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UNAUDITED BUSINESS REPORT OF THE INTEREUROPA GROUP AND INTEREUROPA D.D.

JANUARY–SEPTEMBER 2017

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INTRODUCTION

Pursuant to the Financial Instruments Market Act and the Ljubljana Stock Exchange Rules, Intereuropa d.d. hereby publishes the Unaudited business report of the Intereuropa Group and Intereuropa d.d. for the period January–September 2017.

The consolidated and separate financial statements for the periods January–September 2017 and January–September 2016 have not been audited, while the financial statements for the entire 2016 financial year have been audited. The financial statements are compiled in accordance with the International Financial Reporting Standards.

The Supervisory Board of Intereuropa d.d. discussed the Unaudited business report of the Intereuropa Group and Intereuropa d.d. for the period January–September at its session on 21 November 2017.

The document Unaudited business report of the Intereuropa Group and Intereuropa d.d. for the period January–September 2017 is available at the registered office of Intereuropa d.d., Vojkovo nabrežje 32, 6504 Koper and will also be published on Intereuropa d.d.'s website at www.intereuropa.si on 21 November 2017.

STATEMENT OF MEMBERS OF THE MANAGEMENT BOARD

The Management Board of Intereuropa d.d. hereby declares that, to the best of its knowledge, the financial report of Intereuropa, Globalni logistični servis, delniška družba and the Intereuropa Group for the period January–September 2017 has been compiled in accordance with IAS 34, and must be read in conjunction with the annual financial statements compiled for the financial year ending 31 December 2016.

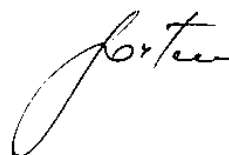
The financial report provides a true and fair picture of the assets, liabilities, financial position and operating results of Intereuropa, Globalni logistični servis, delniška družba and the other companies included in consolidation.

The business report includes a fair presentation of information regarding material transactions with related parties and is compiled in accordance with the applicable accounting standards.

Intereuropa d.d.
Management Board

Koper, 10 November 2017

Ernest Gortan, MSc
President of the Management Board



Marko Rems,
Member of the Management Board



Marko Cegnar,
Member of the Management Board



KEY PERFORMANCE HIGHLIGHTS

Table 1: Significant operating indicators for the Intereuropa Group and the parent company Intereuropa d.d.

in EUR thousand	INTEREUROPA GROUP			INTEREUROPA D.D.		
	Jan–Sep 2017	Jan–Sep 2016	Index 17/16	Jan–Sep 2017	Jan–Sep 2016	Index 17/16
Sales revenue	110,236	102,200	108	76,020	67,996	112
EBITDA	10,879	10,393	105	7,408	6,591	112
Operating profit (EBIT)	5,786	5,482	106	4,382	3,666	120
Loss from financing activities	-1,837	-2,235	-	-959	-1,019	-
Profit from ordinary operations	3,961	3,290	120	3,423	2,647	129
Net profit	3,369	3,122	108	2,971	2,647	112
EBITDA margin (in %)	9.9	10.2	97	9.74	9.69	101
EBIT margin (in %)	5.2	5.4	98	5.8	5.4	107
Sales revenue per employee/month	9.226	8.325	111	14.497	12.618	115
Value added per employee/month	2.565	2.450	105	3.821	3.530	108
ROE	3.2	2.8	114	4.5	3.6	125
	30 Sep 2017	31 Dec 2016	Index 17/16	30 Sep 2017	31 Dec 2016	Index 17/16
Assets	256,411	255,730	100	190,647	190,731	100
Equity	142,334	138.185*	103	90,122	87,118	103
Net financial debt	69,146	73,489	94	71,415	74,412	96
Number of employees	1,392	1,374	101	594	621	96
	Jan–Sep 2017	Jan–Dec 2016	Index 17/16	Jan–Sep 2017	Jan–Dec 2016	Index 17/16
Number of shares at the end of period	27,488,803	27,488,803	100	27,488,803	27,488,803	100
Earnings per share (in EUR)	0.10	-0.13	-	0.10	-0.13	-
Closing price at the end of period (in EUR)	1.91	1.18	162	1.91	1.18	162
Book value per share at the end of period (in EUR)	3.28	3.17	103	3.28	3.17	103
Closing price/book value per share	0.58	0.37	156	0.58	0.37	156
P/E	14.3	-9.1	-	14.3	-9.1	-

* Adjusted; for more information see the Introductory notes section on page 34.

EBITDA: earnings before interest, taxes, depreciation and amortisation, and revaluation operating expenses for intangible assets, and property, plant and equipment.

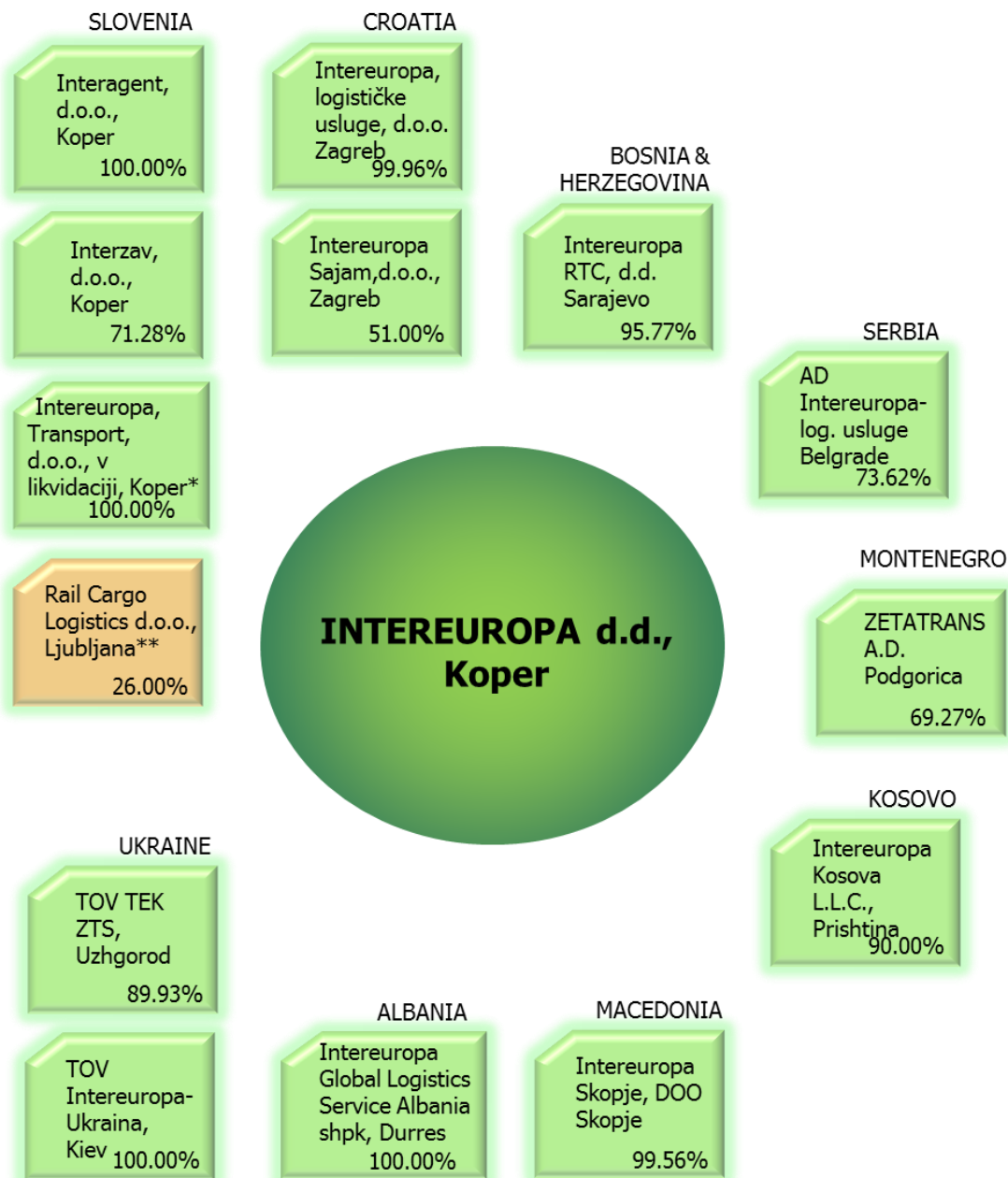
Net financial debt: financial liabilities – loans granted and deposits – cash.

P/E: Closing price at the end of period/annualised earnings per share.

BASIC INFORMATION ABOUT THE GROUP

Table 2: Basic information about Intereuropa d.d. and the Intereuropa Group as at 30 September 2017

Parent company	Intereuropa, Globalni logistični servis, delniška družba
Abbreviated name	Intereuropa d.d.
Country of the parent company	Slovenia
Registered office of the parent company	Vojkovo nabrežje 32, 6000 Koper
Registration no.	5001684
Tax no.	56405006
Entry in the companies register	Registered with the Koper District Court, entry no. 1/00212/00
Share capital	EUR 27,488,803
Number of shares issued and paid up	27,488,803 no-par-value shares, of which 16,830,838 are ordinary shares (IEKG) and 10,657,965 are preference shares (IEKN)
Share listing	IEKG shares are listed on the prime market of the Ljubljana Stock Exchange, CEESEG.
Management Board	- Ernest Gortan, MSc, President of the Management Board - Marko Rems, member of the Management Board (since 5 July 2017) - Marko Cegnar, member of the Management Board - Tatjana Vošinek Pucer, MSc, Deputy President of the Management Board (until 30 April 2017)
Chairman of the Supervisory Board	- Vojko Čok (since 25 October 2017) - Jure Fišer (from 12 July 2017 to 25 October 2017) - Klemen Boštjančič (until 21 June 2017)
Intereuropa Group	
Number of employees	1,392
Vehicle fleet	106 group-owned trucks, trailers and other commercial vehicles
Total own warehousing area	232,445 m ²
Total own land area	1,660,000 m ²
Membership in international organisations	FIATA, IATA, FONASBA, BIMCO, GS1, WCA, FETA, HCL ISO 9001:2008 certificate
Quality certificates	<ul style="list-style-type: none"> ○ Intereuropa d.d., Koper ○ Intereuropa, logističke usluge d.o.o., Zagreb ○ Intereuropa RTC d.d., Sarajevo
Own branch network	Slovenia, Croatia, Montenegro, Bosnia and Herzegovina, Serbia, Kosovo, Macedonia, Albania and Ukraine



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

** On 3 February 2017 company Intereuropa FLG, d.o.o., Ljubljana changed its name to Rail Cargo Logistics d.o.o., Ljubljana.



Figure 1: Intereuropa Group as at 30 September 2017

SIGNIFICANT EVENTS



IN THE PERIOD JANUARY–SEPTEMBER 2017

January

- On 3 January, KBS banka d.d. was merged with Nova KBM d.d., resulting in the transfer of all of its obligations and rights to Nova KBM d.d. In addition to 1,185,292 preference shares (IEKN), Nova KBM d.d. thus became the owner of an additional 2,850,752 ordinary shares (IEKG), bringing its total participating interest in the capital of Intereuropa d.d. to 14.7%.

February

- Intereuropa FLG d.o.o., Ljubljana was renamed Rail Cargo Logistics d.o.o., Ljubljana on 3 February. A change in ownership was registered on the same day. Intereuropa d.d. holds a 26% participating interest in Rail Cargo Logistics d.o.o., Ljubljana.

March

- On 29 March Intereuropa attended a business event organised by Luka Koper in Cairo, where the Company met with existing and potential customers from the perishable goods logistics segment. The aforementioned business event was attended by a large number of business partners from Egypt, the Egyptian International Freight Forwarding Association (an umbrella organisation) and the Association of Fruit and Vegetable Exporters.

April

- Intereuropa d.d. was the main sponsor of the Slovenian Logistics Congress held in Portorož on 5 and 6 April.
- On 10 April Intereuropa d.d. began using leased storage capacities in the Šenčur industrial zone, measuring approximately 1,500 m², for the needs of a new logistics project.
- On 12 April the Supervisory Board of Intereuropa d.d. appointed Marko Rems to serve as member of the Management Board. In his function on the Management Board, Mr Rems will be responsible for the area of finance. The four-year term of office of the aforementioned member of Intereuropa d.d.'s Management Board began on 5 July 2017.
- At its session held on 20 April, Intereuropa d.d.'s Supervisory Board adopted the audited annual report of the Intereuropa Group for the 2016 financial year, together with the independent auditor's report.
- Based on the relevant agreement, Tatjana Vošinek Pucer, MSc's employment with the Company was terminated early on 30 April 2017.

May

- Intereuropa d.d. and other representatives from the Slovenian logistics sector attended the Transport & Logistics trade fair in Munich from 9 to 12 May.
- In the scope of its occupational health programme, Intereuropa successfully organised Health Day on 11 May 2017. Examinations of cholesterol, blood pressure, blood sugar

and eyes were carried out, while participants were provided advice regarding healthy eating.

- On 29 May the Intereuropa Group and its business partners celebrated the 70th anniversary of the Group's operations at a formal event held in Portorož.

June

- At the beginning of June, an application for reporting suspected breaches began functioning. The aforementioned application is accessible on the Group's website under the name 'Interžvižgač' (Inter-Whistleblower).
- Employees of Intereuropa d.d. celebrated the 70th anniversary of the company's establishment on 17 June in Ankaran.
- On 30 June the general meeting of shareholders was briefed on the annual report of the Intereuropa Group for 2016, conferred official approval on the Management Board and Supervisory Board, appointed KPMG Slovenija, d.o.o. as certified auditor for 2017, and adopted a decision leaving distributable profit for 2016 in the amount of EUR 3,495,540.28 undistributed in full. The general meeting of shareholders appointed Matija Vojsk to serve as new member of the Supervisory Board for a four-year term of office beginning on 30 June 2017. The general meeting of shareholders also appointed Vojko Čok and Rok Rape to serve as members of the Supervisory Board for a four-year term of office beginning on 10 September 2017.

July

- Marko Rems began his term of office as new member of the Company's Management Board on 5 July. Mr Rems will cover the areas of finance, accounting and controlling, real estate management, central procurement and IT support.
- Jure Fišer was unanimously appointed to serve as Chairman of Intereuropa d.d.'s Supervisory Board on 12 July.

September

- Vojko Čok in Rok Rape began their four-year terms of office as members of the Company's Supervisory Board on 10 September.
- On 17 September Intereuropa began serving in its role as the official logistics partner of Celjski sejem d.d. at the 50th MOS trade fair. We invited our current business partners to the trade fair and strengthened our partnerships with them. We also held talks with potential new partners.

EVENTS AFTER THE REPORTING PERIOD

October

- Vojko Čok was appointed to serve as Chairman of Intereuropa d.d.'s Supervisory Board on 25 October 2017. The Supervisory Board appointed Matija Vojsk to serve as chairman and Rok Rape to serve as deputy chairman of its Audit Committee on the same day. The Supervisory Board appointed Jure Fišer to serve as chairman of its Nomination and Remuneration Committee and Vojko Čok to serve as member of that committee.

November

- At its session, the Works Council of Intereuropa d.d. appointed Tjaša Benčina and Zlatka Čretnik to serve as employees representatives of the Supervisory Board. Their four-year terms of office begin on 20 November 2017.

BUSINESS REPORT

1. OPERATIONS OF THE INTEREUROPA GROUP

1.1 Sales

Table 3: Financial results of the Intereuropa Group for the period January–September 2017, in EUR thousand

Item/Indicator	Jan–Sep 2017	Jan–Sep 2017 plan	Jan–Sep 2016	Index 2017/plan	Index 2017/2016
Sales revenue	110,236	106,672	102,200	103	108
EBITDA	10,879	10,767	10,393	101	105
Operating profit	5,786	5,563	5,482	104	106
Loss from financing activities	-1,837	-1,723	-2,235	-	-
Profit from ordinary operations	3,961	3,841	3,290	103	120
Corporate income tax	592	214	168	277	354
Net profit	3,369	3,627	3,122	93	108
EBITDA margin (in %)	9.9%	10.1%	10.2%	98	97
EBIT margin (in %)	5.25%	5.22%	5.4%	101	98
Sales revenue per employee/month	9.226	8.488	8.325	109	111
Value added per employee/month	2.565	2.442	2.450	105	105
ROE	3.2%	-	2.8%	-	114

Item/Indicator	30 Sep 2017	31 Dec 2016	Index 2017/2016
Assets	256,411	255,730	100
Equity	142,334	138.185*	103
Net financial debt	69,146	73,489	94
Current assets/current liabilities	1.41	1.29	109

* Adjusted; for more information see the Introductory notes section on page 34.

Operating profit and EBITDA

→ Having exceeded planned sales by 3%, the Group exceeded planned operating profit by 4% and planned EBITDA by 1% in the period January–September 2017. Operating profit and EBITDA were up by 6% and 5%, respectively, relative to the same period in 2016, primarily on account of lower costs of services (excluding direct costs) and lower labour costs (on account of fewer employees than planned).

The planned EBIT margin was exceeded by 1%, while the planned EBITDA margin was 2% lower than planned. Both margins were down relative to 2016, primarily on account of a drop in the sales margin.

Loss from financing activities

→ The Company generated a loss from financing activities that was higher than planned. Contributing most to that fact was the sale of the participating interest in Intereuropa FLG d.o.o. back in December 2016 and not in January 2017 as previously planned, and higher

negative exchange rate differences. On the other hand, lower net interest expense than planned had a positive effect.

Profit from ordinary operations and net profit

→ Despite exceeding planned profit from ordinary operations by 3%, the Group's net profit in the amount of EUR 3.4 million was 7% lower than planned due to higher corporate income tax than planned. The Group's profit from ordinary operations and net profit were up by 20% and 8%, respectively, relative to the period January–September 2016.

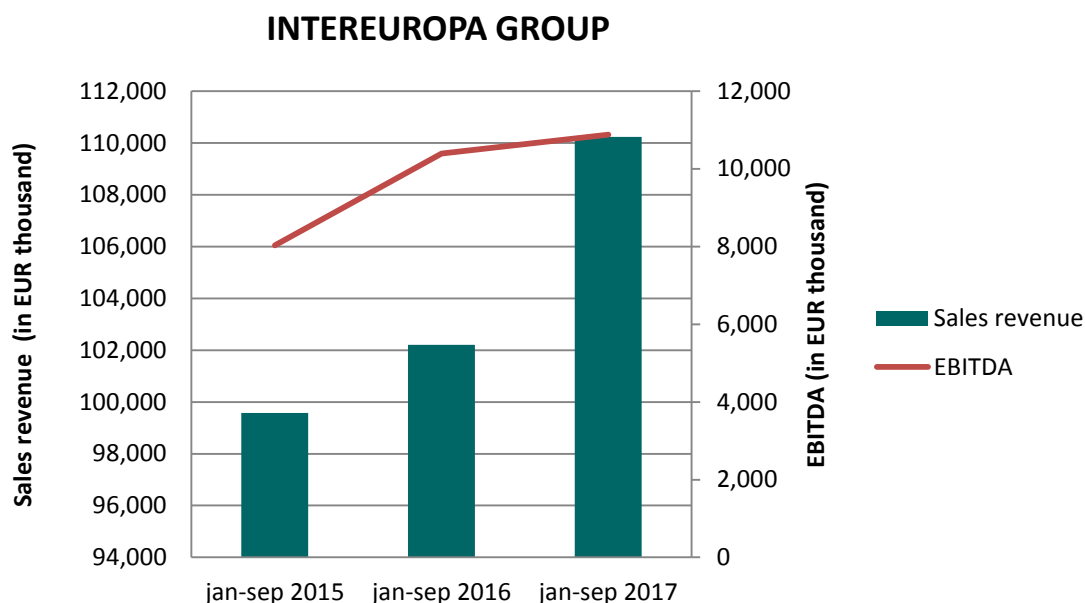


Figure 2: Change in EBITDA and sales revenue in the period January–September between 2015 and 2017

Structure of the statement of financial position

→ The current ratio amounted to 1.41 and was up minimally relative to the previous period, primarily as the result of a decrease in trade payables. The ratio of equity to total assets was up 0.8 percentage points during the most recent quarter and currently stands 55.5%.

SALES REVENUE

The Intereuropa Group generated **EUR 110.2 million in sales revenue** in the period January–September 2017, an increase of 8% on the results generated during the same period last year. Sales revenue was up in all operating segments, with growth in sales of road, sea and air freight services, and storage services standing out most.

In the land transport segment, which accounts for 54% of the Group's sales, sales revenue of EUR 59.7 million was generated during the first nine months of the year, an increase of 4% on the results achieved in the same period in 2016. The highest proportion or 60% of sales revenue from land transport was generated by the parent company in Slovenia, which exceeded the sale revenue generated in the same period last year by 11%. Sales revenue

from road transport services, which account for 51% of sales in the land transport segment, was up by 18%. The largest lag relative to the same period in 2016 was recorded in the railway freight segment, where the highest proportion of sales is generated by the Ukrainian company TOV TEK ZTS, Uzhhorod. The economic and political situation in that country remains unstable.

Sales revenue in the intercontinental transport segment totalled EUR 29.6 million during the period January–September 2017, an increase of 14% relative to the same period in 2016. The highest growth was recorded by sea and air freight services, primarily due to the positive development of certain transactions in the conventional sea freight segment, where sales were up 26% relative to the same period in 2016, and on account of chartered cargo transactions in Serbia.

The Intereuropa Group generated EUR 16.1 million in sales revenue in the logistics solutions segment during the first three quarters of 2017, an increase of 13% on the sales revenue generated in the same period in 2016. The highest proportion of sales revenue (68%) was generated by the parent company in Slovenia, where sales revenue was up by 14%.

Table 4: Sales revenue of the Intereuropa Group by operating segment, in EUR thousand

Operating segment		Jan–Sep 2017	Structure	Index 2017/plan	Index 2017/2016
1	Land transport	59,658	54%	100	104
2	Logistics solutions	16,096	15%	107	113
3	Intercontinental transport	29,552	27%	110	114
4	Other services	4,931	4%	100	100
TOTAL SALES REVENUE		110,236	100%	103	108

The majority of Group companies recorded an increase in sales revenue relative to the same period in 2016, most notably the parent company Intereuropa d.d., and the subsidiaries in Serbia and Macedonia. Lower sales revenue was generated by the company in Albania, Interagent d.o.o., Koper and TOV TEK ZTS, Uzhhorod, which recorded the sharpest decline.

Table 5: Sales revenue of the Intereuropa Group by country (with respect to a company's head office), in EUR thousand

Geographical area (according to company's head office)		Jan–Sep 2017	Structure	Index 2017/plan	Index 2017/2016
1	Slovenia	74,042	67%	105	111
2	Croatia	15,862	14%	96	101
3	Bosnia and Herzegovina	4,821	4%	97	101
4	Montenegro	4,594	4%	107	113
5	Serbia	4,531	4%	132	148
6	Ukraine	2,413	2%	81	52
7	Kosovo	2,099	2%	93	102
8	Macedonia	1,584	1%	130	151
9	Albania	290	0%	91	98
TOTAL SALES REVENUE		110,236	100%	103	108
1	EU countries	89,904	82%	103	109
2	Non-EU countries	20,332	18%	105	102

During the period January–September 2017, companies in Slovenia together generated slightly more than two thirds of the Group’s sales revenue, and recorded 11% growth in sales revenue relative to the same period in 2016. The highest growth in sales was recorded at the companies in Serbia and Macedonia, while the sharpest drop was recorded by the Ukrainian company due to the unstable political situation in that country.

Table 6: Sales revenue of the Intereuropa Group by country (with respect to a customer's head office), in EUR thousand

	Geographical area (according to customer’s head office)	Jan–Sep 2017	Structure	Index 2017/2016
1	Slovenia	46,628	42%	118
2	Croatia	13,268	12%	99
3	Austria	6,450	6%	115
4	Bosnia and Herzegovina	4,407	4%	94
5	Germany	4,166	4%	93
6	Ukraine	578	1%	19
7	Other countries	34,739	32%	110
7a	Other EU countries	15,873	14%	113
7b	Rest of the world	18,866	17%	108
	TOTAL	110,236	100%	108

The largest proportion of the Intereuropa Group’s sales revenue (42%) was generated by sales to customers with head offices in Slovenia, while customers from the other countries of the former Yugoslavia accounted for 26% of sales. Sales to customers with head offices in other countries accounted for 32% of the Group’s total sales revenue.

LAND TRANSPORT

The Intereuropa Group generated sales revenue of EUR 59.7 million from land transport services in the period January–September 2017, with that amount representing 54% of the Group’s total sales revenue. The highest proportion or 60% of sales revenue from land transport was generated by the parent company in Slovenia.

Sales revenue was at the planned level for 2017 and exceeded the sales revenue generated during the same period in 2016 by 4%. The parent company in Slovenia, which generates the highest proportion of total revenues from land transport, recorded an 11% increase in sales revenue relative to the same period last year and exceeded planned revenues by 3%.

An analysis of sales revenue by product shows that sales revenue from groupage, road transport, domestic transport and customs clearance services exceeded the results achieved during the same period last year. Sales revenue in the railway freight segment was down on the revenue generated during the same period in 2016.

A significant lag was recorded at the Ukrainian company, where the negative trend in operations from 2017 continued. The revenues generated by the aforementioned company in the land transport segment were down nearly one half on the revenues generated during the same period last year (index: 52). Revenues in the land transport segment were also down sharply on the planned figure in Croatia, where sales were down 2% relative to the same period in 2016 and down 9% on planned sales. The company in Croatia has been using the new WexVS information system since 1 March 2017 in the groupage and domestic transport segments, which led to a change in the capture of data by product and organisational unit. It is thus impossible to compare data with the previous period and planned results. Sales at the

company in Bosnia and Herzegovina were at the level recorded during the same period last year (index: 100), but were 6% below planned sales. Intereuropa Kosovo L.L.C., Prishtina and Intereuropa Albania failed to meet planned targets, despite sales revenue that was up slightly on the same period in 2016. Other Group companies recorded growth in revenues in the land transport segment relative to the same period in 2016. Intereuropa d.d., AD Intereuropa-logističke usluge, Belgrade, Zetatrans A.D., Podgorica and Intereuropa Skopje DOO all exceeded planned sales targets for the period January–September 2017 in the land transport segment.

During the period January–September 2017, the company in Slovenia recorded growth in the physical volume of processed orders for groupage (+3%), road transport (+19%) and customs clearance services (+10%). The increase in sales revenue tracked the increase in the number of orders. The exception was customs clearance services, where the decline in sales revenue was the result of amendments to tax legislation governing merchandise imports from third countries (non-EU member states), which entered into force on 1 July 2016.

Road transport:

- Road transport accounts for the highest proportion (28%) of total sales revenue among the services provided by the Intereuropa Group, and also accounts for 51% of all land transport services. The Intereuropa Group generates 71% of total revenues in the road transport segment in Slovenia.
- Sales revenue was up by 18% relative to the same period in 2016, while planned sales were exceeded by 8%.
- The most significant increase in sales revenue in absolute terms was recorded by the Intereuropa Group in Slovenia, where revenues were up 20% primarily due to a 19% increase in the number of orders. Planned sales were exceeded by 7% in Slovenia.
- In the period January–September 2017, the subsidiary Intereuropa, logističke usluge d.o.o., Zagreb recorded a 4% decline in sales revenue relative to the same period in 2016, while sales revenue was down 2% on the planned figure.
- The companies in Macedonia, Kosovo, Montenegro and Bosnia and Herzegovina exceeded both last year's sales revenue and planned targets for the reporting period.
- The companies in Serbia and Albania failed to achieve planned operating revenues, while the Ukrainian company's revenues were down on the same period in 2016.
- There is increased market demand for transport services, which sometimes makes it difficult to ensure sufficient capacities. Nevertheless, pressures on prices continued, and resulted in a protracted period of declining sales margins. We are trying to address the aforementioned issue through the active management of direct costs.

Groupage:

- Sales revenue in the groupage segment was up by 1%, but lagged behind planned sales by 9% in the period January–September 2017. The most significant lag was recorded in Croatia.
- More than three quarters of the Group's total revenues from groupage services were generated in Slovenia. The number of orders processed rose by 3% relative to the same period last year, while sales revenue was up by 5% on last year's results.
- The sale revenue generated by the Croatian subsidiary was down 15% on the same period in 2016, and 35% below planned sales revenue. The company introduced the WexVS IT solution in March in the groupage and domestic transport segments, which resulted in changes to the disclosure of revenues by product. There was also a change in charges between Intereuropa Group companies, to which a portion of the lag in

- Croatia can be attributed. Despite lower operating revenues (primarily as the result of a change in the capture of data by product with the introduction of the new information system), gross margin was up by 3% relative to the same period last year.
- The Macedonian subsidiary exceeded both last year's results (by 22%) and its planned targets (by 16%).
 - The Serbian subsidiary exceeded its sales targets by 16%. The aforementioned company lagged slightly behind last year's sale revenue, but this was the result of a change in data capture this year: a portion of revenues disclosed last year in the groupage segment was disclosed this year in the road transport segment.
 - A decline in sales revenue and a failure to meet planned targets were recorded by the companies in Bosnia and Herzegovina and Macedonia, while the companies in Kosovo and Albania exceeded last year's sales revenue, but lagged slightly behind planned figures.

Customs clearance services:

- The revenues generated by the group in the period January–September 2017 were up 3% on the same period last year and 2% higher than planned.
- Slovenia, where 33% of the Group's total sales revenue from customs clearance services was generated, recorded a decrease of 7%. Actual sales were 2% lower than planned. Amendments to tax legislation governing merchandise imports from third countries (non-EU member states) entered into effect on 1 July 2016. This resulted in a certain decrease in revenues for Intereuropa d.d., which was reflected in part in lower sales revenue relative to last year.
- Sales revenue from customs clearance services rose by 4% in Croatia relative to the same period in 2016 and was also 2% higher than planned.
- The subsidiary in Serbia recorded 84% growth in operating revenues relative to the same period in 2016 and exceeded planned values. The company in Montenegro also exceeded planned sales revenue and the sales revenue generated last year.
- A drop in operating revenues in the customs clearance segment was recorded by the companies in Bosnia and Herzegovina (due to the loss of certain customers, pressure to lower prices and the fact that an increasing number of customers are making use of simplified customs clearance procedures) and in Macedonia. The sales revenue generated by the company in Kosovo was also lower than planned, but at the same level recorded last year.

Domestic transport:

- The sales revenue recorded by the Group was up 1% relative to the same period in 2016, but was 5% lower than planned. Growth was recorded by the companies in Slovenia and Serbia, while a drop in revenues was recorded by the companies in Croatia (due to a change in the recording of data between products following the introduction of the WexVS information system), Bosnia and Herzegovina and Montenegro.
- The largest proportion of revenues from the sale of domestic transport services was generated by the subsidiary in Croatia (58%), followed by the company in Slovenia (24%), the subsidiary in Bosnia and Herzegovina (12%), and the subsidiaries in Serbia (5%) and Montenegro (1%).
- The Croatian company recorded 2% growth in sales revenue relative to the same period in 2016, but lagged behind planned targets by 6%. Here it should be noted that the introduction of the new WexVS IT solution in Croatia resulted in the reclassification of a portion of revenues to other product segments.

- The parent company in Slovenia recorded 5% growth in sales revenue and exceeded planned targets by 4%.
- The number of shipments was up by 18% in Slovenia in the period January–September 2017, while the total weight of shipments was up by 44% within the domestic transport system. Preparations were made in September for the second phase of the reorganisation of this segment. That process includes the centralisation of certain functions that were previously performed by unattached units. The main purpose of the aforementioned reorganisation is to optimise the productivity of operational activities.
- Numerous activities were carried out in Croatia in the period July–September aimed at optimising the functioning of the WexVS information solution. A related one-day seminar was organised in Samobor at the end of September for advanced users. The implementation of WexVS in the domestic transport segment is in its final phase, while preparatory activities are already underway for the introduction of that IT solution at other Group companies.

Railway freight:

- The sales revenue generated in the railway freight segment in the period January–September 2017 was 26% lower than planned and was 46% lower than the sales revenue generated in 2016.
- The main factor in the decline in sales revenue in this segment were developments at the subsidiary TOV TEK ZTS, Uzhhorod, where a drop in turnover has been recorded since the first half of 2016. The Ukrainian subsidiary generates 58% of the total sales revenue in the railway freight segment.
- The sales revenue generated by the parent company in Slovenia was down 22% on the results achieved in 2016 and 21% below set targets. This was due to changes to transport routes (transition from railway to road transport) and changes in purchase parity at two key customers.

The unstable political and economic conditions in Ukraine have continued to have a negative impact on the results of the land transport segment during the second half of 2017. The revenues of the subsidiary in the aforementioned country only account for 4% of total sales revenue from land transport services, compared with several years ago when it accounted for 20% of the total revenues of the aforementioned operating segment, primarily in the railway freight segment.

Increasing market demand for transport and logistics services is present, which is also reflected in a higher number of orders and an increase in the physical volume of transactions. Nevertheless, the pressure on customers to reduce their logistics costs continues, which has led to a reduction in margins on the market. Increased demand can be seen in difficulties ensuring sufficient capacities, which in turn results in the need to optimise the procurement function. We must also continuously optimise operations on the one hand and intensify market presence on the other hand, as we must fight for every shipment. The Group strives continuously to maintain the high quality of its services, as this is a prerequisite for market success. The computerisation of operations is required for the Group to meet the needs of the logistics market. Following the introduction of the new IT solution in the groupage and domestic transport segments in Croatia, preparatory activities are in progress to introduce that solution at other Group companies.

LOGISTICS SOLUTIONS

The Intereuropa Group's logistics solutions segment generated EUR 16.1 million in sales revenue during the period January–September 2017 or 15% of the Group's total sales. This translates to 13% growth in sales in this segment relative to the same period in 2016, while planned targets were exceeded by 7%. An improving business climate can be seen on key markets.

In Slovenia, which accounts for half of the Group's storage capacities, the logistics solutions segment generated EUR 11 million in sales revenue in the period January–September 2017 or 68% of total sales of logistics services. Last year's sales revenue was exceeded by 14%, while planned targets were exceeded by 6%. Those improving results are the fruit of new transactions and full storage capacities, and the increased turnover of goods in nearly all warehouses in Slovenia.

In Croatia, which accounts for nearly a quarter of the Group's storage capacities, the logistics solutions segment generated EUR 3.0 million in sales revenue in the period January–September 2017 or 19% of total sales of logistics services. During the aforementioned period, the two companies in Croatia together recorded a 22% increase on last year's sales revenue, while planned targets were exceeded by 16%. Such a large jump in sale revenue in that country was primarily due to a change in the booking of sales by product in the storage and distribution segment following the introduction of the WexVS system.

In Montenegro, which accounts for almost 8% of the Group's storage capacities, the logistics solutions segment generated EUR 0.7 million in sales revenue in the period January–September 2017 or 5% of total sales of logistics services. During the aforementioned period, last year's sales revenue in Montenegro was exceeded by 2%, while planned targets were exceeded by 5%.

In Serbia, which accounts for 10% of the Group's storage capacities, the logistics solutions segment generated EUR 0.7 million in sales revenue during the period January–September 2017 or 5% of total sales of logistics services. Last year's sales revenue was exceeded by 1% during the aforementioned period, while results were below 7% planned targets, primarily due to lower inventories and the reduced turnover of goods at major customers. Several new transactions were secured during the period.

The sales revenue generated by the logistics solution segment in Macedonia and Kosovo was down on planned targets, by 12% in Macedonia and by 13% in Kosovo. Sales revenue in Macedonia was down 16% on last year's results, while sales revenue in Kosovo was up by 4% relative to last year.

Numerous activities were carried out, particularly at companies in Slovenia, Croatia and Bosnia and Herzegovina (Banja Luka), to utilise storage capacities and secure new transactions with higher value added. During this period, the Group continued to implement the new information solution in Slovenia and Croatia where, in addition to basic IT support, interfaces were developed and implemented between Intereuropa and the information systems of certain customers.

Storage services:

→ The Group generated EUR 14.6 million in revenues from the sale of storage services in the period January–September 2017, which represents 13% of the Group's sales and 91% of

sales revenue from the logistics solutions segment. Growth in sales of 9% was recorded during the aforementioned period, while planned targets were exceeded by 2%.

- Revenues from storage services of EUR 10.2 million were generated in Slovenia, translating to 12% growth in sales relative to the same period in 2016, while planned sales were exceeded by 4%, primarily on account of new transactions and the utilisation of nearly all storage capacities.
- Sales revenue of EUR 2.3 million from storage services was generated in Croatia, representing sales growth of 4%. However, sales were 5% below planned targets.
- The company in Montenegro generated sales revenue from storage services of EUR 0.7 million, and thus recorded 2% growth in sales and exceeded its sales targets by 5%.
- The company in Bosnia and Herzegovina generated sales revenue from storage services of EUR 0.5 million, and thus recorded 13% growth in sales and exceeded its sales target by 11%, primarily as the result of new transactions in Banja Luka.
- The company in Serbia generated sales revenue from storage services of EUR 0.7 million, which translates to 1% growth in sales. However, sales were 7% below planned targets.
- A total of EUR 0.1 million in sales revenue was recorded in other countries that together account for 1% of sales of storage services. That translates to 4% growth in sales (primarily on account of the company in Kosovo). Sales were nevertheless 15% below planned targets.

Distribution services:

The Group generated EUR 1.5 million in revenues from the sale of distribution services during the period January–September 2017, which represents 1% of the Intereuropa Group's sales and 9% of sales revenue from the logistics solutions segment. During that period, the Group recorded an 86% increase in sales relative to the previous period and exceeded planned sales revenue by 98%. Such a massive jump in sale revenue in Croatia was primarily the result of new transactions in Slovenia and a change in the booking of sales revenue by product following the introduction of the WexVS system in Croatia.

Key activities in the logistics solutions segment during the final quarter of 2017:

- the development of partnerships and enhanced cooperation with current customers, in terms of building on existing cooperation through additional services with added value;
- the securing of new logistics projects in Slovenia and the intensive sale of free storage capacities in Croatia, Serbia and Bosnia and Herzegovina;
- the continued introduction of WexVS IT support for logistics solutions requirements in Slovenia, and subsequent implementation in Croatia;
- the continued implementation of EDI interfaces between customers and Intereuropa's information system;
- the improvement of energy efficiency (the introduction of LED lighting and the replacement of the propulsion source for forklifts, from natural gas to electricity); and
- the continued specialisation and optimisation of logistic processes by product category.

INTERCONTINENTAL TRANSPORT

Sales revenue in the intercontinental transport segment totalled EUR 29.6 million during the period January–September 2017, representing 27% of the Intereuropa Group's total sales. The Intereuropa Group recorded 14% growth in sales revenue relative to the same period in 2016 and exceeded planned targets by 10%.

Planned net sales revenue was exceeded significantly in the conventional freight segment, where we achieved 26% growth in revenues relative to the same period last year, while

planned sales targets were exceeded by 18%. Monthly sea freight rates fluctuated considerably at the beginning of the year and then subsequently stabilised somewhat. They nevertheless remain higher than the rates seen during the same period last year. The higher average shipping rate is the result of the strategies of shipping companies, who recorded losses last year, particular on container imports from the Far East, and on account of a critical shortage of space in container exports from Europe.

The air freight segment also operated above expectations and plans during the first nine months of the year, primarily due to the organisation of chartered cargo flights via Serbian airports.

Sea freight

The sea freight segment (including shipping agency services) generated EUR 22.0 million in sales revenue during the first three quarters of 2017, an increase of 14% on the same period in 2016 and 7% above planned sales targets.

- The **conventional freight segment** generated EUR 9.5 million in sales revenue during the period January–September 2017, an increase of 26% relative to the same period last year and 18% above planned targets. Increased sales revenue was primarily a reflection of the following:
 - increased commercial activities in the general and liquid cargo segment, where increased demand from existing customers was recorded;
 - cooperation with certain new customers; and
 - a good fruit and vegetable season, where a positive trend was seen due to volume growth.
- The **container shipping segment** generated EUR 11.4 million in sales revenue, an increase of 7% relative to the comparable period in 2016 and above planned targets. The turnaround seen during the third quarter was primarily the result of an increase in volume and a more intensive approach on the markets where the Group operates.
- The **RO-RO** segment generated revenues of EUR 0.7 million, a decrease of 14% relative to the same period in 2016 and 20% below planned sales. Failure to achieve planned sales was the result of a delay in export transactions involving specialised vehicles via the Port of Koper for markets in the Mediterranean that were planned at the beginning of the year. Revenues were also down due to one-off transactions in 2016, while there were no such transactions this year. Nevertheless, sales were up over the last two months.
- The number of ships provided **shipping agency services** was down by 11% during the first nine months of 2017 relative to the same period in 2016, primarily due to a drop in representation of the CSCL shipping company in 2016, which also resulted in a 52% drop in sales compared with 2016.
- In light of operations during the final months of the reporting period, forecasts for the second half of 2017 are positive for all sea freight services, with the exception of shipping agency services.

Car logistics

- The car logistics segment generated EUR 3.6 million in sales revenue in the period January–September, an increase of 12% relative to the same period in 2016 and 4% above planned targets, as the result of increased volumes via key clients. The Group achieved 11.2% growth in the number of vehicles handled during the first nine months of 2017 relative to the same period last year.
- Together with the Group's partners, we are continuing commercial activities with potential new partners. Business cooperation agreements could be reached with the latter during the current year, while negotiations to increase volumes are being completed with existing partners. We thus assess that we will achieve planned sales revenue in 2017, primarily on account of growth in the number of vehicles handled relative to 2016.

Air freight

- The air freight segment operated better than expected and exceeded targets set for the first nine months of this year. The aforementioned segment generated revenues of EUR 3.9 million, an increase of 37% relative to the same period in 2016 and 47% higher than planned. Planned sales revenue was exceeded by Group companies on the majority of markets where we operate, except in Bosnia and Herzegovina, Macedonia and Slovenia.
- Slovenia and Serbia remain the Group's key markets. Planned sales revenue was exceeded significantly on the Serbian market on account of the organisation of chartered cargo flights through airports in Serbia.
- The Group continued to serve as GSA (General Sales Agent) for the Turkish carrier Pegasus Airlines on the Serbian market. The objective remains to secure similar cooperation on the other markets where the Group operates.
- A similar positive trend in air freight transactions is expected during the final quarter of this year at all Group companies. Through enhanced sales activities, we are also expecting to exceed the previous year's sales results at the end of the final quarter of this year.

1.2 Investments in fixed assets

The Intereuropa Group invested EUR 1,307 thousand in fixed assets during the first nine months of 2017. Of that amount, EUR 492 thousand was invested in real estate and EUR 815 thousand in equipment and intangible assets. A total of 22% of the annual investment plan was thus achieved.

Table 7: Breakdown of investments in the period January–September 2017 (in EUR thousand)

Company	Property		Plant and equipment, and intangible assets		TOTAL INVESTMENTS		% of annual turnover
	Jan-Sep 2017	Plan 2017	Jan-Sep 2017	Plan 2017	Jan-Sep 2017	Plan 2017	
Intereuropa d.d.	250	1,749	484	1,890	734	3,639	20
Subsidiaries	242	378	331	1,841	573	2,219	26
TOTAL INVESTMENTS	492	2,127	815	3,731	1,307	5,858	22

The majority of investments relate to real estate and the associated fittings/equipment (EUR 1,128 thousand). Investments in computer hardware and software amounted to EUR 136 thousand, while investments in motor vehicles totalled EUR 44 thousand.

Intereuropa d.d. invested EUR 734 thousand in property and plant and equipment, and intangible assets, while other Group companies invested EUR 573 thousand in fixed assets.

There were no extensive investments during the most recent period, the most significant being the installation and upgrading of anti-burglary and video surveillance systems in Sarajevo, Belgrade, Kosovo and Podgorica, the asphaltting of surfaces at the customs terminal and warehouse platform, and other investment-maintenance works on buildings in Sarajevo, the purchase of land in Vrtojba and the partial arrangement of 1,200 m² of storage space in Belgrade.

1.3 Human resource management

CHANGE IN NUMBER OF EMPLOYEES

The total number of employees at the Group level was up by 18 in the period January–September 2017 relative to the end of 2016, to stand at 1,392 as at 30 September 2017.

- During the aforementioned period, the Group hired 124 new employees for the following reasons: the replacement of workers (48), increased scope of work (41), the securing of new transactions (31) and other reasons (4).
- The largest increase in the number of employees (on account of new transactions) was recorded at the subsidiary in Serbia, while the number of employees at the subsidiary in Croatia (Intereuropa, logističke usluge, d.o.o., Zagreb) was up by 11 due to an increase in the scope of work and the replacement of workers.
- A total of 106 employees had left the Group by the end of the period January–September.
- The number of employees was down at the parent company (by 12), at the subsidiary in Montenegro (by three), at a subsidiary in Slovenia (by one), and at the subsidiaries in Ukraine and Macedonia (by one).
- There was no turnover in key and perspective personnel at the subsidiaries in Serbia and Montenegro, while the employee turnover rate was 3.4% at the parent company and at Intereuropa, logističke usluge, d.o.o., Zagreb, and 3.9% at the subsidiary in Bosnia and Herzegovina.
- An additional 240 employees (FTEs calculated for September 2017) performed work through HR agencies and student work services at the Group level.

Table 8: Number of employees in the Intereuropa Group by country as at 30 September 2017

	30 September 2017	31 December 2016	Difference 17 - 16	Index 2017/2016
Slovenia	608	621	-13	98
Croatia	306	294	12	104
Bosnia and Herzegovina	126	122	4	103
Serbia	122	102	20	120
Macedonia	32	33	-1	97
Kosovo	43	43	0	100
Montenegro	117	120	-3	98
Albania	2	2	0	100
Ukraine	36	37	-1	97
TOTAL	1,392	1,374	18	101

DEVELOPMENT, EDUCATION AND TRAINING

The number of functional training hours was up significantly at the Intereuropa Group during the accounting period relative to the same period last year. A total of 10,670 hours were earmarked for the acquisition of new knowledge (compared with 6,947 hours in the period January–September 2016), equivalent to EUR 47 thousand of the EUR 85 thousand planned for the aforementioned period.

- In terms of content, the largest proportion of training at the Group level was accounted for by the areas of occupational health and safety (41%) and logistics (30%). The proportions accounted for by other training topics were as follows: specific technical knowledge from the areas of finances, taxes, real estate, etc. (13%), foreign languages (7%), sales (6%) and management (3%).
- At Slovenian Group companies, occupational health and safety accounted for the majority of training (864 hours), followed by the acquisition of specific technical knowledge such as IT-supported customer management, accounting, auditing, corporate integrity, etc. (837 hours), logistics (829 hours), the majority of which was accounted for by the training of employees on railway tracks (513 hours), foreign languages (645 hours), sales (348 hours), where sales staff acquired knowledge during a one-day joint 'coaching' seminar (92 hours), and management and communication skills (300 hours).
- Nearly half of all training hours (5,209) were accounted for by the subsidiary Intereuropa, logističke usluge d.o.o., Zagreb, where comprehensive internal training was carried out in the area of IT support for business processes associated with WexVS (2,160 hours), and internal training in the area of occupational health and safety (1,285 hours). The remainder was accounted for by external training in the areas of VPD and logistics, and professional seminars (1,764 hours).
- At other subsidiaries, employee training included occupational health and safety (566 hours), as well as sales (328 hours), logistics (136 hours), foreign languages (115 hours) and other associated activities (483 hours). Worthy of note was training in the area of sales skills at the subsidiary in Bosnia and Herzegovina (30 employees and a total of 240 hours), and communication and relationship skills at the subsidiary in Montenegro (25 employees and a total of 250 hours).

- At the Group level, employees received an average of eight hours of training. Employees at Slovenian Group companies received an average of six hours of training, those at the subsidiary in Croatia (Intereuropa, logističke usluge, d.o.o., Zagreb) received an average of 18 hours and those at other foreign companies received an average of three hours. Each employee received an average of nine hours in training programmes at subsidiaries abroad.
- Internal lecturers conducted 37% of training at the Group level during the reporting period, including training in the areas of IT support for business processes (WexVS in Croatia), and occupational health and safety training at the Slovenian and Croatian Group companies.
- A total of 518 employees at the parent company (including hired workers) and 211 or 70.8% of employees at Intereuropa, logističke usluge, d.o.o., Zagreb had annual interviews with their respective managers regarding work, and the achievement and planning of objectives.

A total of 43 training courses were planned in the scope of the competence centre project in the area of logistics (LOGINS). Half of the costs of those courses are expected to be reimbursed.

OCCUPATIONAL HEALTH AND SAFETY

In accordance with measures defined in the Occupational Health Care Promotion Plan at Slovenian Group companies, four workshops were organised on the subject of healthy food. A hike to Nanos was organised, as was the supply of fruit once a month and recreation for employees at leased fitness facilities. 'Health Day' was organised in cooperation with Vzajemna zdravstvena zavarovalnica, where free healthcare services were provided, including eye examinations, the measurement of cholesterol, blood sugar and blood pressure, as well as advice from a nutritionist on the proper diet.

The absenteeism rate due to sick leave was 5.49% at the parent company and 5.64% at Intereuropa, logističke usluge, d.o.o., Zagreb. That rate was less than 4% at other Group companies.

The following activities were carried out in the areas of occupational health and safety, and fire safety:

- At the Group level, 256 employees were referred for preventive, preliminary, specific-purpose and periodic medical examinations, while 136 employees were referred at Slovenian Group companies.
- A total of 471 persons at the Group level and 348 persons at Slovenian Group companies received training on occupational health and safety, and fire safety.
- A total of 12 employees (0.8% of employees) were injured in the workplace at the Group level, while that number was seven (1.2% of employees) at Slovenian Group companies. In addition, four hired workers incurred minor injuries. That total was thus lower than the planned target of 1.5%.
- A total of 1,338 pieces of various work equipment at the Group level and 1,260 pieces at Slovenian Group companies were examined and tested.
- Special attention was given to ensuring the management of fire risks and to fire-preventive measures.

- We carried out periodic inspections of facilities, and active and passive fire-fighting equipment (fire extinguishers and hydrants, fire detectors, domed smoke and heat vents, automatic fire-proof doors, etc.).
- A new computer program was set up for managing records regarding machinery, work equipment and active fire-fighting equipment.

1.4 Risk management

An important element of the governance of the Group is risk management, which in turn is an integral part of business processes. An effective risk management system can contribute significantly to the successful operations of the Group.

The Intereuropa Group upgraded its risk management system in 2016. It expanded the criteria regarding risk exposure to a four-level assessment, and updated the criteria for assessing risk levels, which serve as the basis for implementing and monitoring measures, taking into account the acceptability of a particular risk. While updating the list of risks, we identified 34 risks at the Group level during the third quarter of 2017 and classified them to the following three categories:

- financial risks,
- business risks, and
- operational risks.

During its quarterly review, the Intereuropa Group identified a new business risk associated with a lack of transport capacities to meet the demands of customers. That risk was identified at the Group level, and measures to manage it are still being implemented.

During a review of financial risks, the Group recorded a slight increase in the level of credit risk on account of bankruptcy and similar proceedings at certain major customers.

The Group is most exposed to business risks in the area of land transport. The most significant risk in this area remains the risk of the loss of customs terminal status at two subsidiaries. The purchase prices of transport and other ancillary services represent an important factor in the success of the land transport segment. While reassessing exposure to the risk associated with an increase in direct supplier costs due to rising prices of fuel and other direct costs, we found that the assessed impact on operations is lower than previously recognised. In connection with the newly identified risk associated with a lack of transport capacities on the market to meet the demands of customers, rising pressure to increase purchase prices by transporters can be expected in the future. Further centralising the purchasing function in the international land transport segment will give us the ability to manage transporters more efficiently, with the primary aim of improving relations with existing transporters and thus increasing capacities with them and entering into partnerships with new suppliers on the market.

A review of business risks led to the identification of rising risk in the logistics solutions segment, specifically the inadequate insurance of goods in a subsidiary's warehouse, and the risk of the potential termination of the lease agreement for warehouse space at the parent company.

Operational risks include strategic risks, risks associated with information and communication technology, HR-related risks, risks associated with legislation and legal proceedings, risks associated with the management and protection of assets, risks associated with

environmental protection and risks associated with providing high-quality services. All of the aforementioned risks remain at their originally identified levels, except for that latter for which we assess a minor increase in the level of risk.

The highest exposure to risks associated with business continuity and information and communication technology is seen in the operational risk category. Activities are being implemented to limit exposure to those risks, including the preparation of a project aimed at the drafting of a recovery plan, data security and the establishment of a back-up location. A proposal to implement additional communication links to specific locations is in the testing phase.

The Intereuropa Group also dedicates special attention to strategic risks, in particular the achievement of established strategic objectives. Generally speaking, conditions on the market are favourable, which has a positive impact on the Group's operations and the achievement of strategic objectives. The Group still assesses, however, that political instability in the several countries in which subsidiaries operate (Ukraine, Macedonia and Kosovo) could lead to a reduction in business on certain markets. Potential liquidity problems associated with difficulties in the operations of Agrokor and its subsidiaries can be expected in Croatia and Bosnia and Herzegovina. The negative impact on the operations of Group companies is assessed as minimal.

The Intereuropa Group assesses that it prudently manages identified risks through adopted measures and the implementation of activities, and it expects to successfully manage exposure to risks in the future.

1.5 Financial results of operations of Intereuropa d.d.

Table 9: Operations of Intereuropa d.d. in the period January–September 2017 (in EUR thousand)

Item/Indicator	Jan–Sep 2017	Jan–Sep 2017 plan	Jan–Sep 2016	Index 2017/plan	Index 2017/2016
Sales revenue	76,020	72,686	67,996	105	112
Land transport	35,756	34,791	32,121	103	111
Logistics solutions	10,989	10,366	9,641	106	114
Intercontinental transport	26,048	24,171	22,897	108	114
Other services	3,227	3,359	3,337	96	97
EBITDA	7,408	6,663	6,591	111	112
Operating profit	4,382	3,611	3,666	121	120
Loss from financing activities	-959	-628	-1,019	-	-
Profit from ordinary operations	3,423	2,983	2,647	115	129
Corporate income tax	452	0	0	-	-
Net profit	2,971	2,983	2,647	100	112
EBITDA margin (in %)	9.7%	9.2%	9.7%	106	101
EBIT margin (in %)	5.8%	5.0%	5.4%	116	107
Sales revenue per employee/month	14.495	13.163	12.618	110	115
Value added per employee/month	3.821	3.503	3.530	109	108
ROE	4.5%		3.6%		125

Item/Indicator	30 Sep 2017	31 Dec 2016	Index 2017/2016
Assets	190,647	190,731	100
Equity	90,122	87,118	103
Net financial debt	71,415	74,412	96
Current assets/current liabilities	1.27	1.16	110

Operating profit and EBITDA

→ The Company exceeded planned sales targets and operating profit, and thus the EBITDA margin, which exceeded the planned figure by 16%. Operating profit and EBITDA were up by 20% and 12%, respectively, relative to the same period in 2016. Contributing significantly to the exceeding of planned indicators were higher sales (in the context of an otherwise lower sales margin), an increase in other operating revenues and a decrease in other operating expenses.

Loss from financing activities

→ The Company generated a loss from financing activities that was higher than planned. Contributing most to that fact were lower revenues from participating interests in Group companies, while the sale of the participating interest in Intereuropa FLG d.o.o. was completed back in December 2016 and not in January 2017 as previously planned. On the other hand, lower net interest expense than planned had a significant positive effect.

Profit from ordinary operations and net profit

→ Despite exceeding planned profit from ordinary operations by 15%, Intereuropa d.d.'s net profit in the amount of EUR 2.97 million was at the planned level due to higher corporate income tax than planned. Profit from ordinary operations and net profit were up by 29% and 12%, respectively, relative to the period January–September 2016.

Structure of the statement of financial position

→ The current ratio amounted to 1.27 and was up slightly relative to the previous period, primarily as the result of a decrease in trade payables on the one hand, and an increase in cash and cash equivalents due to a reduction in trade receivables on the other. The ratio of equity to total assets was up 0.9 percentage points during the previous quarter and currently stands at 47.3%.

1.6 IEKG shares and ownership structure

The share capital of Intereuropa d.d. comprises 16,830,838 ordinary (IEKG) and 10,657,965 preference (IEKN) shares. Only ordinary IEKG shares are traded on the regulated securities market.

Table 10: Basic data regarding the shares of Intereuropa d.d. as at 30 September 2017

	30 September 2017	31 December 2016
Share capital in EUR	27,488,803	27,488,803
Total number of shares	27,488,803	27,488,803
Number of preference shares (IEKN)	10,657,965	10,657,965
Number of ordinary shares (IEKG)	16,830,838	16,830,838
of which treasury shares	18,135	18,135
Number of shareholders	4,107	4,394
Book value per share in EUR	3.28	3.17
Earnings per ordinary share in EUR	0.10	-0.13

* Data for the period.

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

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

KEY DATA REGARDING IEKG SHARES

Table 11: Key data regarding IEKG shares for the period January–September 2017

	Jan–Sep 2017	Jan–Dec 2016
Closing price at the end of period in EUR*	1.91	1.18
Weighted average price in EUR	1.76	1.08
Highest price in EUR	2.00	1.36
Lowest price in EUR	1.17	0.50
Market capitalisation in EUR thousand*	32,147	19,860
Volume in EUR thousand	2,058	783
P/B	0.58	0.37
P/E	14.3	-9.1
Capital yield	61.9%	122.6%

* As at the last day of the period.

Market capitalisation = closing price at the end of period * number of shares listed on the stock exchange.

P/B = closing price at the end of period / book value per share.

P/E = closing price at the end of period / earnings per share on an annual basis.

Capital yield = growth in share price during period.

TRADING IN IEKG SHARES

Share trading on the Ljubljana Stock Exchange has strengthened overall this year, with trading in all shares more than one quarter higher than in the first nine months of 2016, while total market capitalisation was up by just 1%. The volume of trading in IEKG shares was six times higher than in the same period in 2016. The market value of IEKG shares fluctuated between EUR 1.17 and EUR 2.00 per share, while the share price closed at EUR 1.91 at the end of September, the same level recorded at the end of June. IEKG shares were up 61.9% over the first nine months of the year, while the Slovenian SBITOP index recorded an 11.0% increase.

The market capitalisation of IEKG shares amounted to EUR 32.2 million at the end of September, accounting for 0.6% of the market capitalisation of all shares on the Ljubljana Stock Exchange.

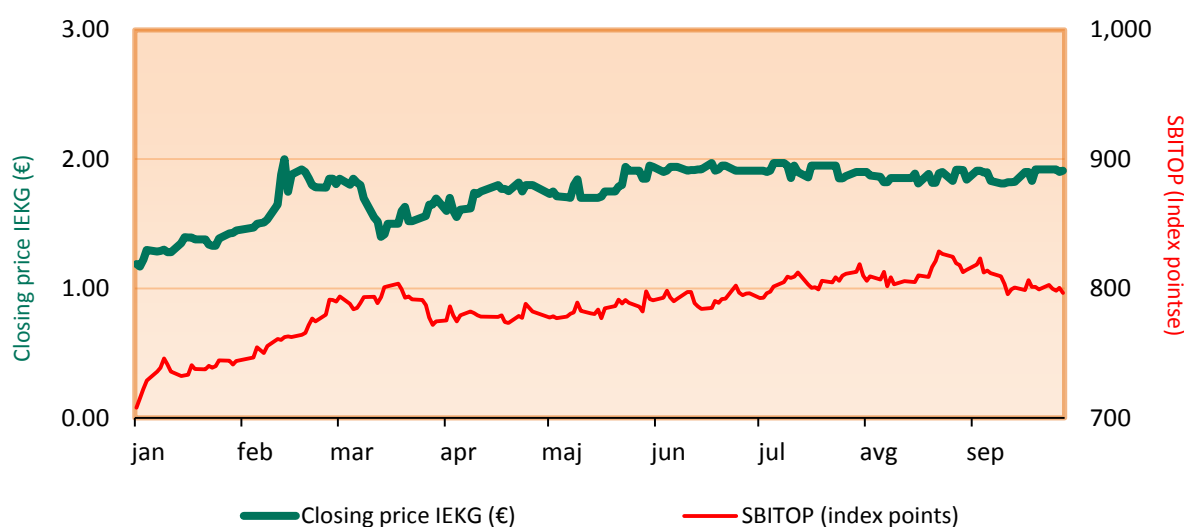


Figure 3: Changes to the closing price of IEKG shares and the SBITOP index in the period January–September 2017

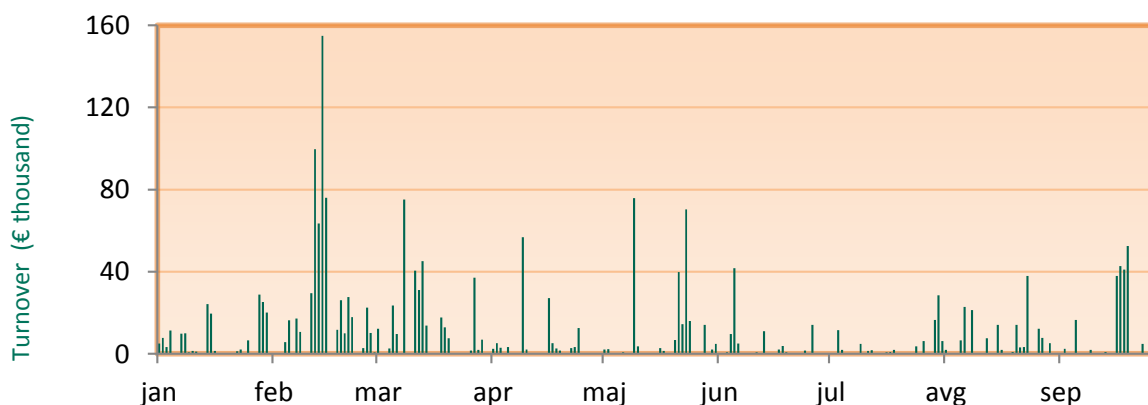


Figure 4: Turnover in IEKG shares in the period January–September 2017

OWNERSHIP STRUCTURE

There were no significant changes in the Company's ownership structure during the first nine months of 2017. The only change in the top ten shareholders was the result of the merger of KBS d.d. with Nova KBM d.d., resulting in the transfer of all of the former's obligations and rights to Nova KBM d.d. on 3 January 2017. In addition to 1,185,292 preference shares (IEKN), Nova KBM d.d. thus became the owner of an additional 2,850,752 ordinary shares (IEKG), bringing its total participating interest in the capital of Intereuropa d.d. to 14.7%.

Due to the aforementioned merger, the participating interests held by the top ten shareholders rose by 1.7 percentage points relative to the end of 2016 to stand at 83.6% at the end of the reporting period.

Banka Koper was renamed Banka Intesa Sanpaolo d.d. on 16 January 2017. There were no major changes amongst other shareholders.

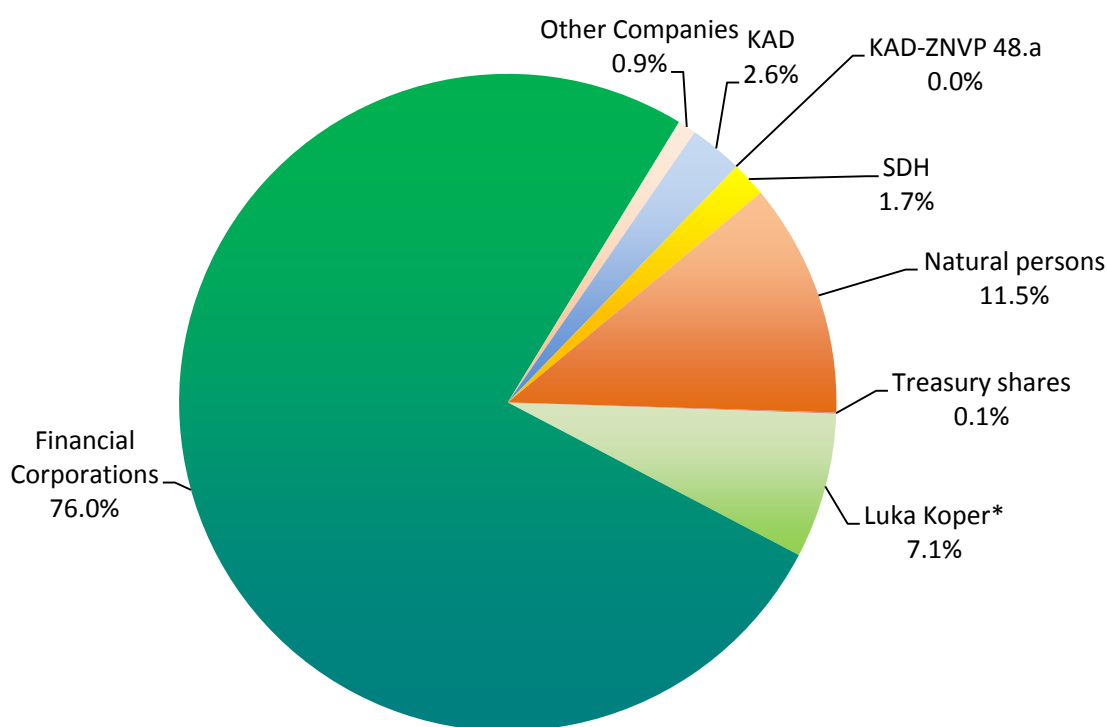
Table 12: Top ten shareholders of Intereuropa d.d. as at 30 September 2017 relative to 31 December 2016

Shareholder	30 September 2017		31 December 2016		Index 17 /16
	Number of shares	Participating interest (in %)	Number of shares	Participating interest (in %)	
1. SID banka d.d.	4,942,072	18.0	4,942,072	18.0	100
2. NLB d.d.	4,770,601	17.4	4,770,601	17.4	100
3. Nova KBM d.d.*	4,036,044	14.7	1,185,292	4.3	341
4. Gorenjska banka d.d., Kranj	3,068,990	11.2	3,068,990	11.2	100
5. SKB d.d.	2,254,980	8.2	2,254,980	8.2	100
6. Luka Koper d.d.	1,344,783	4.9	1,344,783	4.9	100
7. Banka Intesa Sanpaolo d.d.	753,703	2.7	753,703	2.7	100
8. Kapitalska družba d.d.	719,797	2.6	719,797	2.6	100
9. Luka Koper INPO d.o.o.	615,730	2.2	615,730	2.2	100
10. SDH d.d.	474,926	1.7	474,926	1.7	100
Others	4,507,177	16.4	7,357,929	26.8	61
TOTAL	27,488,803	100.0	27,488,803	100.0	100

* On 3 January 2017, KBS banka d.d. was merged with Nova KBM d.d., as the result of which the latter became the holder of an additional 2,850,752 shares.

The proportion of shares held by foreign investors was up by 0.2 percentage points relative to the situation at the end of 2016, to stand at 0.7% at the end of September 2017.

During the first nine months of the year, 115 ordinary shares were collected on a special account of Kapitalska družba d.d., which in accordance with Article 48a of the Book-Entry Securities Act (Official Gazette of the Republic of Slovenia, No. 5/17) is intended for securities waived by their holders and/or securities held by the Republic of Slovenia. Kapitalska družba may not exercise the voting rights attached to those securities, which are thus disclosed in the special category 'KAD-ZNVP 48a' (Figure 5).



* Including the participating interest of Luka Koper d.d. and its 100%-owned subsidiary Luka Koper INPO d.o.o.

Figure 5: Ownership structure of Intereuropa d.d. as at 30 September 2017

OWNERSHIP OF IEKG SHARES BY MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Members of the Management Board did not hold any shares of Intereuropa d.d. as at 30 September 2017. The shareholdings of Supervisory Board members are presented in the table below.

Table 13: Number of shares held by Supervisory Board members as at 30 September 2017

Supervisory Board	Number of shares	Participating interest (in %)
Nevija Pečar, Deputy Chairwoman	4,185	0.053

TREASURY SHARES

Intereuropa d.d. held 18,135 treasury shares (IEKG) as at 30 September 2017, representing 0.0660% of all shares. The proportion of treasury shares has not changed since 31 December 2016. The Company has no voting rights arising from its treasury shares in accordance with Article 249 of the Companies Act (ZGD-1).

DIVIDEND POLICY

The Company did not pay dividends between 2009 and 2016.

On 30 June 2017, the general meeting of shareholders adopted a decision leaving distributable profit for 2016 in the amount of EUR 3,495,540.28 undistributed in full. The Small Shareholders Association of Slovenia announced the filing of a lawsuit challenging that decision.

NOTIFICATION OF SHAREHOLDERS

The Company's communication strategy follows the principle of transparent communication that provides equal and timely information to all stakeholders. Shareholders have significant influence over strategic decisions and business policies. We therefore see regular and open communication with existing and potential shareholders as the proper way to strengthen the commercial success of Intereuropa.

The following channels are used to communicate with shareholders:

- ordinary general meetings of shareholders;
- presentations by the Company at conferences for investors in financial centres;
- the regular publication of business results and other price-sensitive information;
- regular communication via the SEOnet electronic system;
- regular communication with the media; and
- the regular publication of information regarding operations on the Company's website.

Shareholders can e-mail their remarks and suggestions to us at: info@intereuropa.si.

**FINANCIAL REPORT
OF THE INTEREUROPA GROUP
and
the PARENT COMPANY INTEREUROPA d.d.
for the period January–September 2017**

INTRODUCTORY NOTES

The Unaudited business report of the Intereuropa Group and Intereuropa d.d. has been compiled on the basis of the financial statements of the Intereuropa Group and its parent company Intereuropa d.d. for the period January–September 2017 and as at the reporting date of 30 September 2017.

The explanatory notes are included in the report in order to explain the business events and transactions that are material for understanding the changes in the financial position and profit or loss of the Intereuropa Group and of the parent company in the period since the last annual report.

The senior management has verified estimates, judgements and assumptions, and concluded that they were the same as those that applied at the time the financial statements as at 31 December 2016 were compiled.

The subsidiary Intereuropa Transport d.o.o. still was in liquidation proceedings during the reporting period. The structure of the Group has remained unchanged.

The same accounting policies were applied in the consolidated financial statements as in those of the parent company, as indicated in the financial report for the 2016 financial year.

Correction of material error in the financial statements of the Intereuropa Group

The comparable data from the statement of financial position of the Intereuropa Group as at 31 December 2016 was recalculated due to an identified error. The error relates to an increase in the deferred tax liabilities of the subsidiary Zetatrans A.D., Podgorica arising from fair value reserves for land as a result of a change in tax legislation in August 2016 (in the amount of EUR 377 thousand).

In accordance with these findings, we recalculated financial data as at 31 December 2016, as indicated in the tables below.

Table 14: Effect of the error on items reported in the statement of financial position as at 31 December 2016

Effect on the Group's statement of financial position	in EUR thousand		
	Reported for the year ending 31 December 2016 following the correction of error	Correction of error	Reported for the year ending 31 December 2016
Equity	138,185	-377	138,562
Deferred tax liabilities	11,836	377	11,459

Reclassification of items in the financial statements of the Intereuropa Group

Within the comparable data included in the income statement, the item “write-downs” (EUR 5,447 thousand) was reclassified to the following two items: “amortisation and depreciation” (in the amount of EUR 4,911 thousand) and “other operating expenses” (amount of revaluation operating expenses for intangible assets and property, plant and equipment, and expenses from impairments and write-offs of receivables and inventories in the amount of EUR 536 thousand) for a more appropriate presentation in the statement.

Reclassification of items in financial statements of Intereuropa d.d.

Within the comparable data included in the income statement, the item “write-downs” (EUR 3,047 thousand) was reclassified to the following two items: “amortisation and depreciation” (in the amount of EUR 2,924 thousand) and “other operating expenses” (amount of revaluation operating expenses for intangible assets and property, plant and equipment, and expenses from impairments and write-offs of receivables in the amount of EUR 123 thousand) for a more appropriate presentation in the statement.

2. FINANCIAL STATEMENTS OF THE INTEREUROPA GROUP

3.1 Basic financial statements of the Intereuropa Group

CONSOLIDATED INCOME STATEMENT OF THE INTEREUROPA GROUP

for the period 1 January 2017 to 30 September 2017

in EUR thousand	January–September 2017	January–September 2016
Sales revenue	110,236	102,200
Other operating revenues	649	886
Costs of goods, materials and services	-78,020	-70,556
Labour costs	-19,769	-19,688
Amortisation/depreciation	-5,089	-4,910
Other operating expenses	-2,221	-2,450
Operating profit	5,786	5,482
Finance income	165	232
Finance costs	-2,002	-2,467
Loss from financing activities	-1,837	-2,235
Investment result recognised according to the equity method	12	43
Profit from ordinary operations	3,961	3,290
Corporate income tax (including deferred taxes)	-592	-168
Net profit for the accounting period	3,369	3,122
Net profit pertaining to controlling interests	3,012	2,826
Net profit pertaining to non-controlling interests	357	296

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE INTEREUROPA GROUP

for the period 1 January 2017 to 30 September 2017

in EUR thousand	January–September 2017	January–September 2016
Net profit for the accounting period	3,369	3,122
Other comprehensive income	837	751
Items that will be reclassified to profit or loss	837	784
Change in the fair value of available-for-sale financial assets	42	23
Change in deferred taxes in the revaluation surplus for available-for-sale financial assets	-8	-5
Foreign currency translation differences	803	766
Items that will not be reclassified to profit or loss	0	-33
Other changes in retained earnings	0	-33
Total comprehensive income	4,206	3,873
Total comprehensive income pertaining to controlling interests	3,766	3,596
Total comprehensive income pertaining to non-controlling interests	440	277

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE INTEREUROPA GROUP

as at 30 SEPTEMBER 2017

in EUR thousand	30 September 2017	31 December 2016 (adjusted)*
ASSETS		
Property, plant and equipment	187,723	191,173
Investment property	10,468	9,840
Intangible assets	5,152	5,486
Other non-current assets	33	49
Non-current operating receivables	0	0
Deferred tax assets	11,097	11,392
Long-term loans granted and deposits	49	30
Investment in joint venture	75	102
Other non-current financial assets	564	542
TOTAL NON-CURRENT ASSETS	215,161	218,614
Available-for-sale assets	0	323
Inventories	134	134
Short-term loans granted and deposits	1,733	2,124
Current operating receivables	32,756	28,804
Current receivables from corporate income tax	341	60
Other current assets	853	377
Cash and cash equivalents	5,433	5,294
TOTAL CURRENT ASSETS	41,250	37,116
TOTAL ASSETS	256,411	255,730
EQUITY		
Equity pertaining to controlling interests	133,001	129,235
Share capital	27,489	27,489
Share premium account	18,455	18,455
Profit reserves	5,575	5,277
Fair value reserves	50,607	50,573
Foreign currency translation differences	-6,766	-7,486
Net profit brought forward	34,629	33,686
Net profit	3,012	1,241
Equity pertaining to non-controlling interests	9,333	8,950
TOTAL EQUITY	142,334	138,185
LIABILITIES		
Provisions	1,741	1,847
Non-current deferred income	101	104
Non-current financial liabilities	70,758	74,736
Non-current operating liabilities	310	329
Deferred tax liabilities	11,854	11,836
TOTAL NON-CURRENT LIABILITIES	84,764	88,852
Current financial liabilities	5,603	6,201
Current operating liabilities	23,509	21,885
Current corporate income tax liabilities	143	602
Current deferred income	58	5
TOTAL CURRENT LIABILITIES	29,313	28,693
TOTAL LIABILITIES	114,077	117,545
TOTAL EQUITY AND LIABILITIES	256,411	255,730

* Adjustments are disclosed in the point: Introductory notes.

CONSOLIDATED STATEMENT OF CASH FLOWS OF THE INTEREUROPA GROUP

for the period 1 JANUARY 2017 to 30

SEPTEMBER 2017

in EUR thousand	January–September 2017	January–September 2016
Cash flows from operating activities		
Net profit for the accounting period	3,369	3,122
Adjustments for:		
- amortisation and depreciation	5,089	4,911
- gains on the sale of property, plant and equipment, and investment property	-48	-190
- impairments and write-offs of receivables and inventories	568	535
- finance income	-165	-232
- recognised result for joint venture according to the equity method	-12	-43
- finance costs	2,002	2,467
- corporate income tax (including deferred taxes)	592	168
Operating profit before changes in net working capital and taxes	11,399	10,738
Changes in net working capital and provisions		
Changes in receivables	-4,482	-166
Changes in inventories	-10	-7
Changes in other current assets	-476	-402
Changes in operating liabilities	2,050	-3,482
Changes in provisions	-91	-397
Changes in non-current deferred income	-3	-6
Income tax paid	-1,066	-197
Net cash flow from operating activities	7,321	6,081
Cash flows from investing activities		
Interest received	160	196
Dividends received and shares in profit	10	43
Inflows from the sale of property, plant and equipment	437	210
Inflows from long-term loans granted	0	1
Inflows from long-term deposits placed	30	0
Net cash flow from short-term loans granted	-7	0
Net cash flow from short-term deposits placed	395	-132
Inflows from the sale of other financial assets	4	37
Outflows for the acquisition of property, plant and equipment	-1,667	-2,925
Outflows for the acquisition of intangible assets	-43	-75
Outflows for long-term deposits placed	-50	-10
Net cash flow from investing activities	-731	-2,655
Cash flows from financing activities		
Inflows from long-term loans and finance leases received	0	617
Net cash flow from short-term loans and finance leases	31	-24
Interest paid	-1,770	-2,222
Outflows for the repayment of long-term loans and finance leases	-4,613	-7,998
Dividends paid	-62	-66
Net cash flow from financing activities	-6,414	-9,693
Opening balance of cash and cash equivalents	5,294	11,107
Exchange rate differences relating to cash	-37	-111
Net cash flow for the period from ordinary operations	176	-6,267
Closing balance of cash and cash equivalents	5,433	4,729

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE INTEREUROPA GROUP

for the period 1 January 2017 to 30 September 2017

in EUR thousand	PROFIT RESERVES							RETAINED EARNINGS						
	Share capital	Share premium account	Legal reserves	Reserves for treasury shares	Treasury shares (as deduction item)	Reserves under the articles of association	Other reserves	Fair value reserves	Foreign currency translation differences	Net profit brought forward	Net profit for the accounting period	Equity pertaining to controlling interests	Equity pertaining to non-controlling interests	Total equity
Reported as at 31 December 2016	27,489	18,455	4,653	180	-180	15	609	50,575	-7,486	33,686	1,500	129,496	9,066	138,562
Correction of error*	0	0	0	0	0	0	0	-2	0	0	-259	-261	-116	-377
Reported as at 31 December 2016 after correction of error	27,489	18,455	4,653	180	-180	15	609	50,573	-7,486	33,686	1,241	129,235	8,950	138,185
Total comprehensive income	0	0	0	0	0	0	0	34	720	0	3,012	3,766	440	4,206
Net profit for the financial year	0	0	0	0	0	0	0	0	0	0	3,012	3,012	357	3,369
Other comprehensive income	0	0	0	0	0	0	0	34	720	0	0	754	83	837
Transactions with owners														
Transfer of net profit from the previous year to net profit brought forward	0	0	0	0	0	0	0	0	0	1,241	-1,241	0	0	0
Dividends and shares in profit	0	0	0	0	0	0	0	0	0	0	0	0	-57	-57
Transfer of retained earnings to reserves	0	0	0	0	0		298	0	0	-298	0	0	0	0
Closing balance as at 30 September 2017	27,489	18,455	4,653	180	-180	15	907	50,607	-6,766	34,629	3,012	133,001	9,333	142,334

* Adjustments are disclosed in the point Introductory notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE INTEREUROPA GROUP

for the period 1 January 2016 to 30 September 2016

in EUR thousand	PROFIT RESERVES							RETAINED EARNINGS		Equity pertaining to controlling interests	Equity pertaining to non-controlling interests	Total equity		
	Share capital	Share premium account	Legal reserves	Reserves for treasury shares	Treasury shares (as deduction item)	Reserves under the articles of association	Other reserves	Fair value reserves	Foreign currency translation differences				Net profit brought forward	Net profit for the accounting period
Reported as at 31 December 2015	27,489	18,455	4,691	180	-180	338	0	64,089	-7,902	31,962	-168	138,954	9,220	148,174
Correction of error	0	0	0	0	0	0	0	0	0	-365	-353	-718	-319	-1,037
Reported as at 31 December 2015 after correction of error	27,489	18,455	4,691	180	-180	338	0	64,089	-7,902	31,597	-521	138,236	8,901	147,137
Total comprehensive income	0	0	0	0	0	0	0	18	781	-29	2,826	3,596	277	3,873
Net profit for the financial year	0	0	0	0	0	0	0	0	0	0	2,826	2,826	296	3,122
Other comprehensive income	0	0	0	0	0	0	0	18	781	-29	0	770	-19	751
Transactions with owners														
Transfer of net profit from the previous year to net profit brought forward	0	0	0	0	0	0	0	0	0	-521	521	0	0	0
Payment of dividends and shares in profit	0	0	0	0	0	0	0	0	0	0	0	0	-155	-155
Transfer of retained earnings to reserves	0	0	0	0	0	0	234	0	0	-234	0	0	0	0
Other changes	0	0	0	0	0	-323	323	0	0	0	0	0	0	0
Closing balance as at 30 September 2016	27,489	18,455	4,691	180	-180	15	557	64,107	-7,121	31,178	3,179	142,550	9,342	150,855

3.2 Notes to the financial statements of the Intereuropa Group

A) NOTES TO THE CONSOLIDATED INCOME STATEMENT

Sales revenue amounted to EUR 110,236 thousand. The Group generated EUR 649 thousand in **other operating revenues** that are mainly accounted for by revenues from the reversal of adjustments and write-offs of receivables (EUR 410 thousand).

Costs of goods, materials and services

Table 15: Costs of goods, materials and services of the Intereuropa Group in the period January–September 2017

in EUR thousand	January– September 2017	January– September 2016
Historical cost of goods and materials sold and cost of materials used	3,121	2,930
Costs of services	74,899	67,626
direct costs	66,789	60,139
costs of telecommunication services	331	350
maintenance costs	1,633	1,678
insurance premiums	605	593
training and education costs	47	33
other costs of services	5,494	4,833
Total	78,020	70,556

Direct costs primarily comprise the costs of subcontractors (transportation, port-related services, etc.) that are directly related to the provision of our services.

Labour costs

Table 16: Labour costs of the Intereuropa Group in the period January–September 2017

in EUR thousand	January– September 2017	January– September 2016
Costs of wages and salaries	14,268	14,242
Social security costs	3,116	2,920
Other labour costs:	2,385	2,526
annual leave allowance	737	780
transportation and meal allowances	1,453	1,551
other labour costs	195	195
Total	19,769	19,688

Amortisation and depreciation

Table 17: Amortisation and depreciation costs of the Intereuropa Group in the period January–September 2017

in EUR thousand	January– September 2017	January– September 2016
Amortisation of intangible assets	387	374
Depreciation of property, plant and equipment, and investment property	4,702	4,536
Total	5,089	4,910

Other operating expenses

Table 18: Other operating expenses of the Intereuropa Group in the period January–September 2017

in EUR thousand	January– September 2017	January– September 2016
Building land use fee and similar expenses	1,121	1,173
Expenses from impairments and write-offs of property, plant and equipment	5	1
Expenses from value adjustments (impairments) and write-offs of receivables	557	533
Expenses from value adjustments (impairments) and write-offs of inventories	10	2
Other operating expenses	527	741
Total	2,221	2,450

In the comparable data, the amount of EUR 285 thousand was reclassified from the item "other operating expenses" to the item "building land use fee and similar expenses" because the aforementioned amount relates to duties.

Effect of finance income and costs on profit or loss

Table 19: Effect of finance income and costs in the Intereuropa Group in the period January–September 2017

in EUR thousand	January– September 2017	January– September 2016
Interest income	155	191
Income from dividends and other shares in profit	10	9
Revenues from the reversal of impairments of loans and bills of exchange	1	32
Total finance income	165	232
Interest expense	-1,742	-2,208
Expenses from the disposal of financial assets	-21	-1
Finance costs from impairments and write-offs of financial assets	-2	-6
Net exchange rate differences	-237	-251
Total finance costs	-2,002	-2,467
Loss from financing activities	-1,837	-2,235

The Group generated a **profit from ordinary operations** of EUR 3,961 thousand.

Corporate income tax was negative in the amount of EUR 592 thousand, comprising current tax in the negative amount of EUR 326 thousand and deferred tax in the negative amount of EUR 266 thousand.

The Group generated a **net profit** of EUR 3,369 thousand during the reporting period. Of that amount, EUR 3,012 thousand pertains to **controlling** interests, while EUR 357 thousand pertains to **non-controlling** interests.

B) NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

Table 20: Property, plant and equipment of the Intereuropa Group as at 30 September 2017

in EUR thousand	30 September 2017	31 December 2016
Land and buildings	181,128	184,154
a) Land	87,522	87,988
b) Buildings	93,607	96,166
Other plant and equipment	6,229	6,599
Investments in foreign fixed assets	2	0
Property, plant and equipment in acquisition	364	420
Total	187,723	191,173

The carrying amount of mortgaged property, plant and equipment (land and buildings) was EUR 127,710 thousand as at 30 September 2017 (comprising collateral for loans received and contingent liabilities). The Intereuropa Group had no other legal restrictions on the disposal of aforementioned assets.

Investment property

The main factor in the increase in the value of investment property during the accounting period was a transfer from property, plant and equipment in the amount of EUR 815 thousand, while the value of investment property was reduced by EUR 200 thousand on account of depreciation.

The carrying amount of mortgaged investment property was EUR 9,379 thousand as at 30 September 2017. That amount represents additional collateral for liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

Intangible assets

Table 21: Intangible assets of the Intereuropa Group as at 30 September 2017

in EUR thousand	30 September 2017	31 December 2016
Long-term property rights	672	726
Goodwill	1,275	1,275
Other intangible assets	2,906	3,090
Intangible assets under construction	299	394
Total	5,152	5,486

Loans granted and deposits

Table 22: Loans granted and deposits of the Intereuropa Group as at 30 September 2017

in EUR thousand	30 September 2017	31 December 2016
Long-term loans granted and deposits	49	30
- Loans granted	4	6
- Deposits	45	24
Short-term loans granted and deposits	1,733	2,124
- Loans granted and bills of exchange	82	78
- Deposits	1,651	2,046
Total	1,782	2,153

As at 30 September 2017, the Intereuropa Group had pledged long-term and short-term deposits in the amount of EUR 78 thousand as collateral for contingent liabilities and liabilities from finance leases.

Other financial assets in the amount of EUR 564 thousand comprise available-for-sale financial assets.

Current operating receivables

Table 23: Current operating receivables of the Intereuropa Group as at 30 September 2017

in EUR thousand	30 September 2017	31 December 2016
Current trade receivables	31,234	26,618
Current operating receivables from others	1,523	2,186
Total	32,756	28,804

The Intereuropa Group had current trade receivables with a carrying amount of EUR 10,000 thousand pledged as collateral as at 30 September 2017. That amount represents additional collateral for contingent liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

Other current assets amounting to EUR 853 thousand comprise current deferred costs.

Provisions

Table 24: Provisions of the Intereuropa Group as at 30 September 2017

in EUR thousand	30 September 2017	31 December 2016
Provisions for severance pay at retirement and jubilee benefits	1,198	1,285
Provisions for lawsuits	543	563
Total	1,741	1,847

Non-current financial liabilities comprise loans and finance leases, and amounted to EUR 70,758 thousand.

Current financial liabilities

Table 25: Current financial liabilities of the Intereuropa Group as at 30 September 2017

in EUR thousand	30 September 2017	31 December 2016
Short-term loans and finance leases received	4,764	5,358
Liabilities for dividends and other shares in profit	839	843
Total	5,603	6,201

All of the Group's due liabilities under loan agreements were settled as at the reporting date.

Current operating liabilities

Table 26: Current operating liabilities of the Intereuropa Group as at 30 September 2017

in EUR thousand	30 September 2017	31 December 2016
Current trade payables	19,357	18,050
Current operating liabilities based on advances	723	525
Other current operating liabilities	3,429	3,310
Total	23,509	21,885

C) OTHER NOTES

Contingent liabilities

Table 27: Contingent liabilities of the Intereuropa Group as at 30 September 2017

in EUR thousand	30 September 2017	31 December 2016
Contingent liabilities from bank guarantees and guarantees given to others	18,892	18,967
Contingent liabilities from lawsuits	1,328	1,614
Contingent liabilities to D.S.U., družba za svetovanje in upravljanje, d.o.o.	250	250
Other contingent liabilities	105	105
Total	20,575	20,936

Fair value

Table 28: Fair value of financial instruments of the Intereuropa Group as at 30 September 2017

in EUR thousand	30 September 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Available-for-sale financial assets	564	564	542	542
- measured at fair value	504	504	462	462
- measured at historical cost	61	61	80	80
Loans and deposits	1,782	1,782	2,154	2,154
Operating receivables (including receivables for corporate income tax)	33,097	33,097	28,864	28,864
Cash and cash equivalents	5,433	5,433	5,294	5,294
Total	40,877	40,877	36,854	36,854
Financial liabilities				
Loans and finance leases	75,522	75,522	80,094	80,094
- at fixed interest rates	981	981	1,115	1,115
- at variable interest rates	74,541	74,541	78,979	78,979
Liabilities for dividends and other shares in profit	839	839	843	843
Operating liabilities (including liabilities for corporate income tax)	23,962	23,962	22,816	22,816
Total	100,323	100,323	103,753	103,753

In the comparable data as at 31 December 2016, the item 'loans and finance leases at a fixed interest rate' was reduced by EUR 870 thousand, while the item 'loans and finance leases at a variable interest rate' was increased by the same amount.

Table 29: Fair value hierarchy of assets in the Intereuropa Group as at 30 September 2017

in EUR thousand Fair value hierarchy	30 September 2017			Total
	Level 1	Level 2	Level 3	
Land	0	0	87,522	87,522
Financial assets				
Available-for-sale financial assets	504	0	61	564
- measured at fair value	504	0	0	504
- measured at historical cost	0	0	61	61
Loans and deposits	0	0	1,782	1,782
Operating receivables (including receivables for corporate income tax)	0	0	33,097	33,097
Cash and cash equivalents	0	0	5,433	5,433
Total	504	0	127,955	128,398
Financial liabilities				
Loans and finance leases	0	0	75,522	75,522
- at fixed interest rates	0	0	981	981
- at variable interest rates	0	0	74,541	74,541
Liabilities for dividends and other shares in profit	0	0	839	839
Operating liabilities (including liabilities for corporate income tax)	0	0	23,962	23,962
Total	0	0	100,323	100,323

Table 30: Fair value hierarchy of assets in the Intereuropa Group as at 31 December 2016

in EUR thousand Fair value hierarchy	31 December 2016			Total
	Level 1	Level 2	Level 3	
Land	0	0	87,988	87,988
Financial assets				
Available-for-sale financial assets	462	0	80	542
- measured at fair value	462	0	0	462
- measured at historical cost	0	0	80	80
Loans and deposits	0	0	2,154	2,154
Operating receivables (including receivables for corporate income tax)	0	0	28,864	28,864
Cash and cash equivalents	0	0	5,294	5,294
Total	462	0	124,380	124,842
Financial liabilities				
Loans and finance leases	0	0	80,094	80,094
- at fixed interest rates	0	0	1,115	1,115
- at variable interest rates	0	0	78,979	78,979
Liabilities for dividends and other shares in profit	0	0	843	843
Operating liabilities (including liabilities for corporate income tax)	0	0	22,816	22,816
Total	0	0	103,753	103,753

Transactions between related parties

Table 31: Transactions between related parties

Revenues from the sale of services		
in EUR thousand	January– September 2017	January– September 2016
Associate / joint venture	1,318	756
Companies that are controlled or jointly controlled by an individual, or a member of their immediate family, who is in a relationship with the Intereuropa Group	73	17
Costs of services		
in EUR thousand	January– September 2017	January– September 2016
Associate / joint venture	2,787	2,799
Companies that are controlled or jointly controlled by an individual, or a member of their immediate family, who is in a relationship with the Intereuropa Group	7	0
Balance of operating receivables		
in EUR thousand	30 September 2017	31 December 2016
Associate / joint venture	188	130
Companies that are controlled or jointly controlled by an individual, or a member of their immediate family, who is in a relationship with the Intereuropa Group	11	10
Balance of operating liabilities		
in EUR thousand	30 September 2017	31 December 2016
Associate / joint venture	356	504
Owners that are banks	206	205
Interest expense		
in EUR thousand	January– September 2017	January– September 2016
Owners that are banks	1,590	2,070
Balance of financial liabilities		
in EUR thousand	30 September 2017	31 December 2016
Owners that are banks	74,598	79,008
Balance of contingent liabilities		
in EUR thousand	30 September 2017	31 December 2016
Owners that are banks	11,625	13,047

INFORMATION BY OPERATING SEGMENTS FOR THE PERIOD JANUARY–SEPTEMBER 2017

Table 32: Geographical operating segments of the Intereuropa Group in the period January–September 2017

in EUR thousand	Slovenia		Croatia		Bosnia and Herzegovina		Serbia		Montenegro	
	Jan-Sep 2017	Jan-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
Revenues from external customers	74,012	66,353	15,862	15,713	4,821	4,753	4,531	3,069	4,594	4,052
Revenues from transactions with other segments	2,484	2,373	451	405	302	278	483	689	59	124
Total revenues	76,496	68,727	16,313	16,118	5,123	5,030	5,013	3,758	4,653	4,176
Depreciation and amortisation	3,025	2,928	1,247	1,160	273	264	136	137	324	332
Operating profit	4,428	3,829	-234	159	186	234	474	418	714	568
Interest income	143	183	23	16	2	0	3	4	25	31
Interest expense	1,586	2,040	50	37	6	8	47	58	0	0
Profit from ordinary operations	3,423	2,805	-276	134	182	225	447	347	739	599
Revenues from investments valued according to the equity method	39	34	0	0	0	0	0	0	0	0
Corporate income tax	463	27	9	26	20	22	48	8	28	62

in EUR thousand	Ukraine		Other		Total		Adjustments (including eliminations)*		Group	
	Jan-Sep 2017	Jan-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Sep 2017	Jan-Sep 2016
Revenues from external customers	2,413	4,605	3,974	3,405	110,206	101,950	30	250	110,236	102,200
Revenues from transactions with other segments	0	1	851	458	4,630	4,328	-4,630	-4,328	0	0
Total revenues	2,413	4,606	4,825	3,863	114,836	106,278	-4,600	-4,078	110,236	102,200
Depreciation and amortisation	31	38	52	52	5,089	4,911	0	0	5,089	4,911
Operating profit	4	121	220	180	5,793	5,509	-8	-27	5,786	5,482
Interest income	0	2	0	0	196	236	-41	-45	156	191
Interest expense	92	110	0	0	1,782	2,253	-41	-45	1,742	2,208
Profit from ordinary operations	-256	-117	215	178	4,474	4,171	-513	-881	3,961	3,290
Revenues from investments valued according to the equity method	0	0	0	0	39	34	-27	9	12	43
Corporate income tax	0	0	25	21	592	168	0	0	592	168

* All adjustments are subject to consolidation procedures.

in EUR thousand	Slovenia		Croatia		Bosnia and Herzegovina		Serbia		Montenegro	
	Jan-Sep 2017	Jan-Dec 2016	Jan-Sep 2017	Jan-Dec 2016	Jan-Sep 2017	Jan-Dec 2016	Jan-Sep 2017	Jan-Dec 2016	Jan-Sep 2017	Jan-Dec 2016
Assets	192,094	192,299	58,012	58,364	17,443	16,860	10,434	9,476	22,089	21,338
Non-current assets	164,110	166,661	52,021	52,777	15,628	15,629	8,825	8,463	18,108	17,821
Operating liabilities	17,358	16,943	3,133	2,918	1,385	888	942	618	634	616
Financial liabilities	74,598	77,587	973	1,628	318	213	1,069	1,150	393	404
Investments according to the equity method	39	39	0	0	0	0	0	0	0	0

in EUR thousand	Ukraine		Other		Total		Adjustments (including eliminations)*		Group	
	Jan-Sep 2017	Jan-Dec 2016	Jan-Sep 2017	Jan-Dec 2016	Jan-Sep 2017	Jan-Dec 2016	Jan-Sep 2017	Jan-Dec 2016	Jan-Sep 2017	Jan-Dec 2016
Assets	1,765	1,914	3,289	3,278	305,126	303,529	-48,715	-47,799	256,411	255,730
Non-current assets	1,086	1,247	1,040	1,080	260,817	263,678	-45,656	-45,064	215,161	218,614
Operating liabilities	981	851	822	842	25,254	23,676	-1,435	-1,460	23,819	22,216
Financial liabilities	1,234	1,309	0	0	78,585	82,291	-2,224	-1,354	76,361	80,937
Investments in joint venture according to equity method	0	0	0	0	39	39	36	63	75	102

* All adjustments are subject to consolidation procedures.

Table 33: Sales revenue of the Intereuropa Group by operating segment in the period January–September 2017

<i>in EUR thousand</i>	Jan–Sep 2017	Jan–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Jan–Sep 2017	Jan–Sep 2016
	Land transport		Logistics solutions		Intercontinental transport		Other services		Intereuropa Group	
Sales revenue	59,658	57,176	16,096	14,182	29,552	25,902	4,931	4,940	110,236	102,200

FINANCIAL RISKS

The Intereuropa Group manages liquidity risk through the active management of cash, which includes:

- the monitoring and planning of cash flows;
- regular collection activities and daily contact with major customers;
- the option of using short-term credit lines via banks.

The table illustrates estimated undiscounted cash flows, including future interest.

Table 34: Liquidity risk as at 30 September 2017

<i>in EUR thousand</i>							
	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
30 September 2017							
Loans from banks and others	74,532	78,328	3,265	3,080	71,953	31	0
Loans received on the basis of finance leases	990	1,063	333	73	111	546	0
Liabilities for dividends and other shares in profit	839	839	413	426	0	0	0
Trade payables	19,664	19,664	19,356	2	119	72	116
Other operating liabilities (including liabilities for corporate income tax)	4,298	4,298	4,298	0	0	0	0
Total	100,322	104,192	27,664	3,580	72,183	649	116

Table 35: Liquidity risk as at 31 December 2016

<i>in EUR thousand</i>							
	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
31 December 2016							
Loans from banks and others	78,978	84,337	3,813	3,420	6,641	70,462	0
Loans received on the basis of finance leases	1,114	1,229	93	123	481	532	0
Liabilities for dividends and other shares in profit	843	843	417	426	0	0	0
Trade payables	18,357	18,357	17,882	168	119	72	116
Other operating liabilities (including liabilities for corporate income tax)	4,459	4,459	4,211	75	21	151	0
Total	103,751	109,225	26,416	4,212	7,262	71,217	116

The most important items in the scope of liquidity risk are trade payables and liabilities to creditor banks. The Intereuropa Group manages those risks by ensuring the appropriate amount (with an emphasis here on deleveraging) and maturity of long-term loans, through regular contact with creditor banks and the necessary credit limits to balance fluctuations in short-term liquidity. The Group also takes a preventive approach by monitoring and managing operating receivables.

Table 36: Currency risk as at 30 September 2017

	in EUR thousand				
30 September 2017	EUR	HRK	RSD	Other	Total
Operating receivables (including receivables for corporate income tax)	25,103	4,136	1,095	2,763	33,097
Long-term loans granted and deposits	45	0	0	4	49
Short-term loans granted and deposits	1,380	129	0	224	1,733
Long-term loans received and finance leases	-70,053	-613	0	-92	-70,758
Short-term loans received, finance leases, and liabilities for dividends and other shares in profit	-4,939	-359	-207	-98	-5,603
Operating liabilities (including liabilities for corporate income tax)	-18,461	-	-796	-	-23,872
		2,732		1,883	
Exposure disclosed in the statement of financial position	-	561	92	918	-65,354
	66,925				

Table 37: Currency risk as at 31 December 2016

	in EUR thousand				
31 December 2016	EUR	HRK	RSD	Other	Total
Operating receivables (including receivables for corporate income tax)	22,612	3,261	543	2,448	28,864
Long-term loans granted and deposits	24	0	0	6	30
Short-term loans granted and deposits	1,506	165	0	453	2,124
Long-term loans received and finance leases	-73,654	-929	0	-152	-74,736
Short-term loans received, finance leases, and other current financial liabilities	-5,758	-141	-197	-105	-6,201
Operating liabilities (including liabilities for corporate income tax)	-18,296	-	-494	-	-22,816
		2,565		1,461	
Exposure disclosed in the statement of financial position	-	-209	-	1,189	-72,735
	73,566		148	9	

Table 38: Credit risk

in EUR thousand	30 September 2017	31 December 2016
Loans granted and deposits	1,782	2,154
Operating receivables (including receivables for corporate income tax)	33,097	28,864
of which trade receivables	32,756	26,618
Cash and cash equivalents	5,433	5,294
Total	40,313	36,312

The Intereuropa Group believes that credit risk is appropriately managed. The most significant risk in the aforementioned category is the risk of payment delays and default by customers, where control limits and mechanisms are in place for approving exposure to credit risk for major customers. Those limits and mechanisms apply to all Group companies.

The table presents an interest-rate sensitivity analysis and the impact on profit or loss from ordinary operations.

Table 39: Interest-rate risk as at 30 September 2017

Type of variable interest rate	in EUR thousand			
	Loan amount 30 September 2017	Increase in IR by 10 basis points	Increase in IR by 25 basis points	Increase in IR by 50 basis points
3-month EURIBOR	74,325	-74	-186	-372
1-month EURIBOR	207	0	-1	-1
Total	74,532	-75	-186	-373

Table 40: Interest-rate risk as at 31 December 2016

Type of variable interest rate	in EUR thousand			
	Loan amount 31 December 2016	Increase in IR by 10 basis points	Increase in IR by 25 basis points	Increase in IR by 50 basis points
3-month EURIBOR	78,783	-79	-197	-394
1-month EURIBOR	197	0	0	-1
Total	78,979	-79	-197	-395

Table 41: Risk of change in fair value of securities as at 30 September 2017

30 September 2017		31 December 2016	
Change in index in %	Effect on equity	Change in index in %	Effect on equity
10	41	10	37
-10	-41	-10	-37

EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period that could significantly affect the Group's financial statements.

3. FINANCIAL REPORT FOR THE PARENT COMPANY INTEREUROPA d.d.

4.1 Basic financial statements of the parent company Intereuropa d.d.

INCOME STATEMENT OF INTEREUROPA D.D.

for the period 1 January 2017 to 30 September 2017

in EUR thousand	January–September 2017	January–September 2016
Sales revenue	76,020	67,996
Other operating revenues	326	267
Costs of goods, materials and services	-55,280	-48,037
Labour costs	-12,633	-12,430
Amortisation/depreciation	-3,022	-2,925
Other operating expenses	-1,029	-1,205
Operating profit	4,382	3,666
Finance income	649	2,350
Finance costs	-1,608	-3,369
Loss from financing activities	-959	-1,019
Profit from ordinary operations	3,423	2,647
Corporate income tax (including deferred taxes)	-452	0
Net profit for the accounting period	2,971	2,647
Basic and diluted earnings per ordinary share (in EUR)	0.10	0.09

STATEMENT OF OTHER COMPREHENSIVE INCOME OF INTEREUROPA D.D.

for the period 1 January 2017 to 30 September 2017

in EUR thousand	January–September 2017	January–September 2016
Net profit for the accounting period	2,971	2,647
Other comprehensive income	33	18
Items that will be reclassified to profit or loss	33	18
Change in the fair value of available-for-sale financial assets	41	23
Change in deferred taxes in the revaluation surplus for available-for-sale financial assets	-8	-5
Items that will not be reclassified to profit or loss	0	0
Total comprehensive income	3,004	2,665

STATEMENT OF FINANCIAL POSITION OF INTEREUROPA D.D.

as at 30 SEPTEMBER 2017

in EUR thousand	30 September 2017	31 December 2016
ASSETS		
Property, plant and equipment	94,175	96,812
Investment property	9,554	8,903
Intangible assets	3,650	3,962
Other non-current assets	34	49
Deferred tax assets	10,867	11,160
Long-term loans granted and deposits	30	10
Other non-current financial assets	45,780	45,739
TOTAL NON-CURRENT ASSETS	164,090	166,635
Available-for-sale assets	0	323
Inventories	8	8
Short-term loans granted and deposits	1,223	1,343
Other current financial assets	250	250
Current operating receivables	22,492	20,290
Current receivables from corporate income tax	277	0
Other current assets	377	60
Cash and cash equivalents	1,930	1,822
TOTAL CURRENT ASSETS	26,557	24,096
TOTAL ASSETS	190,647	190,731
EQUITY		
Share capital	27,489	27,489
Share premium account	18,455	18,455
Profit reserves	2,749	2,749
Fair value reserves	34,962	34,929
Net profit brought forward	3,496	3,496
Net profit	2,971	0
TOTAL EQUITY	90,122	87,118
LIABILITIES		
Provisions	1,011	1,078
Non-current deferred income	101	103
Non-current financial liabilities	70,053	73,175
Non-current operating liabilities	306	306
Deferred tax liabilities	8,201	8,193
TOTAL NON-CURRENT LIABILITIES	79,672	82,855
Current financial liabilities	4,545	4,412
Current operating liabilities	16,261	15,849
Current corporate income tax liabilities	47	497
TOTAL CURRENT LIABILITIES	20,853	20,758
TOTAL LIABILITIES	100,525	103,613
TOTAL EQUITY AND LIABILITIES	190,647	190,731

STATEMENT OF CASH FLOWS OF INTEREUROPA D.D.

for the period 1 January 2017 to 30 September 2017

in EUR thousand	January–September 2017	January–September 2016
Cash flows from operating activities		
Net profit for the accounting period	2,971	2,647
Adjustments for:		
- amortisation and depreciation	3,022	2,924
- impairments and write-offs of property, plant and equipment, and intangible assets	4	0
- gains on the sale of property, plant and equipment	-27	-50
- impairments and write-offs of receivables	193	123
- finance income	-649	-2,350
- finance costs	1,608	3,369
- corporate income tax (including deferred taxes)	452	0
Operating profit before changes in net working capital and taxes	7,574	6,663
Changes in net working capital and provisions		
Changes in receivables	-2,158	1,756
Changes in other current assets	-318	-333
Changes in operating liabilities	754	-3,790
Changes in provisions	-66	-455
Changes in non-current deferred income	-3	-6
Income tax paid	-875	0
Net cash flow from operating activities	4,908	3,835
Cash flows from investing activities		
Interest received	159	132
Dividends received and shares in profit	237	323
Inflows from the sale of property, plant and equipment, and assets held for sale	358	55
Inflows from long-term loans granted	20	0
Inflows from long-term deposits placed	30	0
Inflows from the sale of other non-current financial assets	3	37
Net cash flow from short-term loans granted	79	11
Net cash flow from short-term deposits placed	20	18
Outflows for the acquisition of property, plant and equipment, and investment property	-1,005	-1,723
Outflows for the acquisition of intangible assets	-39	-40
Outflows for long-term deposits placed	-50	-10
Outflows for increase in capital of subsidiaries	-19	-8
Net cash flow from investing activities	-207	-1,205
Cash flows from financing activities		
Interest paid	-1,604	-2,049
Outflows for the repayment of long-term loans	-2,989	-6,814
Net cash flow from financing activities	-4,593	-8,863
Opening balance of cash and cash equivalents	1,822	8,169
Net cash flow for the period	108	-6,233
Closing balance of cash and cash equivalents	1,930	1,936

STATEMENT OF CHANGES IN EQUITY OF INTEREUROPA d.d.

for the period 1 January 2017 to 30 September 2017

in EUR thousand	Share capital	Share premium account	PROFIT RESERVES			Fair value reserves	RETAINED EARNINGS		Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares (as deduction item)		Net profit brought forward	Net profit	
Opening balance as at 1 January 2017	27,489	18,455	2,749	180	-180	34,929	3,496	0	87,118
Total comprehensive income for the period	0	0	0	0	0	33	0	2,971	3,004
Net profit	0	0	0	0	0	0	0	2,971	2,971
Other comprehensive income	0	0	0	0	0	33	0	0	33
Closing balance as at 30 September 2017	27,489	18,455	2,749	180	-180	34,962	3,496	2,971	90,122

STATEMENT OF CHANGES IN EQUITY OF INTEREUROPA d.d.

for the period 1 January 2016 to 30 September 2016

in EUR thousand	Share capital	Share premium account	PROFIT RESERVES			Fair value reserves	RETAINED EARNINGS		Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares (as deduction item)		Net profit brought forward	Net profit	
Opening balance as at 1 January 2016	27,489	18,455	2,749	180	-180	48,659	89	535	97,976
Total comprehensive income for the period	0	0	0	0	0	18	0	2,647	2,665
Net profit	0	0	0	0	0	0	0	2,647	2,647
Other comprehensive income	0	0	0	0	0	18	0	0	18
Transactions with owners									
Transfer of net profit from the previous year to net profit brought forward	0	0	0	0	0	0	535	-535	0
Closing balance as at 30 September 2016	27,489	18,455	2,749	180	-180	48,677	624	2,647	100,641

4.2 Notes to the financial statements of the parent company Intereuropa d.d.

A) NOTES TO THE INCOME STATEMENT

Sales revenue

Table 42: Sales revenue of Intereuropa d.d. by operating segment in the period January–September 2017

<i>in thousand EUR</i>	Jan–Sep 2017	Jan–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Jan–Sep 2017	Jan–Sep 2016	Jan–Sep 2017	Jan–Sep 2016
	Land transport		Logistics solutions		Intercontinental transport		Other services		Intereuropa d.d.	
Sales revenue	35,756	32,121	10,989	9,641	26,048	22,897	3,227	3,337	76,020	67,996

Other operating revenues amounted to EUR 326 thousand and are mainly accounted for by revenues from the reversal of adjustments and write-offs of receivables (EUR 177 thousand).

Costs of goods, materials and services

Table 43: Costs of goods, materials and services of Intereuropa d.d. in the period January–September 2017

<i>in EUR thousand</i>	January–September 2017	January–September 2016
Historical cost of goods and materials sold and cost of materials used	1,276	1,188
Cost of services in the Group	1,551	1,550
Cost of services (excluding the Group):	52,454	45,299
direct costs	47,697	41,095
costs of telecommunication services	120	122
maintenance costs	1,091	1,133
insurance premiums	387	365
training and education costs	32	20
other costs of services	3,128	2,565
Total	55,280	48,037

Direct costs comprise the costs of subcontractors (transportation, port-related services, etc.) that are directly related to the provision of our services.

Labour costs

Table 44: Labour costs of Intereuropa d.d. in the period January–September 2017

in EUR thousand	January–September 2017	January–September 2016
Costs of wages and salaries	8,807	8,818
Social security costs	1,864	1,681
Other labour costs:	1,962	1,932
annual leave allowance	665	687
transportation and meal allowances	1,151	1,199
other labour costs	146	45
Total	12,633	12,430

Amortisation and depreciation

Table 45: Amortisation and depreciation of Intereuropa d.d. in the period January–September 2017

in EUR thousand	January–September 2017	January–September 2016
Depreciation of property, plant and equipment, and investment property	2,664	2,575
Amortisation of intangible assets	358	350
Total	3,022	2,925

Other operating expenses

Table 46: Other operating expenses of Intereuropa d.d. in the period January–September 2017

in EUR thousand	January–September 2017	January–September 2016
Building land use fee and similar expenses	737	806
Expenses from impairments and write-offs of property, plant and equipment	5	0
Expenses from value adjustments (impairments) and write-offs of receivables	193	123
Other operating expenses	94	275
Total	1,029	1,205

Effect of finance income and costs on profit or loss

Table 47: Effect of finance income and costs on the profit or loss of Intereuropa d.d. in the period January–September 2017

in EUR thousand	January–September 2017	January–September 2016
Interest income from Group companies	31	45
Interest income from others	109	132
Income from dividends and other shares in profit from Group companies	460	774
Income from participating interest in joint venture	39	34
Income from dividends and other shares in profit from other companies	10	8
Revenues from the reversal of impairments of loans and bills of exchange	1	1,354
Gains on the sale of financial assets	0	3
Total finance income	649	2,350
Interest expense and other borrowing expenses	-1,586	-2,040
Expenses from impairments of investments in participating interests and shares in Group companies	0	-1,322
Expenses from impairments of other financial assets	0	-6
Expenses from the disposal of financial assets	-21	-1
Net exchange rate differences	-1	0
Total finance costs	-1,608	-3,369
Loss from financing activities	-959	-1,019

The **profit from ordinary operations** in the amount of EUR 3,423 thousand was the result of operating profit in the amount of EUR 4,382 thousand and a loss from financing activities in the amount of EUR 959 thousand.

Corporate income tax for the reporting period was negative in the amount of EUR 452 thousand, comprising current tax in the negative amount of EUR 159 thousand and deferred tax in the negative amount of EUR 293 thousand. Corporate income tax amounted to zero during the comparable period, primarily due to the higher value of tax allowances taken into account.

A **net profit** in the amount of EUR 2,971 thousand was thus achieved taking into account corporate income tax.

B) NOTES TO THE STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

Table 48: Property, plant and equipment of Intereuropa d.d. as at 30 September 2017

in EUR thousand	30 September 2017	31 December 2016
Land and buildings	90,329	92,787
a) Land	49,682	50,394
b) Buildings	40,647	42,394
Other plant and equipment	3,711	3,777
Property, plant and equipment in acquisition	135	247
Total	94,175	96,812

The carrying amount of mortgaged property, plant and equipment (land and buildings) was EUR 80,864 thousand as at 30 September 2017 (comprising collateral for loans received and contingent liabilities). Intereuropa d.d. had no other legal restrictions on the disposal of the aforementioned assets.

Investment property

The main factor in the increase in the value of investment property during the reporting period was a transfer from property, plant and equipment in the amount of EUR 815 thousand, while the value of investment property was reduced by EUR 175 thousand on account of depreciation.

The carrying amount of mortgaged investment property was EUR 9,379 thousand as at 30 September 2017. That amount represents additional collateral for liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

Intangible assets

Table 49: Intangible assets of Intereuropa d.d. as at 30 September 2017

in EUR thousand	30 September 2017	31 December 2016
Long-term property rights	454	569
Other intangible assets	2,900	3,083
Intangible assets under construction	296	311
Total	3,650	3,962

Loans granted and deposits

Table 50: Loans granted and deposits of Intereuropa d.d. as at 30 September 2017

in EUR thousand	30 September 2017	31 December 2016
Non-current deposits	30	10
- deposits	30	10
Short-term loans granted and deposits	1,223	1,343
- loans to subsidiaries	1,183	1,293
- loans to others	10	0
- deposits	30	50
Total	1,253	1,353

Intereuropa d.d. had pledged long-term and short-term deposits in the amount of EUR 60 thousand as collateral for contingent liabilities.

Other non-current financial assets

Table 51: Other non-current financial assets of Intereuropa d.d. as at 30 September 2017

in EUR thousand	30 September 2017	31 December 2016
Non-current investments in shares and participating interests in subsidiaries	45,188	45,169
Non-current investment in a participating interest in an associate	39	39
Other non-current financial assets	553	531
Total	45,780	45,739

The carrying amount of pledged investments in shares and participating interests in subsidiaries was EUR 10,186 thousand. That amount represents additional collateral for liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

Current operating receivables

Table 52: Current operating receivables of Intereuropa d.d. as at 30 September 2017

in EUR thousand	30 September 2017	31 December 2016
Current operating receivables from Group companies	571	577
Current operating receivables from Group companies for interest	189	216
Current receivables for dividends and other shares in profit of Group companies	233	0
Current trade receivables (excluding the Group)	21,094	18,551
Current operating receivables from others	405	945
Total	22,492	20,290

The Company had current trade receivables with a carrying amount of EUR 10,000 thousand pledged as collateral. That amount represents additional collateral for contingent liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

Other current assets amounting to EUR 377 thousand comprise current deferred costs.

Provisions

Table 53: Provisions of Intereuropa d.d. as at 30 September 2017.

in EUR thousand	30 September 2017	31 December 2016
Provisions for severance pay at retirement and jubilee benefits	926	993
Provisions for lawsuits	85	85
Total	1,011	1,078

The full amount of **non-current financial liabilities** (EUR 70,053 thousand) relates to long-term loans received.

Current financial liabilities amounted to EUR 4,545 thousand and comprise the current portion of long-term loans (EUR 4,119 thousand) and liabilities for preferred dividends (EUR 426 thousand).

Current operating liabilities

Table 54: Current operating liabilities of Intereuropa d.d. as at 30 September 2017

in EUR thousand	30 September 2017	31 December 2016
Current operating liabilities to Group companies	332	358
Current trade payables (excluding the Group)	13,714	13,344
Current operating liabilities based on advances	75	59
Other current operating liabilities	2,140	2,087
Total	16,261	15,849

C) OTHER NOTES

Contingent liabilities

Table 55: Contingent liabilities of Intereuropa d.d. as at 30 September 2017

in EUR thousand	30 September 2017	31.12.2016
From bank guarantees and guarantees given to Group companies	1,153	1,786
From bank guarantees and guarantees given to others	9,555	10,155
From lawsuits	9	299
To D.S.U., družba za svetovanje in upravljanje, d.o.o.	250	250
Total	10,967	12,490

Fair value

Table 56: Fair value of financial instruments of Intereuropa d.d. as at 30 September 2017

in EUR thousand	30 September 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Available-for-sale financial assets	553	553	530	530
- measured at fair value	492	492	450	450
- measured at historical cost	61	61	80	80
Loans and deposits	1,253	1,253	1,353	1,353
Operating receivables (including receivables for corporate income tax)	22,802	22,802	20,290	20,290
Cash and cash equivalents	1,930	1,930	1,822	1,822
Total	26,538	26,538	23,995	23,995
Liabilities				
Loans	74,172	74,172	77,161	77,161
- at fixed interest rates	0	0	0	0
- at variable interest rates	74,172	74,172	77,161	77,161
Liabilities for dividends	426	426	426	426
Operating liabilities (including liabilities for corporate income tax)	16,614	16,614	16,652	16,652
Total	91,212	91,212	94,239	94,239

Table 57: Fair value hierarchy of assets at Intereuropa d.d. as at 30 September 2017

in EUR thousand Fair value hierarchy	30 September 2017			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Land	0	0	49,682	49,682
Available-for-sale financial assets	492	0	61	553
- measured at fair value	492	0	0	492
- measured at historical cost	0	0	61	61
Loans and deposits	0	0	1,253	1,253
Operating receivables (including receivables for corporate income tax)	0	0	22,769	22,769
Cash and cash equivalents	0	0	1,930	1,930
Total	492	0	75,695	76,187
Loans	0	0	74,172	74,172
- at fixed interest rates	0	0	0	0
- at variable interest rates	0	0	74,172	74,172
Liabilities for dividends	0	0	426	426
Operating liabilities (including liabilities for corporate income tax)	0	0	16,614	16,614
Total	0	0	91,212	91,212

Table 58: Fair value hierarchy of assets at Intereuropa d.d. as at 31 December 2016

in EUR thousand Fair value hierarchy	31 December 2016			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Land	0	0	50,394	50,394
Available-for-sale financial assets	450	0	80	530
- measured at fair value	450	0	0	450
- measured at historical cost	0	0	80	80
Loans and deposits	0	0	1,353	1,353
Operating receivables (including receivables for corporate income tax)	0	0	20,290	20,290
Cash and cash equivalents	0	0	1,822	1,822
Total	450	0	73,939	74,389
Loans	0	0	77,161	77,161
- at fixed interest rates	0	0	0	0
- at variable interest rates	0	0	77,161	77,161
Liabilities for dividends	0	0	426	426
Operating liabilities (including liabilities for corporate income tax)	0	0	16,652	16,652
Total	0	0	94,239	94,239

TRANSACTIONS BETWEEN RELATED PARTIES

Table 59: Transactions between related parties

Revenues from the sale of services		
in EUR thousand	January–September 2017	January–September 2016
Subsidiaries	2,519	2,371
Associate / joint venture	541	470
Companies that are controlled or jointly controlled by an individual, or a member of their immediate family, who is in a relationship with Intereuropa d.d.	37	14
Costs of services		
in EUR thousand	January–September 2017	January–September 2016
Subsidiaries	1,551	1,550
Associate / joint venture	2,785	2,797
Companies that are controlled or jointly controlled by an individual, or a member of their immediate family, who is in a relationship with Intereuropa d.d.	7	0
Interest income		
in EUR thousand	January–September 2017	January–September 2016
Subsidiaries	31	45
Income from participating interests		
in EUR thousand	January–September 2017	January–September 2016
Subsidiaries	460	774
Associate / joint venture	39	34
Balance of operating receivables		
in EUR thousand	30 September 2017	31 December 2016
Subsidiaries	993	794
Associate / joint venture	188	130
Companies that are controlled or jointly controlled by an individual, or a member of their immediate family, who is in a relationship with Intereuropa d.d.	11	10
Balance of operating liabilities		
in EUR thousand	30 September 2017	31 December 2016
Subsidiaries	332	358
Associate / joint venture	352	500
Owners that are banks	205	205
Loans granted		
in EUR thousand	30 September 2017	31 December 2016
Subsidiaries	1,183	1,293
Interest expense		
in EUR thousand	January–September 2017	January–December 2016
Owners that are banks	1,574	2,021
Balance of financial liabilities		
in EUR thousand	30 September 2017	31 December 2016
Owners that are banks	74,598	77,587
Balance of contingent liabilities		
in EUR thousand	30 September 2017	31 December 2016
Owners that are banks	11,625	13,047

FINANCIAL RISKS

Intereuropa d.d. manages liquidity risk through the active management of cash, which includes:

- the monitoring and planning of cash flows;
- regular collection activities and daily contact with major customers;
- the option of using short-term credit lines via banks.

The table illustrates estimated undiscounted cash flows, including future interest.

Table 60: Liquidity risk as at 30 September 2017

in EUR thousand							
30 September 2017	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Loans received from others on the basis of loan agreements	74,172	77,968	3,027	3,049	71,891	0	0
Liabilities for dividends	426	426	0	426	0	0	0
Operating liabilities to Group companies	332	332	332	0	0	0	0
Trade payables (excluding the Group)	14,020	14,020	13,712	2	119	72	116
Liabilities based on advances	75	75	75	0	0	0	0
Other operating liabilities (including liabilities for corporate income tax)	2,187	2,187	2,187	0	0	0	0
Total	91,212	95,008	19,334	3,477	72,010	72	116

Table 61: Liquidity risk as at 31 December 2016

in EUR thousand							
31 December 2016	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Loans received from others on the basis of loan agreements	77,161	82,519	3,022	3,012	6,100	70,385	0
Liabilities for dividends	426	426	0	426	0	0	0
Operating liabilities to Group companies	358	358	358	0	0	0	0
Trade payables (excluding the Group)	13,650	13,650	13,319	25	119	72	116
Liabilities based on advances	59	59	59	0	0	0	0
Other operating liabilities (including liabilities for corporate income tax)	2,585	2,585	2,585	0	0	0	0
Total	94,239	99,598	19,343	3,462	6,219	70,457	116

The most important items in the scope of liquidity risk are trade payables and liabilities to creditor banks. Intereuropa d.d. manages those risks by ensuring the appropriate amount (with an emphasis here on deleveraging) and maturity of long-term loans, through regular contact with creditor banks and the necessary credit limits to balance fluctuations in short-term liquidity. The Group also takes a preventive approach by monitoring and managing operating receivables.

Table 62: Currency risk as at 30 September 2017

in EUR thousand				
30 September 2017	EUR	USD	Other	Total
Operating receivables from Group companies	752	8	233	993
Operating receivables from others (including receivables for corporate income tax)	21,709	66	1	21,776
- of which trade receivables	21,030	64	0	21,094
Short-term loans to Group companies	1,183	0	0	1,183
Long-term deposits placed	30	0	0	30
Short-term loans granted and deposits placed with others	40	0	0	40
Long-term loans from others	-70,053	0	0	-70,053
Short-term loans received from others and other current financial liabilities	-4,545	0	0	-4,545
Operating liabilities within the Group	-326	-6	0	-332
Operating liabilities to others (including liabilities for corporate income tax)	-16,218	-51	-14	-16,282
- of which trade payables	-13,957	-49	-15	-14,020
Exposure disclosed in the statement of financial position	-67,429	18	220	-67,190

Table 63: Currency risk as at 31 December 2016

in EUR thousand				
31 December 2016	EUR	USD	Other	Total
Operating receivables from Group companies	790	4	0	794
Operating and other receivables	19,425	72	0	19,497
- of which trade receivables	18,479	72	0	18,551
Short-term loans to Group companies	1,293	0	0	1,293
Long-term deposits placed	10	0	0	10
Short-term loans granted and deposits placed with others	50	0	0	50
Long-term loans from others	-73,175	0	0	-73,175
Short-term loans from others and liabilities for dividends	-4,412	0	0	-4,412
Operating liabilities within the Group	-358	0	0	-358
Operating liabilities to others (including liabilities for corporate income tax)	-16,181	-90	-23	-16,294
- of which trade payables	-13,235	-89	-20	-13,344
Exposure disclosed in the statement of financial position	-72,559	-14	-23	-72,596

Table 64: Credit risk

in EUR thousand	30 September 2017	31 December 2016
Loans to Group companies	1,183	1,293
Loans granted and deposits placed with others	70	60
Operating receivables (including receivables for corporate income tax)	22,769	20,290
- of which trade receivables within the Group	571	577
- of which trade receivables from others	21,094	18,551
Cash and cash equivalents	1,930	1,822
Sureties and guarantees issued	1,153	1,786
Total	27,105	25,251

The table presents an interest-rate sensitivity analysis and the impact on profit from ordinary operations.

Intereuropa d.d. believes that credit risk is appropriately managed. The most significant risk in the aforementioned category is the risk of payment delays and default by customers, where control limits and mechanisms are in place for approving exposure to credit risk for major customers. Those limits and mechanisms apply to all Group companies.

Table 65: Interest-rate risk as at 30 September 2017

in EUR thousand				
Type of variable interest rate	Loan amount 30 September 2017	Increase in IR by 10 basis points	Increase in IR by 25 basis points	Increase in IR by 50 basis points
3-month EURIBOR	74,172	-74	-185	-371

Table 66: Interest-rate risk as at 31 December 2016

in EUR thousand				
Type of variable interest rate	Loan amount 31 December 2016	Increase in IR by 10 basis points	Increase in IR by 25 basis points	Increase in IR by 50 basis points
3-month EURIBOR	77,161	-77	-193	-386

Table 67: Risk of change in fair value of securities as at 30 September 2017

in EUR thousand			
30 September 2017		31 December 2016	
Change in index in %	Effect on equity	Change in index in %	Effect on equity
10	40	10	37
-10	40	-10	-37

EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period that could significantly affect the Company's financial statements.