

**INFORMATION REGARDING  
THE BUSINESS RESULTS OF  
THE INTEREUROPA GROUP  
AND  
INTEREUROPA D.D.**

**IN 2017**

## Business results of the Intereuropa Group<sup>1</sup>

The business results of the Intereuropa Group in 2017 were characterised by high growth in sales revenue and a reduction in debt, while operating cash flows (hereinafter: EBITDA) were at the level recorded the previous year.

Revaluations of fixed assets (primarily real estate), which were carried out on the basis of appraisals of the fair value of real estate received during the compilation of the 2017 financial statements at all Intereuropa Group companies, had a significant impact on the Intereuropa Group's equity and its operating results. A material error in the financial statements of the Intereuropa Group in previous years was also recognised in that regard. A detailed description is given below.

Table 1: Key unaudited data regarding the business results of the Intereuropa Group

in 1000 EUR	INTEREUROPA GROUP				
	Jan-Dec 2017	Jan-Dec 2016*	Index 17/16*	Jan-Dec 2016	
Sales revenues	149,889	135,596	111	135,596	
Other operating revenues	3,177	2,262	140	1,755	
Costs of goods, materials, services	107,293	94,048	114	94,048	
Labour costs	27,173	26,565	102	26,565	
Amortisation / depreciation	6,353	6,158	103	6,596	
Other operating expenses	11,509	3,481	331	3,481	
- Expenses from impairments of property, plant and equipment	7,343	82	9,009	82	
- other operating expenses	1,738	988	176	988	
Operating profit (EBIT)	738	7,606	10	6,661	
Finance income	362	459	79	459	
Finance costs	2,711	3,067	88	3,067	
Loss from financing activities	-2,349	-2,608	-	-2,608	
Profit/loss from ordinary operations	-1,601	5,037	-	4,092	
Corporate income tax (including deferred taxes)	28	6,641	-	5,695	
Net loss	-1,629	-1,604	-	-1,603	
EBITDA	13,164	13,338	99	13,339	
EBITDA margin in %	8.78	9.84	89	9.84	
EBIT margin in %	0.49	5.61	9	4.91	
Sales revenue per employee/month	9.337	8.424	111	8.424	
Value added per employee/month	2.513	2.479	101	2.479	
ROE	-1.32	-1.17	-	-1.12	
	31. 12. 2017	31. 12. 2016*	Index 17/16	31. 12. 2016	1. 1. 2016*
Assets	233,682	242,099	97	255,730	277,436
Equity	121,487	124,341	98	138,562	132,952
Net debt	67,114	73,490	91	73,490	80,391
Number of employees	1,338	1,341	100	1,341	

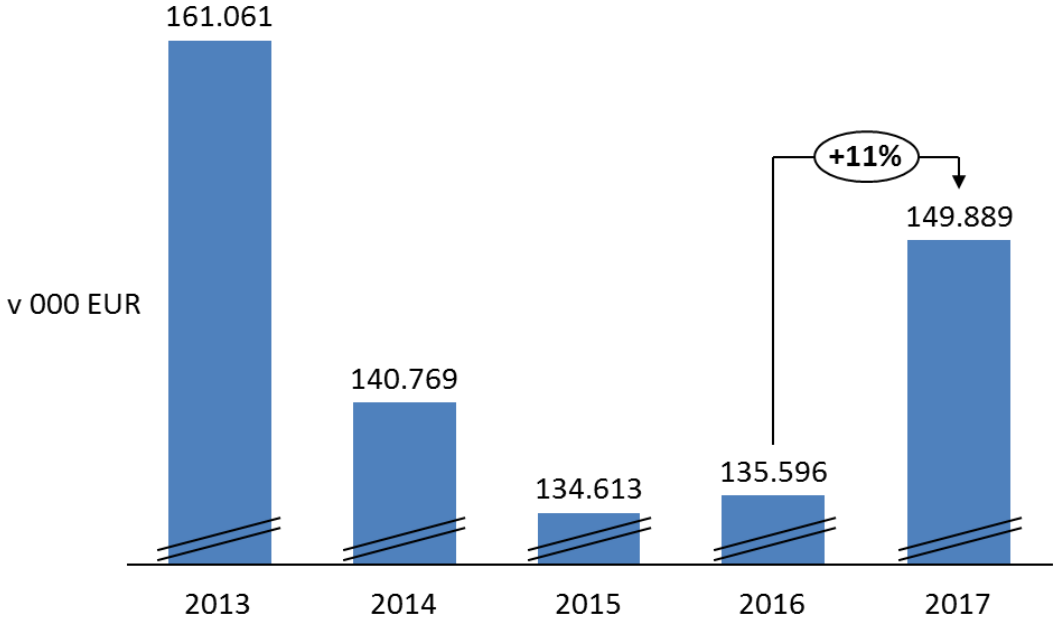
\* Data for the previous year were recalculated due to the correction of a material error.

<sup>1</sup> Information regarding the business results of the Intereuropa Group was drawn up on the basis of unaudited data.

EBITDA: operating profit + depreciation/amortisation + revaluation operating expenses for intangible assets and property, plant and equipment – revaluation operating revenues from the reversal of impairments of intangible assets and property, plant and equipment  
 Net debt: financial liabilities – loans granted and deposits – cash  
 Number of employees: calculated on full-time equivalent basis

Based on the unaudited financial statements, the Intereuropa Group generated EUR 149.9 million in sales revenue in 2017, an increase of 11% on 2016 and 5% above planned revenue.

Figure 1: Trends in the sales revenue of the Intereuropa Group between 2013 and 2017



The Group recorded double-digit growth in sales revenue in the previous year. It successfully benefited from the economic recovery on individual markets, the strengthening of trade flows and the associated increase in demand for logistics and transport services. In the context of enhanced sales activities at all Group companies, the highest growth in sales revenue relative to the previous year was recorded by Intereuropa d.d., where sales were up by EUR 12.9 million or 14%, while the sharpest drop in sales (of EUR 2.0 million or 36%) was recorded in Ukraine, where political and economic conditions remain unstable. Growth in sales was achieved in all three of the Group’s business lines: land transport, logistics solutions and intercontinental transport.

The Group’s sales margin declined slightly in 2017, primarily due to higher direct costs of transport services as the result of insufficient transport capacities on key markets and additional pressures on the market to reduce selling prices. The sharpest drop in the sales margin was recorded in the intercontinental transport segment, which at the same time recorded the highest growth in sales.

The Intereuropa Group generated EBITDA of EUR 13.2 million in 2017, a decrease of 1.3% relative to the previous financial year and 4.0% lower than planned. The main factors in the lower EBITDA were other operating expenses from provisions created for liabilities from past operations and lower rental income due to the sale of real estate at the end of 2016, which at the same time facilitated the reduction of the Group’s debt.

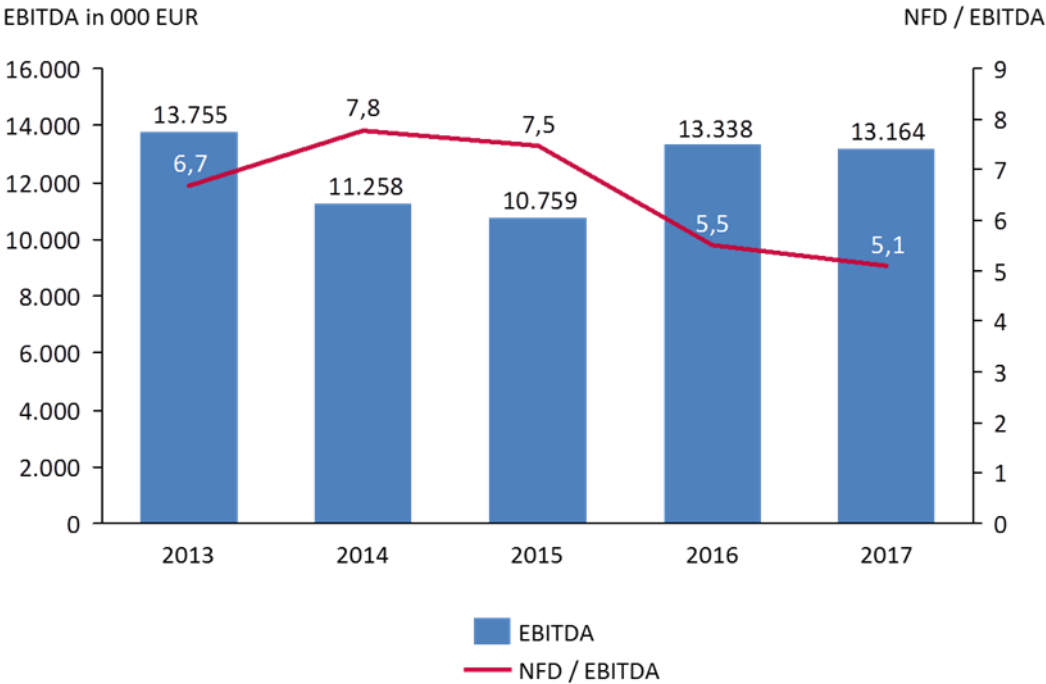
Labour costs and the costs of hired external labour were up by EUR 1.4 million or 4.9% relative to the previous year. Labour costs per employee were up by 2.6% on last year.

The Intereuropa Group’s operating profit amounted to EUR 0.7 million in 2017, which was EUR 6.9 million lower than the previous year and EUR 6.0 million lower than planned, primarily due to the revaluation of real estate and intangible assets. The total effect of the revaluation of real estate in 2017 was negative in the amount of EUR 6.0 million, comprising revaluation operating expenses of EUR 7.3 million and revaluation operating revenues from the reversal of impairments in the amount of EUR 1.3 million.

The Group successfully reduced its debt. Its net debt amounted to EUR 67.1 million at the end of 2017, a reduction of EUR 6.4 million during the year, which was seen in an improvement in the Group’s net debt / EBITDA ratio, which stood at 5.1 in 2017, a decrease of 7.5% relative to the previous year when that ratio was 5.5.

Due to the reduction in debt and a lower EURIBOR, interest expenses were also lower by EUR 0.6 million or 21.3% in 2017, which in turn resulted in an improvement in the Group’s results from financing.

Figure 2: Trends in EBITDA and the net debt / EBITDA ratio of the Intereuropa Group between 2013 and 2017



EBITDA: operating profit + depreciation/amortisation + revaluation operating expenses for intangible assets and property, plant and equipment – revaluation operating revenues from the reversal of impairments of intangible assets and property, plant and equipment  
 NFD/EBITDA: net debt at the end of the year / EBITDA for the year

The Intereuropa Group generated a net loss of EUR 1.6 million in 2017, a decrease of EUR 30 thousand relative to the previous financial year and EUR 5.7 million lower than planned. The net loss was the result of adjustments to the value of property, plant and equipment and intangible assets, as described above.

## Correction of material error from previous years

While compiling the consolidated financial statements of the Intereuropa Group for 2017, the parent company identified a material error in the compilation of the consolidated financial statements in previous years. For this reason, financial data were recalculated, as shown in the tables below, while the Intereuropa Group's statement of financial position as at 1 January 2016 and 31 December 2016 and income statement for 2016 were corrected.

The error as at 1 January 2016 relates to the erroneous disclosure of the value of property, plant and equipment and investment property at the subsidiaries Intereuropa, logističke usluge d.o.o., Zagreb and Intereuropa RTC d.d., Sarajevo in the total amount of EUR 14.9 million. The recoverable amount of real estate was not determined in the past, as is required for such assets under IAS 36. While compiling the financial statements for 2017, it was determined that indications of the impairment of property, plant and equipment and investment property existed in previous years at both companies. Appraisals of the recoverable amount of those assets were thus drawn up as at 1 January 2016 and 31 December 2016 by an independent valuer. The amounts of the material error as at both dates and thus in the income statement for 2016 were identified on this basis.

The error as at 1 January 2016 also relates to the erroneous disclosure of the value of property, plant and equipment, specifically the investment in goodwill at the subsidiary Intereuropa RTC d.d., Sarajevo in the total amount of EUR 1.2 million. It was determined that an error was made in the calculation of the recoverable amount of the investment in goodwill in previous years. As a result, the investment in goodwill was written off in full as at 1 January 2016.

At the subsidiary Zetatrans A.D., Podgorica, an error was identified in the disclosure of deferred tax expenses in the income statement for 2016 and deferred tax liabilities as at 31 December 2016 in the amount of EUR 0.8 million as the result of failure to take into account changes in local tax legislation in August 2016.

Table 2: Effect of the error on items reported in the statement of financial position of the Intereuropa Group as at 1 January 2016

	In 000 EUR		
Effect on the Group`s statement of financial position	Reported for the year ending 31 December 2015 following the correction of error	Correction of error	Reported for the year ending 31 December 2015
Property, plant and equipment	193,609	-14,457	208,066
Investment property	10,817	-461	11,278
Intangible assets (goodwill)	4,592	-1,233	5,825
Deferred tax assets	18,360	1,694	16,666
Equity	132,952	-14,185	147,137
Deferred tax liabilities	13,134	-272	13,406

Table 3: Effect of the error on items reported in the statement of financial position of the Intereuropa Group as at 31 December 2016

In 000 EUR

Effect on the Group`s statement of financial position	Reported for the year ending 31 December 2016 following the correction of error	Correction of error	Reported for the year ending 31 December 2016
Property, plant and equipment	177,594	-13,579	191,173
Investment property	9,424	-416	9,840
Intangible assets (goodwill)	4,253	-1,233	5,486
Deferred tax assets	12,989	1,597	11,392
Equity	124,341	-14,221	138,562
Deferred tax liabilities	12,049	590	11,459

Table 4: Effect of the error on items reported in the income statement of the Intereuropa Group for 2016

In 000 EUR

Effect on the Group`s income statement	Reported for the year ending 31 December 2016 following the correction of error	Correction of error	Reported for the year ending 31 December 2016
Other operating revenues (reversing an impairment loss)	2,262	507	1,755
Amortisation/depreciation	-6,158	438	-6,596
Corporate income tax (including deferred taxes)	-6,641	-946	-5,695
Net profit	-1,604	-1	-1,603

## Business results of the parent company Intereuropa d.d. <sup>2</sup>

The parent company Intereuropa d.d. generated EUR 104.0 million in sales revenue in 2017, an increase of 14% on 2016 and 7% above planned revenue. Growth in sales exceeded planned values in all three business lines: land transport, logistics solutions and intercontinental transport. The parent company's sales margin declined slightly in 2017, primarily as the result of insufficient transport capacities, and pressure from suppliers to raise purchase prices on the one hand and pressure from customers to lower selling prices on the other.

The parent company generated EBITDA of EUR 8.5 million, which was 3% higher than planned but down 2% relative to 2016. The main factors in the aforementioned results were the creation of provisions and the sale of a major property at the end of 2016, which facilitated the reduction of debt on the one hand and a reduction in rental income from real estate on the other.

<sup>2</sup> Information regarding the business results of the parent company Intereuropa d.d. was drawn up on the basis of unaudited data.

Intereuropa d.d.'s operating profit amounted to EUR 2.8 million in 2017, which was 41% or EUR 1.9 million lower than the previous year, and 34% or EUR 1.4 million lower than planned. In addition to the aforementioned creation of provisions, adjustments to the value of real estate in the amount of EUR 1.7 million also contributed to the lower operating profit.

Based on the appraised fair value of investments in subsidiaries, the parent company recognised finance costs of EUR 1.3 million as the result of adjustments to the value of financial assets. The parent company is reducing its debt, which is reflected in part in lower interest expense, which was down by EUR 0.5 million in 2017.

Table 5: Key unaudited data regarding the business results of Intereuropa d.d.

in 1000 EUR	<b>INTEREUROPA D.D.</b>		
	Jan-Dec 2017	Jan-Dec 2016	Index 17/16
Sales revenues	103,976	91,052	114
Other operating revenues	760	743	102
Costs of goods, materials, services	76,529	64,793	118
Labour costs	17,459	16,648	105
Amortisation / depreciation	4,040	3,933	103
Other operating expenses	3,925	1,713	229
- Expenses from impairments of property, plant and equipment	1,707	80	2,123
- Other operating expenses	1,005	308	327
Operating profit (EBIT)	2,783	4,708	59
Finance income	862	2,548	34
Finance costs	3,459	5,298	65
Loss from financing activities	-2,597	-2,750	-
Profit from ordinary operations	186	1,958	10
Corporate income tax (including deferred taxes)	-154	5,413	-
Net profit / loss	340	-3,455	-
EBITDA	8,530	8,722	98
EBITDA margin in %	8.20	9.58	86
EBIT margin in %	2.68	5.17	52
Sales revenue per employee/month	15.025	12.743	118
Value added per employee/month	3.755	3.550	106
ROE	0.40	-3.66	-
	<b>31. 12. 2017</b>	<b>31. 12. 2016</b>	<b>Index 17/16</b>
Assets	184,366	190,731	97
Equity	84,884	87,118	97
Net debt	69,670	74,412	94
Number of employees	577	595	97
	<b>Jan-Dec 2017</b>	<b>Jan-Dec 2016</b>	<b>Index 17/16</b>
Earnings per ordinary share (in EUR)	0.01	-0.13	-
Book value per share at the end of period (in EUR)	3.09	3.17	97

EBITDA: operating profit + depreciation/amortisation + revaluation operating expenses for intangible assets and property, plant and equipment – revaluation operating revenues from the reversal of impairments of intangible assets and property, plant and equipment

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

Book value per share = equity / (number of total shares – number of treasury shares).

Number of employees: calculated on a full-time equivalent basis

The parent company generated a profit from ordinary operations of EUR 0.2 million in 2017. Net profit amounted to EUR 0.3 following the calculation of current and deferred taxes, while a net loss was generated during the previous financial year.

The book value of one share stood at EUR 3.09 at the end of 2017, while earnings per ordinary share amounted to EUR 0.01.

Intereuropa d.d.

Management Board