cash equivalents		4,594	3,406
Cash flow for the period		3,575	1,188
Closing balance of cash and cash equivalents	16	8,169	4,594

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 2015

€ thousand

	Note	Share capital	Capital reserve	REVENUE RESERVES			Revaluation 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 2015		27,489	18,455	2,054	180	-180	48,755	0	0	96,753
Total comprehensive income		0	0	0	0	0	-7	0	1,229	1,222
Net profit/loss		0	0	0	0	0	0	0	1,229	1,229
Other comprehensive income		0	0	0	0	0	-7	0	0	-7
Transactions with owners										
Other changes		0	0	1	0	0	-89	89	0	1
Transfer of net profit to reserves		0	0	694	0	0	0	0	-694	0
Closing balance as at 31 Dec 2015	17	27,489	18,455	2,749	180	-180	48,659	89	535	97,976

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 2014

€ thousand

	Note	Share capital	Capital reserve	REVENUE RESERVES			Revaluation 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 2014		27,489	18,455	1,875	180	-180	52,815	78	0	100,712
Total comprehensive income		0	0	0	0	0	-4,181	-117	339	-3,959
Net profit/loss		0	0	0	0	0	0	0	339	339
Other comprehensive income		0	0	0	0	0	-4,181	-117	0	-4,298
Transactions with owners										
Other changes		0	0	0	0	0	121	-121	0	0
Settlement of transferred loss		0	0	0	0	0	0	160	-160	0
Transfer of net profit to reserves		0	0	179	0	0	0	0	-179	0
Closing balance as at 31 Dec 2014	17	27,489	18,455	2,054	180	-180	48,755	0	0	96,753

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

The financial statements of the Company Intereuropa d.d. were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and the interpretations adopted by the International Reporting Interpretations Committee (IFRIC), which were accepted by the EU, and in compliance with the Slovenian Companies Act (ZGD).

Considering the approval process of standards in the EU, there are no differences in accounting policies of the Company between the IFRS applied by Intereuropa as at the cut-off date hereof and the IFRS as adopted by the European Union.

The Managing Board approved the financial statements on 23 February 2015.

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 (Note 15);
- recoverable amount serving for comparison with the carrying amount in test of asset impairment;
- useful life of depreciable assets (Notes 9, 10 and 11);
- residual value of depreciable assets (Notes 9, 10 and 11);
- valuation of financial instruments at fair value (Notes 13 and 24);
- formation of deferred tax assets and deferred tax liabilities (Note 21);
- formation of provisions (Note 18);
- appraising the value of land which is posted at fair value (Notes 9 and 24);
- option to use deferred tax assets (Note 21);
- assessing the assumptions of control of subsidiaries and of joint venture (Note 13).



Reclassification of items

In the Statement of Financial Position and in the Statement of Cash Flows, we have presented separately the item Other current assets that were in previous statements included in short-term receivables, and we adjusted the comparable data.

II. CHANGES IN ACCOUNTING ESTIMATES

There were no changes to accounting estimates in the reporting year.

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.

(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.

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 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 the 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 the 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. Profits or losses are recognised in the Profit or Loss if they are 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, by 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.

(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.

Capital reserves

Capital reserves of Parent Company Intereuropa d.d. are amounts arising from the simplified decrease of share capital.

Legal reserves

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

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.

Surplus from Revaluation

The surplus from revaluation relates to the increase in the carrying amount of assets under the revaluation model. It consists of the surplus from revaluation arising from land, investment properties and of the surplus from revaluation from financial investments.



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

Upon initial recognition, property, plant and equipment are stated under the procurement value model. The procurement value comprises the amounts directly attributable to acquisition of assets, as well as capitalised borrowing costs. After the initial recognition of this item, we apply the procurement value model to measure the buildings and equipment, and the revaluation model for the land. Under the procurement value model, the buildings and fittings/equipment are carried at their cost price (procurement value) deducted by the depreciation allowance and by any accumulated impairment loss. On the other hand, the revaluation model applied for presenting the land requires to post the land at its 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 investments in acquired industrial property rights (concessions, patents, licences, brand names and similar rights) and other rights, and other intangible assets. 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

Investment property is any property held for the purpose of earning the rentals or increasing the long-term investment in value, or both. 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. The transfer of revalued investment property (land) from the item Property, Plant and Equipment is made at their carrying amount as at the transfer date, and the surplus from revaluation of such investment property remains in the equity; upon disposal, it is transferred to the Net Profit or Loss Carried Forward. 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 the Property, Plant and Equipment. Other leases are dealt with as operating leases.

(h) Inventories

Inventories of materials 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

In the Profit or Loss, the value of a loss owing to impairment is recognised as an expense.

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 following the finally resolved (completed) bankruptcy proceedings, approved compulsory compositions, unsuccessful execution proceedings, and ascertained irrecoverability 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. If there is an accumulated loss in these assets which is recognised in the capital, such loss has to be removed from the capital and recognised in the Profit or Loss as an expense amounting to the difference between the procurement value and current fair value of the financial asset, and deducted by any impairment loss previously recognised in the 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 value 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 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 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 to be 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 are recognised by calculating the corresponding costs or expenses accrued, and they are decreased in a time sequence directly by the covered costs or expenses in respect of which the provisions have been made, except actuarial gains and losses resulting from certain employee benefits for termination payment upon retirement due to changes in actuarial assumptions and experiential adjustments that are recognised in the surplus from revaluation. 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 that were made inclusive of the corresponding costs or expenses. 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.

Provisions for employee benefits (jubilee rewards and termination benefits upon retirement)

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.

These 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. The actuarial calculation underlying for determination of the level of provisions are made as frequently as required, however, at least every three years. The calculation of provisions for employee benefits upon retirement was based on assumptions specified in Note 18.

The interest expenses and the accrual in the current year are recognised in the Profit or Loss among labour costs, and the interest is recognized as a financial expense. Actuarial gains and losses from jubilee rewards are recognised in the Profit or Loss among the labour cost, and the actuarial gains and losses from termination benefits upon retirement are recognised in the Other Comprehensive Income in the surplus from revaluation and are transferred to retained net profit or loss. The provisions are derecognised in the amount of the actually incurred costs for the accounted termination benefits upon retirement and jubilee rewards.

(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 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, therefore revenues are 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 are deducted from sales revenues clearly shown in invoices or other relevant documents; subsequently, revenues are also reduced by the sales value of returned goods and additionally approved discounts or rebates.

Government grants

Government grants assume various forms, such as: grants, subsidies, premiums and project co-financing. 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

Granted

Income from operating lease is recognised during the lease term.

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.

(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, foreign exchange gains, and the revenues from elimination of impairment of financial investments. 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.

Financial expenses comprise interest expenses and other cost of borrowing (unless capitalised), foreign exchange losses, and losses owing to impairment of financial investments. In the Income Statement, the cost of borrowing are recognised under the effective interest rate method as an expense of the period in which they accrue.

(q) Corporate Income Tax

Corporate Income Tax for the financial year comprises the assessed tax and the deferred tax. It 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 fiscal year.



Deferred tax is presented by accounting for the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for tax reporting. The following temporary differences are not taken into account: Goodwill when it does not stand for a deductible tax expense, initial recognition of assets or liabilities not affecting the accounting or taxable profit, and the differences relating to investments in controlled companies and jointly-controlled entities in the amount, which will probably not be eliminated in the foreseeable future. Deferred tax is not recognised for the purpose of taxable temporary differences incurred upon the initial recognition of goodwill.

Deferred tax asset is recognised only to the amount expected to be paid upon reversal of temporary differences based on the applicable legislation 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) 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 (net profit decreased by the fixed and variable part pertaining to preferential shareholders) with the weighted average number of ordinary shares in the financial year.

Basic earnings per share are underlying for the calculation of diluted earnings per share in that the earnings related to ordinary shares and the weighted average number of outstanding ordinary shares are adjusted to the effects of all potential ordinary shares, which means that the earnings of ordinary shareholders in the numerator are increased by the pay-out of dividend to holders of potential ordinary shares, and the denominator by the weighted average number of potential ordinary shares. A potential ordinary share is a financial instrument that may entitle such shareholder to ordinary shares.

(s) New standards and interpretations

Changes in standards and interpretations in 2015

The accounting policies applied in the compilation of financial statements are the same as those used in the preparation of financial statements for the year ended 31 December 2014, except for adoption of new or amended standards that came into effect for annual periods beginning on or after 1 January 2015 and which are presented below.

Annual Improvements 2010-2012 Cycle

All improvements to IFRS 2, IFRS 3, IFRS 8, IAS 16, IAS 38 and IAS 24 are effective for accounting periods beginning on or after 1 February 2015. These improvements did not have a material impact on the Company's financial statements.

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39.



IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be re-valued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 February 2015. The amended standard did not have a material impact on the Company's financial statements.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 January 2015. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- joint arrangements, not just joint ventures, are outside the scope of IFRS 3; and
- this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination.

These improvements did not have a material impact on the Company's financial statements.

IFRIC Interpretation 21: Levies

The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. These amendments have no impact on the Company's financial statements.

New standards issued but not yet effective and not early adopted

The standards and interpretations disclosed below have been issued but were not yet effective up to the date of issuance of the financial statements. The Company intends to adopt these standards and interpretations, if applicable, in the preparation of its financial statements when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which includes the requirements of all phases of the IFRS 9 improvement project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The revised standard introduces new requirements for the classification and measurement of financial assets and liabilities, the recognition of their impairment, and hedge accounting. The revised IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 issued in 2009, 2010 and 2013 is permitted if an entity made a transition to IFRS before 1 February 2015.

The adoption of the revised IFRS 9 will have probably effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of its financial liabilities.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity to continue applying most of its existing generally accepted accounting principles to accounting for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statements of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. The Company does not expect the amendments to have a material impact on the financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board issued IFRS 15, which establishes a new five-step model for the recognition of revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new standard is applicable to all entities and supersedes all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017. Early application is permitted. The Company is currently assessing the impact of the new standard and plans to adopt it on the required effective date.



Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exception has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. They are effective for annual periods beginning on or after 1 January 2016. Early application is permitted. The amendments to IFRS 11 are not expected to have any impact on the Company's financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

These amendments are not expected to have any impact on the Company's financial statements.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. Following initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity).

The amendments also require that produce that grows on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016. Early application is permitted. These amendments are not expected to have any impact on the Company's financial statements.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have important impact on the Company's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company's financial statements.

Annual improvements 2012-2014 Cycle

The amendments are effective for annual periods beginning on or after 1 January 2016, but can be applied earlier.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Changes in methods of disposal)

The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment applies for annual periods beginning on or after 1 January 2016.

The amendments introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments state that:

- such reclassifications should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied; and
- assets that no longer meet the criteria for held for distribution to owners (and do not meet the criteria for held for sale) should be treated in the same way as assets that cease to be classified as held for sale.

These amendments are not expected to have any impact on the Company's financial statements.

IFRS 7 Financial Instruments: Disclosures (with consequential amendments to IFRS 1)

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets. Paragraph 42C (c) of IFRS 7 states that a pass through arrangement under a servicing contract does not, in itself, constitute a continuing involvement for the purposes of the transfer disclosure requirements. However, in practice, most service contracts have additional features that lead to a continuing involvement in the asset, for example, when the amount and/or timing of cash flows collected.

Applicability of the amendments to IFRS 7 offsetting disclosure to condensed interim financial statements

Amendments to IFRS 7 were made to remove uncertainty as to whether the disclosure requirements on offsetting financial assets and financial liabilities (Introduced in on December 2011 and effective for periods beginning on or after 1 January 2013) should be Included in condensed interim financial statements, and if so, whether in all Interim financial statements after 1 January 2013 or only in the first year. The amendments clarify that the offsetting disclosures are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 Interim Financial Reporting.



The amendments apply retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These amendments are not expected to have any impact on the Company's financial statements.

IAS 19 Employee Benefits (discount rate: regional market issue)

Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).

The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period. These amendments are not expected to have any impact on the Company's financial statements.

IAS 34 Interim Financial Reporting (disclosure of information »elsewhere in the interim financial report«)

The amendments clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the Interim financial report that is available to users on the same terms and at the same time as the Interim financial statements. The amendments apply retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These amendments are not expected to have any impact on the Company's financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments should be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company's financial statements.

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/ trademarks obtained in business combinations is based on the assessed discounted future value of royalties that will not be payable due to patent or brand ownership.

Investments in equity and debt securities

Fair value of financial 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 receivables

In our view, the disclosed value of operating receivables reflects their fair value.

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. The 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.



The Company's exposure to credit risk depends mainly on the profile of its customers. Nevertheless, the management also takes into account the demographic structure 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 any 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 developing and introducing the controls for managing operational risks is conferred to executives of each organisational unit.

A programme of internal audits is conducted by the Internal Audit Department, which discusses the results with the management of the audited business unit, and the summary is submitted to the Managing Board of the Company and to the Audit Committee.

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 2015, items of the Statements of Financial Position of the Company as at 31 December 2015 and 31 December 2014, and other additional data.

NOTE 1: Sales revenue

Sales revenues amounting to € 91,492 thousand represent the revenues from services supplied.



Table 7: Sales revenue

	€ thousand	
	2015	2014
Revenues from sales to group members	3,104	2,767
Revenues from sales to others	88,387	87,957
Total	91,492	90,723

NOTE 2: Other operating revenue**Table 8: Other operating revenue**

	€ thousand	
	2015	2014
Revaluation operating revenue from the sale of tangible fixed assets and investment property	34	155
Income from reversal of provisions	0	11
Received state support	197	252
Income from the reversal of allowances for receivables and recoveries of written-off receivables	241	422
Other operating revenues	111	223
Total	583	1,063

We received € 140 thousand from state grants awarded for co-financing of projects (section 2.7.2 Participation in European Projects), and € 57 thousand for incentives and funds obtained for employing disabled persons above the quota (€ 50 thousand in comparable term). 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 € 220 thousand (see Note 15) and from the latter € 21 thousand.

NOTE 3: Cost of materials and services**Table 9: Cost of materials and services**

	€ thousand	
	2015	2014
Cost of materials	1,617	1,667
Costs of services in the group	2,182	1,841
Costs of services (except those in the group)	62,670	63,368
Direct costs	57,161	57,906
Telephone costs	119	162
Maintenance costs	1,573	1,672
Insurance premiums	456	402
Training and education costs	39	53
Other costs of services	3,323	3,173
Total	66,469	66,876

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

Other costs of services stand for 5 percent of total costs of services and mostly relate to refunds of work-related expenses to employees, to the cost of labour hired and of professional/ intellectual services, rentals/leases, the cost of public utilities, to security and to fees for payment transactions.



NOTE 4: Labour costs

Table 10: Labour costs

	€ thousand	
	2015	2014
Wages and salaries	11,427	11,172
Pension insurance costs	1,321	1,243
Other social security costs	826	808
Other labour cost	2,203	2,340
Holiday allowances	492	593
Travel and meal allowances	1,619	1,626
Other labour costs	92	122
Total	15,777	15,562

Labour costs comprise the accrued costs of annual leave at € 74 thousand. The structure of our human resources is shown in section 3.1.3.

NOTE 5: Depreciation and amortisation

Table 11: Depreciation and amortisation

	€ thousand	
	2015	2014
Amortisation of intangible assets	528	501
Depreciation of property, plant and equipment and investment properties	3,412	3,391
Revaluatory operating expenses of intangible and tangible fixed assets	14	77
Expenses from revaluation adjustments (impairment) and written-off receivables	291	578
Total	4,246	4,547

Expenses from value adjustments and write-offs of receivables comprise the expenses from value adjustments of trade receivables at € 223 thousand (see Note 15), and the expenses from write-offs € 68 thousand.

NOTE 6: Other operating expenses

Table 12: Other operating expenses

	€ thousand	
	2015	2014
Expenses for the participation of employees in profits	325	90
City land tax and similar expenses	1,051	1,031
Other operating expenses	583	133
Total	1,959	1,254

Other Operating Expenses of the reporting year comprise the expense estimate for lawsuits arising from previous years (€ 485 thousand), and other expenses such as municipal and other levies, membership fees and damages paid (totalling € 98 thousand).



NOTE 7: Financial revenues and expenses

Table 13: Financial revenues and expenses

	€ thousand	
	2015	2014
Interest income from group members	64	101
Interest income from others	213	430
Income from intra-group participations	838	918
Income from participation in the joint venture	41	34
Income from profit participations in others	8	3
Income from removal of impairment of investments	18	9
Finance income	1,181	1,496
Interest expenses and other borrowing expenses	-3,040	-3,493
Finance costs from impairment of investments in shares and stakes in the group	-247	-703
Expenses from impairments and written-off other financial investments	-34	-468
Net exchange differences	-10	-41
Finance costs	-3,331	-4,705
Profit from financing activities	-2,150	-3,209

Interest expenses are lower on account of the lower effective interest rate. Financial expenses from impairment of financial investments in total amount of € 247 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 owing to impairment of companies (€ 34 thousand) relate primarily to the impairment of financial investments available for sale.

NOTE 8: Corporate income tax

The corporate income tax stands for expenses from deferred tax amounting to € 245 thousand. The corporate income tax account was based on the 17% tax rate (the same as a year ago).

Table 14: Adjustments to effective tax rate

	€ thousand	
	2015	2014
Tax	0	0
Deferred tax	245	1
Corporate income tax	245	1
Profit before tax	1,474	339
Tax at the applicable rate	251	58
Tax on non-deductible expenses	194	241
Tax on revenues reducing tax base	-172	-210
Tax on expenses reducing tax base	-28	-16
Tax relief	0	-73
Tax on other items	0	1
Corporate income tax	245	1
Effective tax rate in %	16.59	0.18

The value of unused tax losses as of 31 December 2015 was € 83,774 thousand.



NOTE 9: Property, Plant and Equipment

Table 15: Changes in Property, Plant and Equipment in 2015

€ thousand

	Land	Buildings	Other plant and equipment	Property, plant and equipment under construction	Total
HISTORICAL COST					
As at 1 Jan 2015	65,292	99,321	23,229	103	187,945
Purchasing	0	0	0	1,924	1,924
Activation	0	371	1,537	-1,908	0
Disposals	0	0	-488	0	-488
Write offs	0	-56	-1,393	0	-1,449
Transfer between items	0	-25	25	0	0
Other	0	0	10	0	10
As at 31 Dec 2015	65,292	99,612	22,920	119	187,943
VALUE ADJUSTMENT					
As at 1 Jan 2015	-5	-53,584	-21,059	0	-74,648
Depreciation and amortisation	0	-2,445	-733	0	-3,178
Disposals	0	0	469	0	469
Write offs	0	47	1,392	0	1,439
Transfer between items	0	25	-25	0	0
Other	0	0	-5	0	-5
As at 31 Dec 2015	-5	-55,959	-19,961	0	-75,925
RESIDUAL VALUE					
As at 1 Jan 2015	65,287	45,737	2,170	103	113,297
As at 31 Dec 2015	65,287	43,654	2,959	119	112,019

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 procurement value of assets of property, plant and equipment whose carrying amount as at 31 December 2015 was 0 (zero) and are still in use amounts to € 19,305 thousand. The carrying amount of land as at 31 December 2015 would equal € 11,199 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 2014

€ thousand

	Land	Buildings	Other plant and equipment	Property, plant and equipment under construction	Total
HISTORICAL COST					
As at 1 Jan 2014	75,390	100,341	22,919	59	198,709
Purchasing	0	0	0	1,397	1,397
Activation	0	465	888	-1,353	0
Disposals	-29	-282	-367	0	-678
Write offs	0	-169	-211	0	-380
Transfer to investment property	-4,940	-1,034	0	0	-5,974
Revaluation to fair value	-5,129	0	0	0	-5,129
As at 31 Dec 2014	65,292	99,321	23,229	103	187,945
VALUE ADJUSTMENT					
As at 1 Jan 2014	-5	-51,916	-20,926	0	-72,847
Depreciation and amortisation	0	-2,483	-700	0	-3,183
Disposals	0	209	356	0	565
Write offs	0	94	211	0	305
Transfer to investment property	0	511	0	0	511
As at 31 Dec 2014	-5	-53,584	-21,059	0	-74,648
RESIDUAL VALUE					
As at 1 Jan 2014	75,385	48,425	1,993	59	125,862
As at 31 Dec 2014	65,287	45,737	2,170	103	113,297

As of the Balance Sheet Date, the Company had property, plant and equipment pledged as loan security in the amount of € 93,861 thousand, and for contingent liabilities € 15,219 thousand. There were no other legal restrictions for disposal with fixed assets.

On the reporting date, the carrying amount of mortgaged real estates was € 99,979 thousand (compared with € 101,763 thousand on the year-end 2014). We made a provision amounting to the procurement value € 75 thousand on account of the lawsuit for the recognition of title to real estate. The pertaining portion of the surplus from revaluation is € 291 thousand.



NOTE 10: Investment Property

Table 17: Changes in Investment Property

	€ thousand	
	2015	2014
HISTORICAL COST		
Balance as at 1 Jan	14,318	8,344
Transfer from Property, plant and equipment	0	5,974
Disposals	-44	0
Balance as at 31 Dec	14,274	14,318
VALUE ADJUSTMENT		
Balance as at 1 Jan	-3,756	-3,037
Transfer from Property, plant and equipment	0	-511
Depreciation and amortisation	-234	-208
Disposals	24	0
Balance as at 31 Dec	-3,966	-3,756
RESIDUAL VALUE		
Balance as at 1 Jan	10,562	5,307
Balance as at 31 Dec	10,308	10,562

Included in the carrying amount of investment properties is also the land revaluation amount to fair value at € 4,479 thousand, which is a component of the item Surplus from Revaluation of Land in the capital of the Group that occurred before the transfer of land to investment property.

As at the reporting date, the carrying amount of mortgaged investment property was € 9,887 thousand. That pledge is an additional collateral for liabilities for which the pledged tangible items are the underlying security.

At the year-end 2015, we examined the values of investment properties and assessed based on comparable market rentals that no indicators of evtl. impairment to these assets existed on the reporting date. Fair value of investment properties amounts to € 10,597 thousand.

Table 18: Revenues and expenses from investment property

	€ thousand	
	2015	2014
Rental income from investment properties	1,219	1,247
Direct operating expenses from investment properties	-442	-445
Total	777	802

As at 31 December 2015, the company has no binding contracts to purchase any investment property.

NOTE 11: Intangible assets

Table 19: Changes in Intangible Assets in 2015

€ thousand

	Long-term title rights	Other intan- gible assets	Long-term deferred de- velopment costs	Advances for intangi- ble assets	Total
HISTORICAL COST					
As at 1 Jan 2015	5,027	0	4,292	18	9,337
Purchasing	16	204	0	9	229
Disposals	-44	0	0	0	-44
Transfer between items	0	4,319	-4,292	-27	0
As at 31 Dec 2015	4,999	4,523	0	0	9,522
VALUE ADJUSTMENT					
As at 1 Jan 2015	-3,318	0	-672	0	-3,990
Depreciation and amortisation	-252	-276	0	0	-528
Disposals	44	-672	672	0	44
As at 31 Dec 2015	-3,526	-948	0	0	-4,474
RESIDUAL VALUE					
As at 1 Jan 2015	1,709	0	3,620	18	5,347
As at 31 Dec 2015	1,473	3,575	0	0	5,048

On the reporting date, the carrying amount of pledged intangible assets was € 728 thousand (compared with € 759 thousand a year ago). 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 December 2015 was 0 (zero) and they are still in use, amounts to € 2,269 thousand. No binding contracts exist for a purchase of intangible assets.

Table 20: Changes in Intangible Assets in 2014

€ thousand

	Long-term title rights	Long-term deferred de- velopment costs	Advances for intangi- ble assets	Total
HISTORICAL COST				
As at 1 Jan 2014	4,942	4,235	0	9,176
Purchasing	37	57	18	112
Transfer from investments in fixed assets	73	0	0	73
Disposals	-25	0	0	-25
As at 31 Dec 2014	5,027	4,292	18	9,337
VALUE ADJUSTMENT				
As at 1 Jan 2014	-3,023	-418		-3,441
Depreciation and amortisation	-247	-254	0	-501
Transfer from investments in fixed assets	-73	0	0	-73
Disposals	25	0	0	25
As at 31 Dec 2014	-3,318	-672	0	-3,990
RESIDUAL VALUE				
As at 1 Jan 2014	1,918	3,817	0	5,736
As at 31 Dec 2014	1,709	3,620	18	5,347

NOTE 12: Other non-current assets

Other long-term assets amounting to € 62 thousand (as at 31 December 2014, these assets amounted to € 105 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 members

The total amount of financial investments in shares and interests in subsidiaries was reduced owing to the impairment of the investment in the subsidiary TOV Intereuropa – Ukraine, Kiev, at € 247 thousand (Note 7). We increased the capital of that subsidiary by € 31 thousand. Detailed disclosure on shares and interests in the Group is given in Table 1 of the Financial Report for the Group.

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

	€ thousand	
	31 Dec 2015	31 Dec 2014
Balance as at 1 Jan	46,669	47,347
Recapitalization	31	25
Impairment of financial assets	-247	-703
Balance as at 31 Dec	46,453	46,669

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 December 2015 on the basis of estimated liquidation balance sheet of the subsidiary.

Joint venture

That investment category contains our investment in the joint venture Intereuropa-FLG, d.o.o., Ljubljana, in which Intereuropa holds 50 percent. The carrying amount of the investment is € 75 thousand and has not changed since the cut-off date a year ago. Other notes are shown in Table 1, in Notes 15 and 28 in the Financial Report of the Group.

Financial assets available for sale

Table 22: Changes in financial assets available for sale

€ thousand

	31 Dec 2015		31 Dec 2014	
	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	1,412	132	1,268	533
Revaluation to fair value	-9	0	144	0
Impairment	0	-28	0	-401
Sales	-1,000	0	0	0
Balance as at 31 Dec	404	104	1,412	132

Financial assets available for sale at procurement value stand for investments in shares and interests in other companies, which do not have a quoted market price on an active market; we recognised their value at the procurement value because their actual value cannot be measured with reliable accuracy.

As at 31 December 2015, 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

€ thousand

	31 Dec 2015	31 Dec 2014
Long-term loans given	253	563
- to subsidiaries	223	543
- deposits	30	20
Short-term loans, deposits given and certificates of deposit	5,279	7,260
- to subsidiaries	1,070	1,050
- to others	11	0
- deposits and certificates of deposit	4,198	6,210
Total	5,532	7,823

Table 24: Changes in long-term loans and deposits

€ thousand

	2015	2014
Opening balance	563	913
New deposits	30	20
Transfer to the short-term part	-340	-370
Closing balance	253	563



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

	€ thousand	
	31 Dec 2015	31 Dec 2014
Maturity from 1 to 2 years	253	340
Maturity from 2 to 3 years	0	223
Maturity from 3 to 4 years	0	0
Maturity from 4 to 5 years	0	0
Maturity over 5 years	0	0
Total	253	563

Table 26: Long-term loans by collateral

	€ thousand	
	31 Dec 2015	31 Dec 2014
Secured (bills of exchange)	223	543
Unsecured	0	0
Total	223	543

As at the cut-off date, the Company had a long-term deposit of € 30 thousand pledged as a security for potential liability of € 30 thousand.

Table 27: Short-term loans by collateral

	€ thousand	
	31 Dec 2015	31 Dec 2014
Secured (bills of exchange)	480	400
Unsecured	601	650
Total	1,081	1,050

As of the cut-off date, the Company had short-term deposits of € 4,198 thousand pledged as a security for potential liability for which a long-term provision was made at € 4,160 thousand, and a potential liabilities amounting to € 38 thousand.

NOTE 15: Short-term operating receivables

Table 28: Short-term operating receivables

	€ thousand	
	31 Dec 2015	31 Dec 2014
Short-term accounts receivables from Group members	571	515
Short-term operating receivables from Group members for interest	172	166
Short-term accounts receivables (excluding Group members)	20,011	20,657
Other short-term operating receivables from others	652	646
Total	21,406	21,985

Short-term trade receivables (incl. receivables due from customers in the Group) totalled € 20,582 thousand, thereof € 720 thousand related to receivables for services incomplete as of 31 December 2015.

Table 29: Changes in adjustments of short-term operating receivables

€ thousand

	2015	2014
Adjustment of accounts receivable as at 1 Jan	3,003	3,220
- receivables written off	-372	-170
- collected receivables	-220	-404
+ additional increase in value adjustments	205	356
Adjustment of accounts receivable as at 31 Dec	2,615	3,003
Value adjustmer of other short-term receivables as at 1 Jan	1,263	1,252
+ additional increase in value adjustments	0	11
Closing balance of other short-term receivables as at 31 Dec	1,263	1,263

Table 30: Structure of short-term trade receivables by maturity

€ thousand

	Gross amount 31 Dec 2015	Value adjustment 31 Dec 2015	Gross amount 31 Dec 2014	Value adjustment 31 Dec 2014
Short-term accounts receivable				
Outstanding	16,044	0	17,015	0
Overdue from 0 to 30 days	2,964	1	2,476	0
Overdue from 31 to 90 days	861	9	1,019	5
Overdue from 91 to 180 days	163	13	178	28
Overdue over 181 days	2,594	2,593	2,972	2,969
Total short-term accounts receivable	22,626	2,615	23,660	3,003
Other short-term receivables				
Outstanding	647	0	642	0
Overdue from 0 to 30 days	0	0	1	0
Overdue from 31 to 90 days	0	0	11	11
Overdue from 91 to 180 days	5	0	3	0
Overdue over 181 days	1,263	1,263	1,252	1,252
Total other short-term operating receivables	1,915	1,263	1,909	1,263

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 customers obtained from specialised credit rating companies. Based on the acquired information, we request the customers with lower credit ratings to supply instruments to secure payments (bills 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 December 2015 amounted to € 8,169 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 2015 are shown in the financial Statement of Cash Flows.



NOTE 17: Capital

Financial debt/ Equity

The purpose of equity management is to assure capital adequacy, solid financial stability, long-term solvency to finance the operations and achieve the highest value possible for shareholders. The indebtedness of the Company in relation to equity decreased by the year-end 2015. Throughout the year, the Company operated in line with the corporate strategic guideline to reduce financial debt.

Table 31: Financial debt/ Equity

	€ thousand	
	2015	2014
Non-current financial liabilities	90,109	94,944
Current financial liabilities	3,752	3,529
Total financial liabilities	93,861	98,473
Total equity	97,975	96,753
Debt/equity	0.96	1.02

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 to 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 shareholders, in accordance with the Resolution on appropriation of accumulated profit.

In 2015, the Parent Company did not issue any shares for authorised capital.

Capital reserves

The item did not change in the reporting year.

Revenue reserves

The Revenue Reserves are structured as legal reserves, the reserves for treasury shares as a deductible item. The net profit of the Company amounting to € 694 thousand was allocated to legal reserves. As at 31 December 2015, the legal reserves totalled € 2,749 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.

Surplus from Revaluation

The surplus from revaluation at € 48,659 thousand mainly relates to the revaluation of land (incl. the revaluation of land occurred before the reallocation thereof to investment property) and to the sale of financial assets available for sale. Changes in the financial year are substantiated in the Comprehensive Income Statement.

Retained net profit or loss

On the reporting date, the net profit or loss carried forward amounted to € 89 thousand and stands for the value of effects of actuarial calculation for termination benefits upon retirement for the years 2013 and 2014.

Table 32: Basic earnings per share

	2015	2014
Net profit attributable to ordinary shareholders in €	687,081	142,611
Average number of ordinary shares	16,830,838	16,830,838
Basic net profit per share (€)*	0.04	0.01

* The calculation of basic earnings per share for the years 2015 and 2014 is made under the presumption that the entire earnings per share achieved in the respective year is allocated to dividend pay-out.

The basic earnings per share (€ 0.04) is calculated as: net profit or loss pertaining to the ordinary shareholders of the Parent Company/weighted average number of ordinary shares.

Table 33: Diluted earnings per share

	2015	2014
Net profit (€)	1,228,749	339,497
Average number of shares *	27,488,803	27,488,803
Adjusted net profit per share (in €)	0.04	0.01

* For the needs of calculation of this ratio, we earmarked preference shares as the potential ordinary shares that can be exchanged for ordinary shares. Given that the principle of exchangeability has not been fixed with the holders of preference shares, the calculations in the table are informative only, presuming the exchange ratio 1:1.

The diluted net profit/loss per ordinary share equals to the basic net profit/loss per share because the Parent Company does not hold any dilutive potential ordinary shares.

Dividends

Intereuropa d.d., Koper, did not pay any dividend in the year 2015.

NOTE 18: Provisions and long-term deferred revenues

Table 34: Provisions and long-term deferred revenues

	Balance 1 Jan 2015	Use of provisions	The elimination	The creation	As at 31 Dec 2015
Provisions	4,998	-62	0	485	5,421
Provisions for employee benefits	824	-44	0	0	780
Provisions for legal proceedings	14	-18	0	485	481
Other long provisions	4,160	0	0	0	4,160
Long-term deferred revenue from government grants	34	0	-59	49	24
Other long-term deferred revenue	97	0	-7	4	94
Total	5,129	-62	-66	538	5,539

€ thousand



The calculation of provisions for employee benefits upon retirement and long-service awards was based on an actuarial calculation for 2014, relying on the following assumptions:

- number of employees, their gender, age, total length of service, length of service with the Company, and their gross salary for the term August to October 2014;
- 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);
- the growth of salaries (1 percent) consists of the general salary growth (0.5 percent) and of the individual salary growth (0.5 percent);
- age-based turnover of employees, prerequisites for retirement in accordance with the minimum requirements for obtaining the entitlement to old-age pension;
- mortality rate based on the latest available mortality tables for local population;
- annual discount interest rate 2.45 percent, corresponding to the yield on 15-year bonds of a high rating in the Euro area.

In the reporting year, said provisions were decreased by the pay-out of termination benefits upon retirement and of jubilee rewards.

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

€ thousand

	Balance 1 Jan 2015	Interest cost	Payment	The increase in the current year	Actuarial gains / losses	As at 31 Dec 2015
Provisions	824	0	-44	0	0	780
Provisions for employee benefits	247	0	-37	0	0	210
Provisions for severance pay	577	0	-7	0	0	570

Table 36: Analysis of sensitivity to two major presumptions

Change in %

	The discount rate		Fluctuation	
	- 1%	1%	- 1%	1%
Impact on state liability in thousands of EUR	78	-69	83	-74

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

Long-term deferred revenues primarily stand for property, plant and equipment items acquired for free and for the purchased equipment from the funds obtained for employing disabled persons above the quota. They are credited to operating revenues in the amount of depreciation costs of assets.

NOTE 19: Borrowings

In the frame of long-term bank loans received and financial leases, the entire amount (€ 90,109 thousand) relates to long-term loans received.

The short-term borrowings and financial leases come to € 3,752 thousand and represent the short-term portion of long-term loans.

Loans are subject to variable interest rates (table 47). As at the reporting date, our short-term borrowings were not due yet.

Table 37: Changes in long-term loans

€ thousand

	31 Dec 2015	31 Dec 2014
Opening balance	94,944	101,202
Transfer to current liabilities (current part of non-current liabilities)	-3,752	-3,529
Repayments	-1,083	-2,729
Closing balance	90,109	94,944

As at 31 December 2015, the Company had € 8,390 thousand in approved and undrawn revolving credit.

In the financial year 2015, we were acting towards fulfilment of financial goals and commitments agreed with the banks in the Contract on Financial Restructuring entered into in 2012. Although the Parent Company fulfilled all the commitments thereunder, the Group failed to accomplish one of them, namely the financial leverage ratio. The main reason for that non-achievement is attributed to the formation of unplanned provisions for lawsuits arising from disputes from previous years. Creditor banks approved the preliminary waiver of breach of financial commitments.

Table 38: Maturity of received long-term bank loans

€ thousand

	31 Dec 2015	31 Dec 2014
Maturity from 1 to 2 years	3,986	3,752
Maturity from 2 to 3 years	4,163	3,986
Maturity from 3 to 4 years	81,960	4,163
Maturity from 4 to 5 years	0	83,043
Maturity over 5 years	0	0
Total	90,109	94,944

Table 39: Long-term bank loans by collateral

€ thousand

	31 Dec 2015	31 Dec 2014
Mortgaged real estate and securities	90,109	94,944
Total	90,109	94,944

Table 40: Short-term borrowings by collateral

€ thousand

	31 Dec 2015	31 Dec 2014
Short-term loans from banks	3,752	3,529
Total	3,752	3,529



NOTE 20: Deferred tax liabilities and assets

Table 41: Changes in not-offset deferred tax liabilities and assets, in 2015

€ thousand

Deferred tax assets	As at 1 Jan 2015	Changes in the income statement	Changes in other com- prehensive income	As at 31 Dec 2015
Financial assets revaluation	2,347	-258	0	2,089
Provisions	81	1	0	82
Tax loss	14,229	12	0	14,241
Total	16,658	-245	0	16,413
Deferred tax liabilities	As at 1 Jan 2015	Changes in the income statement	Changes in other com- prehensive income	As at 31 Dec 2015
Revaluation of land	9,957	0	0	9,957
Revaluation of financial investments	11	0	-2	9
Total	9,968	0	-2	9,966
Effect		-245	-2	

Table 42: Changes in not-offset deferred tax liabilities and assets, in 2014

€ thousand

Deferred tax assets	As at 1 Jan 2014	Changes in the income statement	Changes in other com- prehensive income	As at 31 Dec 2014
Financial assets revaluation	2,324	36	-13	2,347
Provisions	78	3	0	81
Tax loss	14,267	-38	0	14,229
Total	16,669	1	-13	16,658
Deferred tax liabilities	As at 1 Jan 2014	Changes in the income statement	Changes in other com- prehensive income	As at 31 Dec 2014
Revaluation of land	10,831	0	-874	9,957
Revaluation of financial investments	0	0	11	11
Total	10,831	0	-863	9,968
Effect		1	-876	

NOTE 21: Short-term operating liabilities

Table 43: Structure of short-term operating liabilities

€ thousand

	31 Dec 2015	31 Dec 2014
Short-term operating liabilities to group members	347	283
Short-term accounts payable	16,077	15,658
Short-term operating liabilities from advances	81	66
Other short-term operating liabilities	1,789	2,201
Total	18,294	18,208

Of the total amount of short-term operating liabilities as at 31 December 2015, € 2,030 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 € 4,867 thousand as of the Statement of financial position date (compared to € 5,425 thousand a year ago) are secured by a bank guarantee. We do not issue any instruments to secure payments to other suppliers.

NOTE 22: 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. The Company's estimated contingent liabilities as at 31 December 2015 are shown in the table below.

Table 44: Contingent liabilities

	€ thousand	
	31 Dec 2015	31 Dec 2014
Arising from bank guarantees and guarantees given for Group members	2,922	4,880
Arising from bank guarantees and guarantees given	4,695	4,888
Arising from legal proceedings	603	782
From D.S.U., družba za svetovanje in upravljanje	250	250
Total	8,470	10,800

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 € 603 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 23: 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.

Receivables and liabilities

It is assumed for receivables and liabilities falling due within one year that their carrying value reflects their fair value.



Table 45: Fair Value

€ thousand

	31 Dec 2015		31 Dec 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Available-for-sale financial assets	508	508	1,544	1,544
- At fair value	404	404	1,412	1,412
- Measured at historical cost	104	104	132	132
Loans given and deposits	5,532	5,532	7,823	7,823
Operating receivables	20,582	20,582	21,172	21,172
Cash and cash equivalents	8,169	8,169	4,594	4,594
Total	34,791	34,791	35,133	35,133
Financial liabilities				
Loans and financial leases	93,861	90,109	98,473	98,473
- at a fixed interest rate	0	0	0	0
- at a variable interest rate	93,861	90,109	98,473	98,473
Operating liabilities	16,424	16,424	15,941	15,941
Total	110,285	106,533	114,414	114,414

Table 46: Fair Value Levels

€ thousand

Fair value amounts	31 Dec 2015			
	Level 1	Level 2	Level 3	Total
Assets, that are measured at fair value				
Land	0	0	65,287	65,287
Available-for-sale financial assets	403	0	104	507
Assets, for which fair value is disclosed				
Loans given and deposits	0	5,532	0	5,532
Operating receivables	0	20,582	0	20,582
Cash and cash equivalents	0	8,169	0	8,169
Liabilities, for which fair value is disclosed				
Loans and financial leases	0	93,861	0	93,861
Operating liabilities	0	16,424	0	16,424
Fair value amounts	31 Dec 2014			
	Level 1	Level 2	Level 3	Total
Assets, that are measured at fair value				
Land	0	0	65,287	65,287
Available-for-sale financial assets	1,412	0	132	1,544
Assets, for which fair value is disclosed				
Loans given and deposits	0	7,823	0	7,823
Operating receivables	0	21,172	0	21,172
Cash and cash equivalents	0	4,594	0	4,594
Liabilities, that are measured at fair value				
Liabilities, for which fair value is disclosed				
Loans and financial leases	0	98,473	0	98,473
Operating liabilities	0	15,941	0	15,941

The table shows the classification of non-financial 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.

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

NOTE 24: 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;
- option of using short-term bank credit facilities.

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

Table 47: Liquidity Risk, as at 31 December 2015

	€ thousand						
31 Dec 2015	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	93,861	103,315	3,226	3,213	6,553	90,323	0
Liabilities to group suppliers	347	347	347	0	0	0	0
Liabilities to suppliers (excluding Group)	16,408	16,408	16,065	12	119	74	137
Liabilities arising from advances	81	81	81	0	0	0	0
Other liabilities	2,114	2,114	1,789	0	325	0	0
Total	112,811	122,265	21,508	3,226	6,997	90,397	137

Table 48: Liquidity Risk, as at 31 December 2014

	€ thousand						
31 Dec 2014	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	98,472	111,768	3,046	3,262	6,679	98,780	0
Liabilities to group suppliers	283	283	283	0	0	0	0
Liabilities to suppliers (excluding Group)	16,014	16,014	15,646	12	120	75	161
Liabilities arising from advances	66	66	66	0	0	0	0
Other liabilities	2,291	2,291	2,201	0	90	0	0
Total	117,126	130,421	21,241	3,275	6,889	98,855	161



Table 49: Currency Risk, as at 31 December 2015

€ thousand

31 Dec 2015	€	US \$	Other	Total
Short-term operating receivables from Group members	743	0	0	743
Short-term operating receivables (excluding Group members)	20,581	81	1	20,663
-of which trade receivables (excluding Group)	19,929	81	1	20,011
Long-term loans given to Group members	223	0	0	223
Short-term loans given to Group members	1,070	0	0	1,070
Long-term deposits given to others	30	0	0	30
Short-term loans and deposits given to other	4,209	0	0	4,209
Long-term loans received	-90,109	0	0	-90,109
Short-term loans received	-3,752	0	0	-3,752
Short-term operating liabilities to Group members	-347	0	0	-347
Short-term operating liabilities (excluding Group members)	-17,863	-82	-3	-17,947
- of which accounts payable (excluding Group members)	-13,963	-82	-3	-14,048
Gross exposure of the statement of financial position	-85,214	-1	-2	-85,217

Table 50: Currency Risk, as at 31 December 2014

€ thousand

31 Dec 2014	€	US \$	Other	Total
Short-term operating receivables from Group members	682	0	0	682
Short-term operating receivables (excluding Group members)	21,324	18	0	21,342
-of which trade receivables (excluding Group)	20,639	18	0	20,657
Long-term loans given to Group members	543	0	0	543
Short-term loans given to Group members	1,050	0	0	1,050
Long-term loans given to others	20	0	0	20
Short-term loans and deposits given to other	6,210	0	0	6,210
Long-term loans received	-94,944	0	0	-94,944
Short-term loans received	-3,529	0	0	-3,529
Short-term operating liabilities to Group members	-283	0	0	-283
Short-term operating liabilities (excluding Group members)	-17,789	-135	-1	-17,925
- of which accounts payable (excluding Group members)	-14,163	-135	-1	-14,299
Gross exposure of the statement of financial position	-86,716	-117	-1	-86,834

Table 51: Credit Risk

€ thousand

	31 Dec 2015	31 Dec 2014
Long-term loans to Group members	223	543
Short-term loans to Group members	1,070	1,050
Long-term loans and deposits to others	30	20
Short-term loans and deposits to others	4,198	6,210
Short-term trade receivables	21,406	22,024
- of which accounts receivable	20,011	20,657
- of which from Group members	743	682
Cash and cash equivalents	8,169	4,594
Available-for-sale financial assets	508	1,544
Total	35,604	35,985

The table presents the interest rate sensitivity analysis and the impact on the Profit or Loss from Ordinary Activities.

Table 52: Interest rate risk

€ thousand

2015	Change in per-cent	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
EURIBOR	+15%	-9	-9	-18	-29	0	-65
EURIBOR	+10%	-6	-6	-12	-19	0	-44
EURIBOR	-10%	6	6	12	19	0	44
EURIBOR	-15%	9	9	18	29	0	65

Table 53: Interest rate risk

€ thousand

2014	Change in per-cent	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total
EURIBOR	+15%	-6	-6	-11	-28	0	-51
EURIBOR	+10%	-4	-4	-7	-19	0	-34
EURIBOR	-10%	4	4	7	19	0	34
EURIBOR	-15%	6	6	11	28	0	51

NOTE 25: Other Notes

Table 54: Cost of auditors

€ thousand

	2015	2014
Auditing of the Annual Report	31	27
Other services	0	0
Total	31	27

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 2015. Audit costs for the annual report 2015 are recognised to the extent depending on the stage of completion of audit service.

Related parties of Intereuropa d.d., Koper:

- subsidiaries;
- associated companies;
- joint venture;
- key management personnel of the Parent Company.

Members of the Managing Board are the key management personnel of the Parent Company.



Table 55: Disclosure of transactions with related parties

€ thousand

Revenue from services	2015	2014
Subsidiaries	3,104	2,767
Joint venture	832	550
Costs of services	2015	2014
Subsidiaries	2,182	1,841
Joint venture	4,289	4,330

As at 31 December 2014, the liabilities of the Company Intereuropa d.d., Koper to the joint venture amounted to € 649 thousand (€ 511 thousand as at 31 December 2013), and the receivables due from the Joint Venture were € 79 thousand (€ 40 thousand as at 31 December 2014). 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, assignments 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 2015

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 56: Income of the Managing Board members in 2015

in EUR

	Salary – fixed part		Salary – variable part		Bonuses and other benefits		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Gortan Ernest	129,869	64,464	0	0	4,899	3,808	134,768	68,272
Vošinek Pucer Tatjana	114,420	57,140	0	0	9,528	8,147	123,949	65,287
Total	244,290	121,603	0	0	14,427	11,955	258,717	133,559

Net bonuses and benefits, and other receipts

in EUR

	Net bonuses and other benefits							Total
	Manager insurance	Additional pension insurance	Other bonuses	Reimbursement of costs	Profit participation	Other income		
Gortan Ernest	0	1,597	1,078	1,132	0	0	3,808	
Vošinek Pucer Tatjana	0	1,597	958	1,224	0	4,368	8,147	
Total	0	3,194	2,036	2,356	0	4,368	11,955	

Table 57: Remuneration of the Supervisory Board members in 2015

in EUR

	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
Mihajlović Igor	1 Jan 2015-30 Jun 2015	10,640	1,100	1,650	672	0	0	14,062
Fišer Jure	1 Jun 2015-31 Dec 2015	6,065	440	1,375	1,416	0	104	9,401
Medvešek Miro	1 Jan 2015-31 Dec 2015	15,125	1,540	3,025	1,524	0	104	21,318
Čertalič Maša	1 Jan 2015-31 Dec 2015	13,750	1,320	3,025	0	0	104	18,199
Boštjančič Klemen	1 Jan 2015-31 Dec 2015	17,417	1,320	2,750	980	0	104	22,571
Pečar Nevija	1 Jan 2015-31 Dec 2015	14,850	1,540	3,025	0	0	104	19,519
Kobale Ljubo	1 Jan 2015-31 Dec 2015	13,750	1,320	3,025	3,318	0	104	21,517
Skupaj		91,597	8,580	17,875	7,910	0	624	126,587

Table 58: Income of staff under individual service contracts

in EUR

	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	1,479,337	167,076	1,646,413

NOTE 26: Post reporting date events

There were no events with a significant impact on financial statements after the reporting date.



Report on the Company Intereuropa d.d. by independent auditor



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, 2015, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and 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

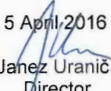
In our opinion, the financial statements present fairly, in all material respects, the financial position of Intereuropa d.d., as of December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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, 5 April 2016


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 2015 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 2015, and thus on the entire Annual Report of Intereuropa d.d. and the Intereuropa Group for 2015. 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 2015

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Koper, april 2016

Note:

"The English version of the Annual Report 2015 of Intereuropa Group constitutes a translation of the original Slovenian version. Only the Slovenian version is legally binding."