



INFORMATION REGARDING THE BUSINESS RESULTS OF THE INTEREUROPA GROUP AND INTEREUROPA d.d.

FOR THE PERIOD JANUARY–DECEMBER 2016



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INTRODUCTION

Pursuant to the Financial Instruments Market Act and the Ljubljana Stock Exchange Rules, INTEREUROPA d.d. hereby publishes the Information regarding the Business Results of the Intereuropa Group and Intereuropa d.d. for the period January–December 2016.

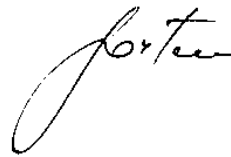
The information regarding business results was compiled taking into account the same accounting policies applied in the previous period.

The Supervisory Board of Intereuropa d.d. discussed the Information regarding the Business Results of the Intereuropa Group and Intereuropa d.d. for the above period at its session on 9 March 2017.

The document Information regarding the Business Results of the Intereuropa Group and Intereuropa d.d. for the Period January–December 2016 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 9 March 2017.

Koper, 9 March 2017

Ernest Gortan, MSc
President of the Management Board



Tatjana Vošinek Pucer, MSc
Deputy President of the Management Board



Marko Cegnar
Member of the Management Board



KEY PERFORMANCE HIGHLIGHTS

Favourable economic trends across Europe had a positive impact on the rise in demand for logistics services in 2016. The highest growth in operations was recorded in the logistics solutions business segment, primarily on account of the increased turnover of goods and new businesses for warehousing services in Slovenia. Our intercontinental transport segment achieved its established objectives, as well results comparable with those achieved in 2015, despite the considerable price pressures on the sea freight and air freight industries throughout the entire year, which was reflected in the volatility of sea freight rates and air freight terms. The presence of competitors on the markets where we operate is becoming increasingly intense, with users of logistics services striving for the optimisation of logistics costs and exerting pressure to lower prices, which in turn reduces earnings per unit. An increase in the scope of operations and physical indicators that was not supported by any financial result was most frequently seen in some land transport products. Sales revenue in the land transport segment was down 2% on the results achieved in 2015. This mostly impacted the operations of the parent company, as it generates the largest share of revenues in the land transport business segment. The sales results of all the subsidiaries improved, except those of the parent company in Slovenia, the subsidiary in Albania and Interagent d.o.o., Koper.

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–Dec 2016	Jan–Dec 2015	Index 16/15	Jan–Dec 2016	Jan–Dec 2015	Index 16/15
Sales revenue	135,596	134,613	101	91,052	91,492	100
EBITDA	13,338	10,758*	124	8,722	7,578	115
Operating profit (EBIT)	6,661	4,224*	158	4,708	3,624	130
Net profit or loss	-1,603	288*	-	-3,455	1,229	-
EBITDA margin (in %)	9.8	8.0*	123	9.6	8.3	116
EBIT margin (in %)	4.9	3.1*	157	5.2	4.0	131
Sales revenue per employee/month	8.319	8.188	102	12.740	12.563	101
Value added per employee/month	2.448	2.210*	111	3.550	3.252*	109
	31 Dec 2016	31 Dec 2015	Index 16/15	31 Dec 2016	31 Dec 2015	Index 16/15
Assets	255,730	291,893*	88	190,731	226,292	84
Equity	138,562	147,137*	94	87,118	97,976	89
Net financial debt	73,489	80,391	91	74,412	80,160	93
Number of employees	1,374	1,417	97	606	624	97
	Jan–Dec 2016	Jan–Dec 2015	Index 16/15	Jan–Dec 2016	Jan–Dec 2015	Index 16/15
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)	-0.13	0.04	-	-0.13	0.04	-
Closing price at the end of period (in EUR)	1.18	0.53	223	1.18	0.53	223
Book value per share at the end of period (in EUR)	3.17	3.57	89	3.17	3.57	89
Closing price/Book value per share	0.37	0.15	251	0.37	0.15	251
P/E	-9.1	13.3	-	-9.1	13.3	-

*Adjusted; for more information see the Introductory notes section on page 37.

* 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.

Our activities are intensively geared towards measures focused on the organisation of sales with the aim of attracting new business. We also give special attention to supplier management in order to improve transportation terms. In order to optimise processes, improve operational control and ensure the tracking of shipments, we are continuing with the development and launch of integrated information solutions for the Group's business and financial-accounting processes.

The Group generated **EUR 135.6 million in sales revenue** in the period January–December 2016, an increase of 1% on the same period in 2015. **Operating profit** amounted to **EUR 6.7 million**, up 58% on the result achieved in 2015. The Group's **operating profit from ordinary operations** amounted to **EUR 4.1 million**. Corporate income tax (including deferred taxes) amounted to EUR 5.7 million and reduced the profit from ordinary operations. The Group thus ended the reporting period with a **net loss of EUR 1.6 million**.

The parent company Intereuropa d.d., Koper generated **EUR 91.1 million in sales revenue** in the period January–December 2016, and achieved sales results comparable with those achieved in 2015. At **EUR 4.7 million** in 2016, the Company's **operating profit** was up 30% relative to 2015. The Company's **operating profit from ordinary operations** amounted to **EUR 2.0 million**. Corporate income tax (including deferred taxes) amounted to EUR 5.4 million and reduced the profit from regular operations. Intereuropa d.d. thus ended the reporting period with a **net loss of EUR 3.5 million**.

GENERAL INFORMATION REGARDING THE GROUP

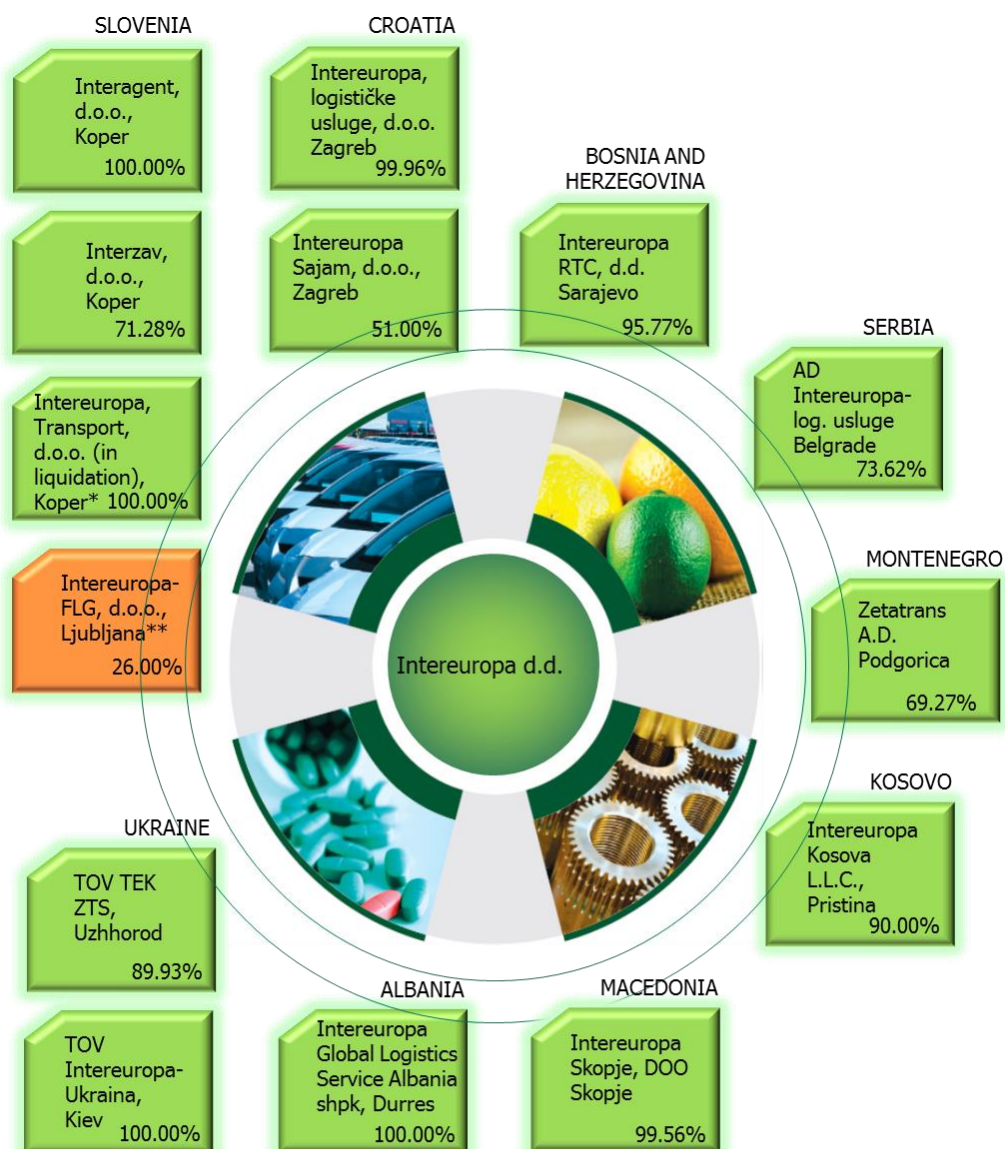
Parent company	Intereuropa, Global logistics services, Ltd. Co.
Abbreviated name	Intereuropa d.d.
Country of the parent company	Slovenia
Registered office of the parent company	Vojkovo nabrežje 32, 6000 Koper
Registration no.	5001684
Tax no.	56405006
Entry in the companies register	Registered with the 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 Tatjana Vošinek Pucer, MSc, Deputy President of the Management Board Marko Cegnar, member of the Management Board**
Chairman of the Supervisory Board	Klemen Boštjančič

* Mutually agreed early termination of term of office on 30 April 2017.

** Appointed to the Management Board on 19 February 2016.

Intereuropa Group	
Number of employees	1,374 employees
Vehicle fleet	112 group-owned trucks, trailers and other commercial vehicles
Total warehousing area	232,400 m ² of own warehouse space
Total land area	1,670,000 m ² of land area
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

Information regarding the business results of Intereuropa d.d.
and the Intereuropa Group
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* The subsidiary Intereuropa Transport d.o.o., Koper has been in liquidation since 17 January 2012.

** Intereuropa d.d. concluded an agreement on the sale of a 24% stake in Intereuropa – FLG, d.o.o., Ljubljana on 10 November 2016; for more details see the section Significant events.

● Parent company

■ Associate

■ Subsidiary

Ownership percentage (%)
of the parent company

Figure1: Intereuropa Group as at 31 December 2016



STRATEGIC POLICIES

Vision

Our vision is to be a superior provider of comprehensive logistics solutions.

Mission

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

Values

Integrity. We respect the highest ethical principles and best business practices. We operate in full compliance with applicable legislation, guidelines, recommendations and the Company's internal regulations.

Excellence. Our services are geared towards the superior satisfaction of every customer's needs for logistics services, and are based on our advanced logistics know-how.

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

Responsibility. We are distinguished by a high level of responsibility for the obligations we undertake, the agreements we conclude, and the social and natural environments in which we live.

Teamwork and a respectful approach to employees. The quality of our services is the result of the work of individuals and top-notch expert teams. We value the diverse knowledge, experiences and views of our employees.

The pursuit of our corporate vision relies on a strategy comprising four key pillars: logistics-centred product development, customer management, geographical coverage and effective Group governance. The Group's strategic policies derive from the four pillars of our developmental and operational strategy:

- the consolidation and strengthening of our position as the leading market provider of comprehensive logistics solutions in the countries of the former Yugoslavia;
- the optimisation of business process with the help of innovative IT solutions;
- the development of the culture of an innovative organisation, susceptible to change, and centred around motivated employees and effective teamwork; and
- the maintenance of financial stability through divestment, deleveraging and the effective management of working capital.

Strategic objectives for 2019

1.	Sales revenue	EUR 166.0 million
2.	EBITDA	EUR 15.8 million
3.	Operating profit (EBIT)	EUR 7.8 million
4.	Investments	amortisation/depreciation of 66% on average total of EUR 24.5 million over five years
5.	Number of employees at end of period	1,405 employees
6.	Debt management	Net debt/EBITDA: 3.4



BUSINESS PLAN 2017

While drafting the business plan for 2017, we took into account the starting position of the Intereuropa Group at the end of 2016 and the strategic policies for 2017 that derive from the Strategic Plan of the Intereuropa Group for the period 2015–2019. We also considered trends in the logistics sector and forecasts of economic trends for our key markets.

Based on the aforementioned points of departure, we have set the following business and financial objectives for the Intereuropa Group in 2017:

Key objective:

- to achieve growth in revenues on all markets, except in the Ukraine, and in all business segments of the core activity;
- to strengthen cooperation with customers that require integrated logistics solutions through the entire supply chain in the region; and
- to attract new, profitable customers and strategic customers for the Group.

Other objectives:

- to retain and motivate key and promising personnel; to additionally train personnel from the area of sales and marketing and develop services at all Group companies; to begin the establishment of a system for the remuneration of sales and management teams; and to maintain flexible forms of employment;
- to actively manage the costs of service by securing more favourable purchasing terms; to ensure the optimal provision of services and the cost-effectiveness of support functions; and to centralise certain procurement functions;
- to effectively manage working capital;
- to continue the development of integrated IT solutions that support the logistics processes of the core business activity at the parent company and at selected subsidiaries; and to introduce a platform for business decision-making and a CRM system;
- to invest in projects that generate a short-term return, and that support the needs of our customers, that are indispensable for preserving the value of assets or that are dictated by law; and
- to sell assets that are not sufficiently utilised in economic terms.

Key financial objectives:

- sales revenue: EUR 142.4 million;
- EBITDA: EUR 13.7 million;
- operating profit: EUR 6.8 million;
- investments: EUR 5.9 million; and
- number of employees at the end of the year: 1,421.

SIGNIFICANT EVENTS

IN THE PERIOD JANUARY–DECEMBER 2016

January

- Intereuropa joined the Slovenian economic delegation to Iran and took part in the Slovenian–Iranian business forum. Meetings were held with Iranian logistics providers and other business partners who provide an opportunity for cooperation, particularly in the automotive, pharmaceutical, steel and agricultural mechanisation industries, where Intereuropa can provide its sea freight (shipping) and land transport services.

February

- On 19 February 2016 the Supervisory Board of Intereuropa d.d. appointed Marko Cegnar to a four-year term of office as a member of the Management Board responsible for sales.
- Intereuropa representatives attended the Fruit Logistics fair in Berlin, where they held meetings with customers and business partners.
- Intereuropa launched a regular groupage line in February for imports and exports between Serbia and Turkey, where Belgrade serves as the central hub for shipments from/to Turkey for the entire region in which the Group operates.

March

- On 3 March 2016 the Supervisory Board was briefed on the performance of the Intereuropa Group during the 2015 financial year. The Intereuropa Group generated revenues of EUR 134.6 million from the sale of logistics services. It achieved an operating profit of EUR 4.7 million and a net profit of EUR 0.8 million.
- Intereuropa took part in a partner conference organised by the HCL Conference (Ecu Air) in Lisbon, Portugal between 8 and 12 March. Representatives of Intereuropa attended several meetings within the partner network and entered into new cooperation agreements. Intereuropa received the award of 'Most Responsive Agent within the HCL Network'.
- Intereuropa representatives also attended the meeting organised by Luka Koper d.d. in Cairo, where they met with existing business partners and made contacts with logistics operators from various partner networks.
- Intereuropa established cooperation with a new partner for groupage services in the UK, with whom it jointly operates two regular weekly lines for the shipment of imports and exports.
- Intereuropa attended the 7th Regional Business Plus Conference on 31 March, where the representatives of regional companies discussed the importance of brands.

April

- Intereuropa representatives took part in the Supply Chain in Science and Practice congress, which was organised by the Slovenian Logistics Association in Portorož on 6 and 7 April.
- On 21 April the Supervisory Board adopted the audited annual report for 2015, together with the auditor's report compiled by the external certified auditor, as well as the report of the Supervisory Board for 2015.

May

- As part of the organisation of an event for its key customers, Intereuropa attended the Internautica (yacht) fair on 5 May with the aim of strengthening ties and future business cooperation.
- Intereuropa took part in the 'Employment–New Perspective' employment fair on 10 May. The aforementioned fair was organised by the Koper Regional Office of the Employment Service of Slovenia, which presented its current needs and the most frequently sought-after staff.
- Representatives of Intereuropa attended the 'port days' on 11 May in Katowice (Poland), where they presented the logistics services Intereuropa provides to existing and potential business partners.
- During the implementation of the 'Promoting Occupational Health in the Workplace' project, Intereuropa d.d. purchased four automated external defibrillators (AED) that are installed at Intereuropa's head office in Koper and at our facilities in Ljubljana, Celje and Maribor. The devices are available to any persons in need of such assistance.
- The Supervisory Board was briefed on the unaudited annual report of the Intereuropa Group for the period January–March 2016 at its session of 18 May. The Intereuropa Group generated sales revenue of EUR 33.7 million during the first quarter. It achieved an operating profit of EUR 1.7 million and a net profit of EUR 0.7 million.
- Intereuropa attended a promotional event organised by Luka Koper in Belgrade on 25 May, where it strengthened current business ties and presented its services to potential Serbian business partners.

June

- Intereuropa took part in the sustainable intra-logistics fair 'Intralogistics and Supply Chain Management' (CeMAT) in Hanover from 31 May to 3 June.
- We completed the construction of a new cooling facility in Maribor with a capacity of around 2,500 pallets.

July

- The 29th General Meeting of Shareholders of Intereuropa d.d. was held on 8 July, when shareholders were briefed on the 2015 annual report of the Intereuropa Group, together with the auditor's opinion. Shareholders conferred official approval on the Supervisory Board and Management Board for their work in 2015, were briefed on the use of distributable profit for 2015 (the full amount of which will remain undistributed) and appointed the audit firm for 2016, i.e. KPMG, Slovenija, podjetje za revidiranje, d.o.o., Ljubljana.

August

- The Supervisory Board of Intereuropa d.d. was briefed on the unaudited report on the business results of the Intereuropa Group for the period January–June 2016 during its session of 25 August. The Intereuropa Group generated EUR 69.3 million in revenues and disclosed a net profit of EUR 2.0 million during the first six months of 2016.
- Intereuropa's subsidiary Zetatrans A.D., Podgorica (Montenegro) provided customs services and helped organise transportation for the humanitarian aid programme that was carried out by the government of the Republic of Montenegro in cooperation with other companies that delivered help to flood-stricken regions of Macedonia.



- Intereuropa's subsidiary in Zagreb upgraded its freight vehicle fleet through the purchase of four new tractor units, together with semi-trailers.

September

- Intereuropa has been a partner of Celjski sejem d.d. for several years now, cooperating with the latter as the official logistics provider for the fair. The Group presented its comprehensive range of logistics services at its own stand at the international fair.
- Intereuropa was visited by a delegation from the federal state of Bavaria. The meeting was organised by the Slovenian-German Chamber of Commerce and Industry with the aim of strengthening current business relations and establishing mutual economic ties.
- Fraud relating to the storage of petroleum derivatives was detected in September at the subsidiary Zetatrans A.D., Podgorica, causing damage to the company in the amount of EUR 1,037 thousand.

October

- The management and senior officers of the Intereuropa Group met at the annual conference on 20 October to discuss strategic policies and planning bases for the 2017 financial year.
- We renovated 595 m² of storage space in Celje for customers' needs for the purpose of storing and dispatching cargo requiring a special temperature regime.

November

- The Supervisory Board was briefed on the performance of the Intereuropa Group during the first nine months of the year at its session held on 28 November. The Intereuropa Group generated EUR 102.2 million in sales revenue in the period January–September 2016 and an operating profit of EUR 5.5 million, and ended the aforementioned period with a net profit of EUR 3.1 million.
- Intereuropa d.d. concluded an agreement on 10 November on the purchase of 24% stake in the joint venture Intereuropa–FLG d.o.o., under the suspensive condition that the Slovenian Competition Protection Agency gives its consent. Intereuropa will retain a 26% stake in the aforementioned joint venture following the completion of the sale.
- Intereuropa's Belgrade subsidiary completed the renovation of warehousing space (1.500 m² in area) for the storage of hazardous materials and goods requiring a special temperature regime.

December

- The Deputy President of the Management Board of Intereuropa d.d. Tatjana Vošinek Pucer, MSc reached an agreement with the Company's Supervisory Board on 14 December regarding the early termination of her term of office. She will continue performing her function until 30 April 2017.
- The Supervisory Board adopted the business plan of the Intereuropa Group for the 2017 financial year at its session held on 14 December.
- Intereuropa d.d. sold its asphalt parking lot within the confines of the Port of Koper on 28 December in accordance with its adopted strategy. The full amount of consideration (EUR 7.8 million) was earmarked for the reduction of the Company's loan liabilities to banks.
- Intereuropa received an award from the Ljubljana Stock Exchange in the category of *Prime market share with the highest price increase*.

EVENTS AFTER THE REPORTING PERIOD

- 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%.
- 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.

INFORMATION REGARDING BUSINESS RESULTS

1. OPERATIONS OF THE INTEREUROPA GROUP

1.1 Sales results

ECONOMIC TRENDS

According to the estimates of the International Monetary Fund (IMF), global economic growth was 3.1% in 2016 and is forecast at 3.4% in 2017.

Relatively favourable economic trends also continued in 2016 in the euro area, where economic growth was 1.9%. The outlook for the beginning of 2017 also remains favourable, as sentiment indicators continued to improve in the economy as a whole and among consumers. Economic growth is forecast at 1.6% in 2017.

Favourable developments in economic activity also continued in Slovenia, where economic growth stood at 2.3% in 2016. Growth in exports and manufacturing output strengthened further as the result of an increase in foreign demand and improvements in export competitiveness. Domestic consumption also had a positive effect. Strengthening employment contributed to a further decrease in the number of unemployed. The economy is expected to continue to strengthen in 2017, primarily due to favourable labour market trends, and an increase in private consumption and exports, which are expected to maintain relatively high growth. Economic growth in Slovenia is expected to reach 2.9% in 2017.

The Croatian economy was successfully driven by the tourism sector and strong private consumption in 2016, which was supported by a declining unemployment rate and growth in real wages. Industrial production and retail sales also recorded growth. The Serbian economy maintained its positive drive over the last quarter of 2016, as GDP strengthened once again. Macroeconomic stability and the improved business environment in 2016 were supported by private investments, with domestic consumption growing at a slower pace, particularly in the second half of the year. Economic activity also strengthened in Montenegro. Retail sales and the number of tourist arrivals rose significantly in year-on-year terms. Successful growth in the agricultural sector and electricity production were the key drivers of economic growth in Bosnia and Herzegovina in the third quarter of 2016. The positive trend continued until the end of the year, which stimulated growth in industrial production. The political situation in Macedonia remains unstable, even after the elections, which hinders the introduction of crucial reforms, deters investments and has a negative impact on economic growth. Economic growth in Kosovo is primarily the result of an increase in investments and consumer spending, supported by growth in real disposable income and loans. The Albanian economy was driven by domestic and public spending in 2016, and by growth in private sector investments, which was stimulated by the central bank's flexible monetary policy. The recovery of the Ukrainian economy remains modest and uncertain, as violence erupted again in the eastern part of the Ukraine, the country's industrial centre.



Table 2: Forecast of economic trends on geographic markets of the Intereuropa Group

Countries	GDP growth, in %		Inflation, in %		Growth in merchandise exports, in %		Growth in merchandise imports, in %	
	2016	2017	2016	2017	2016	2017	2016	2017
EU	1.9	1.6	0.7	1.3	2.8*	3.4*	3.6*	3.7*
Slovenia	2.3	2.9	1.1	1.4	5.9	5.8	5.8	6.2
Croatia	1.9	2.1	-0.1	1.2	9.4	8.5	8.8	8.9
Bosnia and Herzegovina	3.0	3.2	-0.3	0.7	4.8	5.4	5.9	6.7
Serbia	2.5	2.8	2.0	3.5	9.9	8.8	6.9	6.2
Kosovo	4.1	3.3	0.5	1.7	3.1	11.4	5.5	6.7
Montenegro	5.1	3.6	1.0	1.4	2.6	1.8	15.0	4.1
Macedonia	2.2	3.5	0.5	1.0	6.5	10.2	6.4	7.8
Albania	3.4	3.7	1.8	2.3	-6.6	1.0	4.8	3.1
Ukraine	1.5	2.5	13.0	8.5	-4.1	3.7	-1.8	4.0

* Data for the euro area.

Sources:
World Economic Outlook, IMF, October 2016;
World Economic Outlook Update, IMF, January 2017;
IMAD, Slovenian Economic Mirror No 1/2017, January 2017;
IMAD, Overview of the autumn forecast of economic trends in 2016, February 2017;
Focus Economics, February 2017.

SALES REVENUE

The economic climate continued to improve on European markets during the final quarter of 2016. The Group achieved 1% growth in 2016 relative to the same period last year and generated **EUR 135.6 million in sales revenue**. The results of the preceding comparative period were exceeded in the logistics solutions business segment, while we achieved similar results in the intercontinental transport segment and failed to achieve the results achieved in 2015 in the land transport segment. Products warehousing, domestic transport, RO-RO and air freight exceeded sales targets by the widest margin.

The logistics solutions segment recorded the highest growth in sales and the widest margin by which sales targets were exceeded in the period January–December 2016. Last year's results were exceeded in Slovenia (which as a key market accounts for 68% of sales of logistics services), primarily due to the increased turnover of goods and new businesses in major warehouses.

The Group achieved similar results to the previous year in sales of intercontinental transport services. The sea freight and air freight industries were subject to immense price pressures throughout the year, which was reflected in the volatility of sea freight rates and air freight terms. Our container transport, RO-RO and air freight transport segments performed better than expected. On the other hand, the conventional sea freight, car logistics and sea freight agency service segments failed to achieve sales targets, which resulted in the failure to achieve planned targets in the aforementioned area.

We failed to achieve last year's results in the land transport segment. That shortfall is mainly seen at the parent company in Slovenia, which generates the highest proportion of total revenues in this business segment. We exceeded the sales revenue generated in 2015 in the groupage, domestic transport and railway freight segments, but did not exceed the sales revenue generated in the road transport and customs clearance services segments. This year's poorer results are primarily due to the loss of certain businesses.



Most Intereuropa Group companies improved their sales results relative to the previous period, except for the parent company Intereuropa d.d., the subsidiary in Albania and Interagent d.o.o., Koper, which primarily engages in sea freight agency services.

Table 3: Sales revenue of the Intereuropa Group by business segment, in EUR thousand

	Business segment	Jan–Dec 2016	Structure	Index 2016/plan	Index 2016/2015
1	Land transport	75,333	56%	97	98
2	Logistics solutions	18,942	14%	102	112
3	Intercontinental transport	34,721	26%	100	100
4	Other services	6,600	5%	104	102
	TOTAL SALES REVENUE	135,596	100%	99	101

We continued the introduction of IT support for logistics services in 2016 for a number of selected subsidiaries to facilitate the improved control of services and enhanced tracking of shipments, which raises the quality of our services. While the new IT support for air freight, road transport and customs clearance services in Croatia is already operational, activities are being finalised for the introduction of new IT support for the groupage and domestic transport segments, as well. We introduced IT solution for the road transport, groupage, customs clearance services, sea freight and air freight segments at our Kosovo subsidiary. The new sea freight IT solution was also integrated in the operations of Interagent d.o.o., Koper. In Slovenia and Croatia, we continued the implementation of IT support in warehousing operations for individual customers. Our subsidiaries in Serbia, Bosnia and Herzegovina, and Montenegro started using an SAP IT solution this year for finance and accounting, which improves the transparency of operations.

Table 4: 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–Dec 2016	Structure	Index 2016/plan	Index 2016/2015
1	Slovenia	88,718	65%	98	99
2	Croatia	20,559	15%	97	101
3	Bosnia and Herzegovina	6,602	5%	106	107
4	Ukraine	5,489	4%	108	109
5	Montenegro	5,396	4%	103	106
6	Serbia	4,189	3%	97	102
7	Kosovo	2,823	2%	114	108
8	Macedonia	1,398	1%	99	100
9	Albania	422	0%	67	70
	TOTAL SALES REVENUE	135,596	100%	99	101
1	EU countries	109,277	81%	98	100
2	Non-EU countries	26,318	19%	104	105

Companies in Slovenia generated almost two thirds of total sales revenue in 2016, which remained at a level similar to that of the previous period. Growth was recorded at all Group companies except for those in Slovenia (Intereuropa d.d. and Interagent d.o.o.) and Albania.



Table 5: 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–Dec 2016	Structure	Index 2016/2015
1	Slovenia	52,951	39%	97
2	Croatia	17,542	13%	100
3	Austria	7,612	6%	109
4	Bosnia and Herzegovina	6,482	5%	104
5	Germany	5,968	4%	103
6	Ukraine	3,316	2%	121
7	Other countries	41,724	31%	102
7a	Other EU countries	19,055	14%	106
7b	Rest of the world	22,669	17%	100
	TOTAL SALES REVENUE	135,596	100%	97

The largest proportion of sales revenue (39%) was generated by sales to Slovenian customers, followed by 27% from sales to customers from the other countries of the former Yugoslavia. The remaining 34% of the Group's sales revenue was generated by sales to customers with head offices in other countries.

LAND TRANSPORT

We generated sales revenue of EUR 75.3 million through land transport services in 2016, with that amount representing 56% of the total sales revenue of the Intereuropa Group. The highest proportion or 54% of the sales revenue from land transport was generated by the parent company in Slovenia.

Sales revenue in this area was down 2% on the amount achieved in 2015. That shortfall was recorded by the parent company in Slovenia, which generates the highest proportion of total revenues, which in turn is reflected in the results of the entire business segment. Other subsidiaries outside of Slovenia, with the exception of the subsidiary in Albania, exceeded the results achieved in 2015. After several years of declining revenues, the Ukrainian subsidiary recorded growth and increased its sales revenue in the railway freight segment. That increase was recorded in the first half of the year, while a decline in operating revenues was seen again during the second half of the year relative to the same period in 2015. A breakdown of sales revenue by product shows that our groupage, domestic transport and railway freight segments exceeded the sales results achieved last year, but did not exceed the sales revenue generated in the road transport and customs clearance services segments.

We lagged behind planned sales targets by 3%, most of that shortfall being recorded in Slovenia and attributed to the road transport segment. The Albanian subsidiary also failed to achieve planned sales targets. All other Group companies exceeded their sales targets: Intereuropa logističke usluge d.o.o., Zagreb (in the groupage, domestic transport and customs clearance services segments), A.D. Intereuropa logističke usluge, Belgrade (all segments except for road transport), Intereuropa RTC d.d., Sarajevo (all segments except for customs clearance services), Zetatrans A.D., Podgorica (domestic and road transport), Intereuropa Kosova L.L.C., Prishtina (groupage and customs clearance services segments), Intereuropa Skopje DOO, Skopje (road transport and customs clearance services segments) and TOV TEK ZTS, Uzhgorod (railway freight segment).

Slovenia was characterised in 2016 by growth in the physical volume of processed orders for groupage, road transport and customs clearance services. Despite a 3% increase in the number of processed orders for road transport, we recorded a decline in revenues in this segment. This year's poorer results were primarily due to the loss of certain major businesses.

Road transport:

- Road transport accounts for the largest proportion (26%) of total sales revenue among the services provided by the Intereuropa Group, and also accounts for 46% of all land transport services.
- We recorded a 5% decline in sales revenue relative to 2015 and were 7% below the sales target.
- The most significant decline in sales revenue in absolute terms was recorded in Slovenia, where revenues were down 8% primarily due to the loss of major businesses.
- The largest relative lag was recorded at our subsidiary in Albania, where revenues were nearly halved due to the loss of a key customer. A decrease in sales revenue was also recorded at subsidiaries in Serbia, Kosovo and Macedonia.
- Our subsidiary Intereuropa, Logističke usluge, d.o.o., Zagreb, which upgraded its vehicle fleet through the purchase of nine new freight vehicles at the end of 2015 and beginning of 2016, increased its sales revenue by 6% in 2016, but lagged behind the established sales targets by 1%.
- Better results were also achieved in Bosnia and Herzegovina (major businesses secured) and in Montenegro (new businesses).
- Pressures on prices continued on the market, 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.
- We launched the WexVS IT solution for road transport at our subsidiary in Kosovo.
- Activities were carried out to provide IT support for mutual processes with suppliers, i.e. carriers for Intereuropa d.d.

Groupage:

- Sales revenue in the groupage segment rose by 2% and exceeded the sales target by 3% in the period January–December 2016.
- Nearly three quarters of all the Group's revenues from groupage services were generated in Slovenia. The number of orders processed rose by 3% relative to last year, while sales revenue was slightly above last year's results.
- Intereuropa established cooperation with a new partner in the UK in March.
- The Croatian subsidiary lagged slightly behind the results it achieved in 2015.
- The Serbian subsidiary exceeded both last year's results (by 17%) and its sales targets (by 25%). By establishing the line between Turkey and Serbia, the role of the Belgrade-based subsidiary was enhanced as an important hub within the Group.
- An increase in sales revenue and the exceeding of sales targets were also recorded by the subsidiaries in Bosnia and Herzegovina and Kosovo, as a result of increased quantities of transported goods.
- A decline in sales revenue and a failure to meet sales targets were recorded in Macedonia and Albania, while the Montenegrin subsidiary slightly exceeded last year's revenues but failed to meet its targets.

- Intereuropa d.d. established the electronic exchange of collection requests and the statuses thereof in June with one foreign partner. The results will serve as the groundwork for introducing this solution at other partners.
- The WexVS IT solution was introduced at our subsidiary in Kosovo for groupage services.

Customs clearance services:

- Sales revenue was down 6% on the results achieved in 2015. A decline in operating revenues was recorded in Bosnia and Herzegovina and Montenegro in the customs clearance services segment.
- Slovenia, where 36% of all sales revenue from customs clearance services was generated, recorded an increase of 4%. Actual sales were 9% higher than planned.
- Amendments to tax legislation governing merchandise imports from third countries (non-EU member states) entered into effect on 1 July 2016. In accordance with the amended act, value-added tax will no longer be paid on merchandise imports as an import duty, but will be based on self-taxation, provided certain conditions are met. This led to a certain decrease in revenues for Intereuropa d.d., which was reflected in part in lower sales revenue during the period.
- Sales revenue from customs clearance services rose by 5% in Croatia relative to 2015 and was 1% higher than planned.
- The subsidiaries in Macedonia and Kosovo recorded higher operating revenues than last year and surpassed their established targets.
- The WexVS IT solution was implemented at our Kosovo subsidiary for customs services.

Domestic transport:

- Sales revenue was up 6% relative to 2015 and 7% higher than planned. Growth was recorded at all subsidiaries providing this service, with the company in Bosnia and Herzegovina recording the highest growth.
- The largest proportion of revenues from the sale of domestic transport services was generated by the subsidiary in Croatia (57%), followed by the company in Slovenia (24%), the subsidiary in Bosnia and Herzegovina (14 %), and the subsidiaries in Serbia (4%) and Montenegro (1%).
- Sales revenue was up by 4% in Croatia and exceeded the sales target by 7%.
- Sales revenue in Slovenia was at the same level achieved in 2015 and was in line with planned targets.
- Domestic transport is an important support service for other segments. As a stand-alone product, it faces extremely tough price competition on local markets and requires continuous activities to streamline operations.
- All Group companies carry out continuous activities for the optimisation of processes, the control of costs and the search for the optimal implementation solutions that will preserve the quality of services at the highest level and reduce implementation costs.
- The application and devices used to support the transition from conventional OBCs to smart phone scanning were tested in Slovenia. Most OBCs were replaced by mobile phones.
- Preparatory activities were carried out in Croatia to introduce the WexVS IT solution and exploit the advantages brought by this solution, and were followed by the continued optimisation of processes, the control of costs and the search for optimal



implementation solutions that will preserve the quality of services at the highest possible level.

Railway freight:

- Railway freight services were 3% lower than planned, but exceeded the result achieved in 2015 by 1%.
- The main factor in the result generated by this segment was the improved situation at our subsidiary TOV TEK ZTS in Uzhgorod, where sales revenue from railway freight more than doubled during the first six months of the year, but then fell sharply. Our Ukrainian subsidiary generated 70% of the total sales revenue in the railway freight segment.
- The results generated by the parent company in Slovenia were down 18% on the results achieved in 2015 and below sales 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 aim of the computerisation of operations is to optimise processes and ensure the traceability that our customers expect from us in all segments of land transport. We introduced the new IT solution at our subsidiary in Kosovo in 2016 for three segments: road transport, customs services and groupage. The introduction and use of the new IT solution in the groupage and domestic transport segments in Croatia is planned in the first quarter of 2017. The WexVS IT solution has been used since 2015 in two of the land transport segments: road transport and customs clearance services. Preparatory activities are also underway for the introduction of the IT solution at other Group companies. The solution will facilitate improved control over the provision of services which, in combination with the enhanced traceability of shipments, will further raise the quality of our services.

We are committed to maintaining the high quality of our services at all times, as this is a prerequisite for market success. Our activities in 2017 will focus on ensuring cost-effectiveness and the streamlining of operations, and above all on intensified commercial activities at all Group companies, with a special emphasis on Slovenia.

LOGISTICS SOLUTIONS

The Group's logistics solutions segment generated EUR 18.9 million in sales revenue in 2016 or 14% of the Group's total sales, meaning 12% growth in sales revenue in this segment relative to 2015, while planned targets were exceeded by 2%.

Last year's results were exceeded by 16% in Slovenia, which as our key market accounts for 68% of sales of logistics solution services. We exceeded planned targets by 6%, primarily on account of an increase in turnover of goods and new businesses in our warehouses in Jesenice, Maribor and Koper.

Actual sales results exceeded planned targets in Serbia (by 2%), Montenegro (by 8%) and Macedonia (by 9%). We lagged behind established targets in other countries: in Croatia by 9%, in Bosnia and Herzegovina by 7% and in Kosovo by 14%.

Numerous activities were carried out, particularly at companies in Slovenia and Croatia, to fill up storage capacities and secure new businesses with higher added value. We also



continued improvements to business processes with the aim of optimising and launching a new integrated IT solution that supports warehouse processes.

Storage services:

- We generated EUR 17.9 million in revenues from the sale of storage services in 2016, which translates to 13% of the Group's sales and 94% of sales revenue from the logistics solutions segment. We recorded a 15% increase in sales relative to the previous period and exceeded planned targets by 9%.
- We achieved 18% growth in sales in Slovenia relative to the previous period and exceeded planned sales by 13%. We achieved 6% growth in sales in Croatia relative to the previous period and exceeded planned sales by 1%. We achieved 9% growth in sales in Serbia relative to 2015 and exceeded planned sales by 2%. Montenegro recorded 17% growth in sales relative to the previous year and exceeded planned sales by 8%. We achieved 2% growth in sales in Bosnia and Herzegovina relative to 2015, while sales were 7% lower than planned. We achieved 4% growth in sales in Macedonia relative to 2015 and exceeded planned sales by 9%, while the plan in Kosovo was not achieved.
- We completed the construction of a new cooling facility in Maribor with a capacity of around 2,500 pallets.
- We constructed new cool store capacities in Celje for fresh meat storage.
- In November we completed the renovation of storage space (1.500 m² in area) at our Belgrade subsidiary for the storage of hazardous materials and goods requiring a special temperature regime.
- We continued the implementation of WMS IT support by individual customer in Slovenia and Croatia.
- A total of 36 new forklifts were purchased.

Distribution services:

- We generated EUR 1.0 million in revenues from the sale of distribution services in 2016, which represents around 1% of the Intereuropa Group's total sales.

Key activities that were carried out in the logistics solutions segment were as follows:

- the development of partnerships and enhanced cooperation with current customers;
- the securing of new logistics projects, primarily aimed at filling free storage capacities in Slovenia and Croatia;
- the optimisation of processes and the continued introduction of IT support for logistics solutions requirements in Slovenia and Croatia; and
- the improvement of energy efficiency (the introduction of LED lighting and the replacement of the propulsion source for forklifts, from gas to electric-powered).

INTERCONTINENTAL TRANSPORT

Revenues from the sale of intercontinental transport services amounted to EUR 34.7 million in 2016, in line with the results achieved the previous year. The sales recorded by the container transport, RO-RO transport and the air freight segments were higher than planned. We failed to meet sales targets for conventional sea freight, sea freight agency and car logistics. Revenues generated by the intercontinental transport segment accounted for 26% of the Group's total revenues.

Sales targets and growth in the volume of transport relative to 2015 were exceeded by the highest margin in the RO-RO transport (62% above the plan) and air freight (13% above the plan) segments. Planned sales in the container transport segment were exceeded by 3% overall and by 9% on the Group's main market of Slovenia.

The sea freight and air freight industries were subject to immense price pressures throughout the year, which was reflected in the volatility of sea freight rates and air freight terms. Sea freight rates more than doubled in the second half of the year, with this increase most notable during the final quarter. The available freight space of shipping companies was at a high premium, which led to problems in ensuring the timely delivery of sea freight shipments, on both the import and export side.

Sea freight:

- The sea freight segment (including shipping agency services) generated sales revenue of EUR 26.3 million in 2016. Planned sales targets were thus met. Planned sales revenue was exceeded by EUR 0.45 million on the key Slovenian market.
- Among sea freight products, our container transport segment generated the highest sales, reaching EUR 13.9 million in 2016 and exceeding sales targets by 3%. Significant growth was recorded in Slovenia in steel industry export deals, refractory bricks and hazardous materials, and in imports of containers with plant protection products and fertilisers earmarked for Central European markets. Higher sales revenue was also recorded for intermodal deliveries from the Port of Koper. Good business results in the container transport segment are also reflected in the high occupancy of warehouse facilities in Koper and in the extremely good performance of these warehouses.
- The conventional sea freight segment achieved sales of EUR 10.50 million, which was lower than expected. The most significant deviation from planned sales was recorded in imports of fresh fruit and vegetables, which was also seen at the Port of Koper. Certain customers trans-shipped reduced cargo volumes in 2016 via the Port of Koper. This was linked to the refitting of factories in the region and a decline in operations. We recorded multiple shipments of bulk and liquid cargo (petroleum products). We attracted a new major customer in this segment of operations in 2016. We also resumed with the organisation of transport services for liquid cargo to hinterland markets.
- The RO-RO segment exceeded planned sales by 62%. These good results are a reflection of the higher volume of project goods via the Port of Koper, on both the import and export side. We secured new businesses in the export of specific-purpose vehicles and equipment (mechanisation) via Koper destined for the markets of the Mediterranean and the Middle East.
- The results generated by sea freight agency services were below expectations, as two Chinese container shipping conglomerates COSCO and CSCL were merged during the year, resulting in the loss of the agency services of the container shipping companies in Koper and Rijeka in September. Actual sales revenue was 8% lower than the planned figure at the end of the year. Growth was recorded in the agency services of shipping companies for the carriage of cars. Multiple calls by the fleet of a Japanese shipping company were tied to major export volumes of Daimler-Benz vehicles destined for the Middle East.
- Several meetings were held with our partner network during the year to ensure the competitiveness of purchase terms in the sea freight segment. We took part in several sales and commercial events abroad and strengthened our sales presence on key

markets. Securing a container shipping company that services the northern Adriatic remains one of our more important objectives.

- Activities were carried out to launch the WexVS IT solution in Slovenia and Kosovo for the sea freight segment. This IT solution was introduced at the subsidiary Interagent d.o.o., Koper and in Kosovo. The launch of the WexVS solution in Slovenia is planned in 2017. We also implemented several customised IT solutions for e-commerce with customers and suppliers.

Car logistics:

- We recorded EUR 4.2 million in sales revenue in this segment in 2016. We exceeded the sales revenue generated in 2015 by 4%, but failed to achieve planned sales revenue. Performance improved over the second half of the year, as the number of cars shipped via the port and our terminals was up during that period. Failure to achieve the plan was a result of the lower-than-planned volume of GM vehicles and the discontinuation of business with the Short-Sea shipping company.
- Growth in sales revenue was the result of a higher number of vehicles handled via the port. We achieved 30% growth in the number of vehicles handled relative to 2015. That growth was associated with the development of operations for Daimler-Mercedes vehicles, and with some traditional customers who increased the number of vehicles on the markets of Slovenia and SE Europe.
- We recorded growth in the number of vehicles stored at our car terminals in Slovenia and Serbia, which in the context of the favourable turnover of goods contributed significantly to the level of sales revenue in 2016. We finalised a deal for the storage of Renault vehicles with a new customer in Serbia.
- Based on positive trends in the auto industry growth in revenues in this segment is also forecast in 2017. Our key customers are forecasting growth in the volume of vehicles shipped via the port and our car terminals.

Air freight:

- Sales revenue from air freight services rose in 2016, and exceeded planned sales revenue by 13%. We generated sales revenue of EUR 4.1 million in this segment.
- This segment performed better than expected on all of the Group's markets, except in Croatia and Kosovo. We exceeded sales targets by 16% on the key Slovenian market.
- On the Serbian market, air freight deliveries to Middle East markets were carried out via charter flights from the Niš and Belgrade airports. Some of these deliveries are also planned for the future in accordance with agreed long-term businesses. We agreed on a GSA (General Sales Agent) for the Turkish carrier Pegasus Airlines, the representation of which is showing signs of promising development on the Serbian market. Planned sales targets for Serbia were exceeded by 40%.
- In addition to higher export activity in the Balkans, we are also recording increased activity by our partner network. We attended several meetings with our partner network to build closer relationships with our partners. We concluded and extended agency contracts for the representation of non-vessel operating common carrier partners (NVOCC) partners in the Balkans.
- The Group carried out activities for the introduction of the WexVS IT solution. This IT solution was also introduced in Kosovo in September. Other companies carried out analyses and preparations for the introduction of the aforementioned solution.



1.2 Financial result of operations

Table 6: Financial results of the Intereuropa Group for the period January–December 2016, in EUR thousand

Item/Indicator	Jan–Dec 2016	Jan–Dec Plan 2016	Jan–Dec 2015	Index 2016/plan	Index 2016/2015
Sales revenue	135,596	137,058	134,613	99	101
EBITDA**	13,338	13,144	10,758*	101	124
Operating profit or loss	6,661	6,332	4,224*	105	158
Profit or loss from financing activities	-2,608	-2,955	-3,495	-	-
Net profit or loss	-1,603	2,913	288*	-	-
EBIT margin (in %)	4.9%	4.6%	3.1%*	106	157
Sales revenue per employee/month	8.319	8.134	8.188	102	102
Value added per employee/month	2.448	2.352	2.210*	104	111

*Adjusted; for more information see the Introductory notes section on page 37.

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

Item/Indicator	31. Dec 2016	31 Dec 2015	Index 2016/2015
Total assets	255,730	291,893*	88
Equity	138,562	147,137*	94
Net financial debt**	73,489	80,391	91
Current assets/current liabilities	1.29	1.55*	84

*Adjusted; for more information see the Introductory notes section on page 37.

** Financial liabilities – loans granted and deposits – cash.

Operating profit or loss and EBITDA

→ Despite lagging behind planned sales by 1%, the Group exceeded planned operating profit by 5% and the EBIT margin^[1] by 6% in 2016. Unplanned gains on the sale of assets and a drop in planned expenses for employee profit-sharing at the parent company were significant factors in the Group exceeding the aforementioned indicators.

Profit or loss from financing activities

→ The main factors in the loss from financing activities, which was better than planned and also better than the result achieved in 2015), were net interest expenses and gains on the sale of financial assets.

Net profit or loss

→ The Group's profit from ordinary operations, which exceeded the planned result by 20%, was reduced by current income tax in the amount of EUR 0.4 million and deferred taxes in the amount of EUR 5.3 million (the reversal of receivables for deferred taxes from the parent company's tax losses in the amount of EUR 4.9 million had the largest impact on

^[1] Operating profit as a proportion of sales revenue.



deferred taxes). The Group disclosed a net loss of EUR 1.6 million for the financial year as a result.

Structure of the statement of financial position

→ The current ratio amounted to 1.29 and was down 0.2 percentage points relative to the previous period, primarily as the result of a decrease in deposits placed, while the ratio of equity to total assets was up by 1.0 percentage point, primarily due to a decrease in non-current financial liabilities.

1.3 Investments in property, plant and equipment

The Intereuropa Group invested EUR 3,741 thousand in property, plant and equipment in 2016. Of that amount, EUR 901 thousand was invested in real estate and EUR 2,840 thousand in equipment and intangible assets. A total of 83% of the annual investment plan was thus achieved.

Table 7: Breakdown of investments in the period January–December 2016 (in EUR thousand)

Company	Real estate		Plant and equipment, and intangible assets		TOTAL INVESTMENTS		% of annual turnover
	Jan–Dec 2016	Plan 2016	Jan–Dec 2016	Plan 2016	Jan–Dec 2016	Plan 2016	
Intereuropa d.d.	570	563	1,755	1,737	2,325	2,300	101
Subsidiaries	331	546	1,085	1,639	1,416	2,185	65
TOTAL INVESTMENTS	901	1,109	2,840	3,376	3,741	4,485	83

Intereuropa d.d. invested EUR 2,325 thousand in property, plant and equipment and intangible assets, while other Group companies invested EUR 1,416 thousand in fixed assets. Invested funds were earmarked for:

- buildings and the associated fittings/equipment (EUR 2,436 thousand);
- the purchase of vehicles (EUR 764 thousand); and
- computer hardware and software (EUR 541 thousand).

The Company's major investments included: the construction of a cold store in the warehouse facility in Maribor with a capacity of 2,500 pallets, the purchase of four truck units with semi-trailers in Zagreb, the purchase of 36 forklifts for various units of the Group, the purchase of 12 delivery vehicles at companies in Sarajevo and Zagreb, the construction of a cold store (595 m² in area) in Celje, the renovation of 1,500 m² of warehouse space in Belgrade, and the purchase of equipment for electronic data processing and computer software and licences.

1.4 Risk management

An important element of the governance of the Group is the management of the risks that are 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 33 risks at the Group level and categorised them into three categories:

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

We assess that we reduced our exposure relative to the previous year in the area of financial risks, as the Group's operations stabilised and exposure to creditor banks was reduced through a significant decrease in debt.

We also assess that exposure to business risks was reduced relative to the previous period, primarily on account of the stabilisation of the customer portfolio, the filling of storage capacities and a more favourable business environment. We are currently most exposed to business risks in the area of land transport. Significant risks in this area primarily include the risk of an increase in fuel prices, the risk of a decrease in selling prices and the risk of the loss of customs terminal status at certain subsidiaries. The risk of the loss of customs terminal status, which is an important part of the operations of some subsidiaries, is mainly mitigated by consistently fulfilling contractual obligations and through good communication with the competent institutions. The risks associated with an increase in fuel prices and other supplier costs are primarily mitigated by centralising the sales function, and thus exploiting our negotiating power over suppliers. We mitigate the risk of a decrease in selling prices primarily through the development of partnerships with customers and the provision of a wide range of services.

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.

The highest exposure to risks associated with information and communication technology is seen in the operational risk category. The risk of IT system unavailability (downtime) and the risk of the excessively slow development of IT projects are highlighted here. We mention the first because an ever increasing number of dislocated business transactions are carried out exclusively via central server capacities in Koper. This risk is mitigated by establishing security mechanisms to minimise the probability of risks arising. The second risk is primarily mitigated through the continuous coordination of available resources for IT projects.

Special attention is given to risks associated with the achievement of established strategic objectives (in the scope of strategic risks), which requires continuous effective corporate governance, and to risks associated with lawsuits against the Group (in the scope of risks associated with the legislation and legal proceedings), which primarily require numerous preventive measures in the form of training operational personnel and the legal department's involvement in the drafting of agreements and when disagreements arise.

Despite being the victim of fraud at one of our subsidiaries where significant damage was incurred (EUR 1,037 thousand), we believe that the measures we took and the activities we carried out in 2016 helped us to manage identified risks diligently and above all reduce our exposure to financial and business risks, which has a positive impact on the Group's operations.

1.5 Human resource management

CHANGE IN NUMBER OF EMPLOYEES

The total number of employees at the Group level was down by 43 in the period January–December 2016 relative to the end of 2015, to stand at 1,374 as at 31 December 2016.

- A total of 89 new employees were hired, primarily to replace those who left and employees temporarily absent from work (63), and due to new business transactions (19) and other reasons (7).
- The highest rate of new hires (41) and departures (56) was recorded at our subsidiary in Croatia, mainly among warehouse workers and employees occupying key positions, and for the most part at the employer's initiative.
- The only increase in the number of employees was recorded at Intereuropa Kosova L.L.C., Prishtina, where the number of employees rose by 14 on account of new business transactions and the hiring of warehouse workers.
- An additional 11% of the workforce or 153 employees were hired through HR agencies and student work services as at 31 December 2016.

Table 8: Number of employees in the Intereuropa Group by country as at 31 December 2016

	31 Dec 2016	31 Dec 2015	Difference 2016– 2015	Index 2016/2015
Slovenia	621	643	-22	97
Croatia	294	309	-15	95
Bosnia and Herzegovina	122	130	-8	94
Serbia	102	103	-1	99
Macedonia	33	33	0	100
Kosovo	43	29	14	148
Montenegro	120	127	-7	94
Albania	2	2	0	100
Ukraine	37	41	-4	90
TOTAL	1,374	1,417	-43	97

DEVELOPMENT, EDUCATION AND TRAINING

The Group earmarked a total of 10,486 hours or EUR 55 thousand for the acquisition of new knowledge and skills in 2016. In terms of projects aimed at the computerisation of processes, we invested a great deal of energy in education and training in the areas of IT and the automation of business processes at subsidiaries in Croatia and Kosovo, and at Slovenian companies in the Group. In addition to occupational health and safety training,



we also dedicated a great deal of time to training in the areas of logistics (customs clearance and storage), sales and foreign languages, and to acquiring other specific professional knowledge in the areas of finances, taxes, real estate, etc.

- 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, while those at our subsidiary in Croatia received an average of nine hours). Each employee received an average of nine hours at training programmes at subsidiaries abroad.
- The largest proportion of training in the Group was accounted for by occupational health and safety (42%), followed by additional logistics skills (34%), other specific technical knowledge from the areas of finances, taxes, real estate management, etc. (11%), foreign languages (7%), sales skills (6%), and management (1%).
- Employees at our subsidiaries acquired knowledge in the areas of occupational health and safety (1,173 hours in Croatia and 1,528 hours in Serbia), sales skills in Bosnia and Herzegovina (640 hours), foreign language skills in Serbia (128 hours), Bosnia and Herzegovina (128 hours) and Montenegro (83 hours), and logistics skills in Kosovo (832 hours dedicated to WexVS training), Serbia (272 hours) and Bosnia and Herzegovina (66 hours).
- We included 70 managers from the parent company in a project aimed at the development of managerial competences. The project included a review of their developed competences carried out through peer assessments. Individual conclusions will serve as the basis for preparing developmental and other activities to improve and eliminate deficiencies in key management areas. Those activities will include group-based and individual training courses, action and career plans, the drafting and monitoring of objectives, coaching and awareness raising.
- Internal lecturers conducted 42% of all forms of training during the reporting period. In addition to occupational health and safety training, employees acquired new knowledge and skills at internal workshops in the area of IT support for business processes: electronic document storage system (EBA) at the parent company and WexVS at subsidiaries in Slovenia, Croatia and Kosovo.

HEALTHCARE

Promoting health in the workplace

In accordance with the measures set out in our 'Occupational Health Care Promotion Plan', the focus this year at Slovenian companies in the Group was on measures to improve the physical health of employees (stress and depression), and the prevention of respiratory diseases and various forms of cancer:

- we held two workshops on the subject of managing health risks in these areas in Koper (50 hours of training attended by 25 participants);
- we organised e-learning on stress management for 20 employees;
- we held a presentation entitled 'Week for Vitality and Energy in the Workplace' with a promotional fruit offer; and
- we purchased four defibrillators and carried out training on their use.

We also continuously encourage employees to exercise, stay active and take the stairs as often as possible. We even organised two mountain hikes, provided employees the opportunity to participate in recreational activities at sports and fitness centres, etc.



The objectives of measures to promote health at Slovenian companies in the Group include a reduction in sick leave, which has been on the rise at the parent company in recent years. While sick leave of up to 30 days (which is charged to the employer) remained at a similar level as the previous year (2.5%), there was a notable increase in extended sick leave (from 1.9% in 2015 to 2.7% in 2016).

Healthcare and fire safety

The following activities were carried out in the area of healthcare and fire safety:

- We referred 419 employees for preventive preliminary, periodic and targeted medical examinations (of which 238 employees were from the parent company and 181 from subsidiaries).
- We organised flu vaccinations for Group companies in Slovenia, with 58 employees taking part.
- Special attention was given to ensuring appropriate control over fire hazards as part of fire prevention activities. We carried out six evacuation drills in 2016 for employees and tenants of the premises in the commercial building in Koper, and at the Dravograd, Celje, Ljubljana and Logatec business units.
- A total of 1,904 pieces of various work equipment in individual organisational units of Group companies in Slovenia and a total of 1,990 pieces of equipment across the entire Group were examined and tested.
- A total of 18 employees were injured in the workplace at the Group level in 2016 (compared with 13 in 2015), corresponding to 1.3% of all employees. One of these accidents resulted in severe injuries.

1.6 Total Quality Management

Three out of a total of 12 companies within the Intereuropa Group were certified in accordance with the ISO 9001 standard. A total of 73.9% of all employees work at these certified companies (Intereuropa d.d., Koper, Intereuropa, logističke usluge d.o.o., Zagreb, and Intereuropa RTC d.d. Sarajevo).

The year was marked by the successful completion of external assessments at three certified Group companies and by an increased number of external assessments of the quality management system by customers.

Maintenance of the ISO 9001:2008 Quality Management System

- The parent company issued a new (fifth) edition of the Quality Management System Manual. Controls were put into place to oversee the completion of complaint procedures and documentation updates.
- Intereuropa, logističke usluge d.o.o., Zagreb began preparations to establish new processes for its transition to the new WexVS software.

Internal verification of the quality of services

- Intereuropa d.d. assessed four processes during the last quarter of 2016: customs clearance services, sea-freight transport, land transport process for part load and groupage. All resulting recommendations and instances of non-compliance are addressed during the review of the quality management system by senior management.



Quality control through quality indicators

- The number of complaints fell by 16%, while the value thereof rose by 23%. The value of recognised claims for compensation filed by customers rose due to the faster claim resolution procedure. Out of the total complaints paid out, 15.5% of the value was accounted for by customers' cargo insurance.

Table 9: Complaints, claims for compensation and the recognised value of complaints at Intereuropa d.d. for the period January–December 2016

Number of complaints	Index 16/15	Number of claims for compensation	Value in EUR thousand	Index 16/15	Recognised value in EUR thousand	Index 16/15
389	84	230	307	123	210	224

External audit of the quality of services by the certification authority

- **Intereuropa d.d.:** The external assessment was a regular assessment by nature and the nineteenth of its kind. The assessment was performed in the following organisational units: Management Board, management of Forwarding and Logistics, Department for Computerisation of Operations, Human Resources and General Affairs Department, Maribor BU, and Novo Mesto and Obrežje branches. In their report, the assessors confirmed that operations were in line with the requirements of the ISO 9001 standard. They did not identify any incidents of non-compliance. However, a total of 18 recommendations for improvements were issued.
- **Intereuropa, logističke usluge d.o.o., Zagreb:** The assessment was the second regular and sixth assessment of its kind since the company began independently certifying its quality management system. The assessment was performed by one assessor in Split and Zadar, who identified one incident of non-compliance and issued six recommendations for improvements.
- **Intereuropa RTC d.d., Sarajevo:** The assessment was the third reassessment and the tenth of its kind since the company began independently certifying its quality management system. The assessment was performed by two assessors. They did not identify any incidents of non-compliance, but issued six recommendations for improvements.

External verification of the quality of services by customers

- In addition to verification of the quality management system by the certification authority, an assessment was carried out according to the 'third-party' principle in the road transport segment (Kranj branch), while an additional assessment was performed of the warehousing and distribution process in Maribor. We received a total of 11 recommendations.



2. OPERATIONS OF INTEREUROPA d.d.

2.1 Financial result of operations

Table 10: Operations of Intereuropa d.d. in the period January–December 2016 (in EUR thousand)

Item/Indicator	Jan–Dec 2016	Jan–Dec Plan 2016	Jan–Dec 2015	Index 2016/plan	Index 2016/2015
Sales revenue	91,052	92,608	91,492	98	100
Land transport	43,006	45,671	45,414	94	95
Logistics solutions	12,949	12,266	11,192	106	116
Intercontinental transport	30,711	30,262	30,393	101	101
Other services	4,386	4,410	4,494	99	98
EBITDA**	8,722	7,778	7,578	112	115
Operating profit or loss	4,708	3,770	3,624	125	130
Profit or loss from financing activities	-2,750	-1,934	-2,150	-	-
Net profit or loss	-3,455	1,643	1,229	-	-
EBIT margin (in %)	5.2%	4.1%	4.0%	127	131
Sales revenue per employee/month	12.740	12.542	12.563	102	101
Value added per employee/month	3.550	3.315	3.252*	107	109

*Adjusted; for more information see the Introductory notes section on page 37.

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

Item/Indicator	31 Dec 2016	31 Dec 2015	Index 2016/2015
Total assets	190,731	226,292	84
Equity	87,118	97,976	89
Net financial debt*	74,412	80,160	93
Current assets/Current liabilities	1.16	1.59	73

* Financial liabilities – loans granted and deposits – cash.

Operating profit or loss and EBITDA

→ The Company failed to achieve its established sales targets, but did succeed in increasing its sales margin in part due to an altered product-based sales structure, which led to a higher operating result and EBITDA than planned. Unplanned gains on the sale of property and a drop in planned expenses for employee profit-sharing were a significant factor in the Company exceeding planned operating profit, EBITDA and EBIT margin.

Profit or loss from financing activities

→ The Company recorded a loss from financing activities. Finance costs from the impairment of subsidiaries in the Ukraine in the amount of EUR 1.3 million resulted in the Company exceeding its planned targets.

Net profit or loss

→ Profit or loss from ordinary operations, which was 7% higher than planned, was reduced by current income tax of EUR 0.1 million and deferred taxes in the amount of EUR 5.3



million (the reversal of receivables for deferred taxes from tax losses of EUR 4.9 million had the largest impact on deferred taxes). The Company disclosed a net loss for the financial year of EUR 3.5 million as a result.

Structure of the statement of financial position

→ The current ratio amounted to 1.16 and was down 0.4 percentage points relative to the previous period, primarily as the result of a decrease in deposits placed on the one hand and an increase in current trade payables on the other. The ratio of equity to total assets was also down (by 0.3 percentage points), primarily due to a decrease in fair value reserves from the revaluation of land.

2.2 IEKG shares and ownership structure

KEY DATA REGARDING IEKG SHARES

Table 11: Key data regarding IEKG shares for the period January–December 2016

	Jan–Dec 2016	Jan–Dec 2015
Number of shares*	27,488,803	27,488,803
Number of preference IEKN shares*	10,657,965	10,657,965
Number of ordinary IEKG shares*	16,830,838	16,830,838
of which treasury shares*	18,135	18,135
Book value per share in EUR*	3.17	3.57
Earnings per share (EPS) in EUR	-0.13	0.04
Market capitalisation in EUR thousand*	19,860	8,920
Volume in EUR thousand	783	538
Closing price at the end of period in EUR	1.18	0.53
Weighted average price in EUR	1.08	1.17
Highest price in EUR	1.36	1.27
Lowest price in EUR	0.50	0.50
P/E	-9.1	13.3
Capital yield	122.6%	-55.2%

* As at the last day of the period.

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

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

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

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

Capital yield = growth in share price during the period.

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

TRADING IN SHARES

Trading in IEKG shares was very modest during the first six months of 2016, with the volume of trading picking up significantly during the second half of the year. The volume of share trading was EUR 783 thousand during the year, an increase of 45% on 2015. The improved business results of the Company and Group led to a slight increase in investors' confidence in Intereuropa, while the volume of trading towards the end of the year was also affected by the abolishment of registry accounts managed by the Central Securities Clearing Corporation, which encouraged non-active shareholders to compare their yields with the costs of share ownership. The market value of IEKG shares fluctuated between EUR 0.50 and EUR 1.36 per



share. The share value fluctuated below EUR 1.00 until August, and later exceeded that threshold and continued rising. It reached EUR 1.18 by the end of the year. IEKG shares were up 122.6% during the year, while the Ljubljana Stock Exchange's SBITOP index recorded a 3.1% increase. The market capitalisation of IEKG shares amounted to EUR 19.9 million at the end of 2016, accounting for 0.4% of the market capitalisation of all shares on the Ljubljana Stock Exchange.

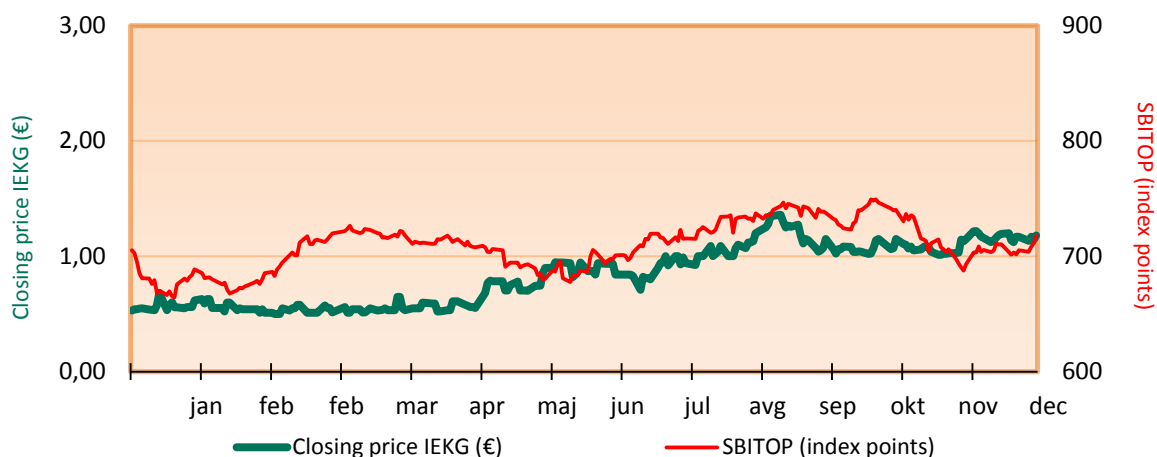


Figure2: Changes to the closing price of Intereuropa d.d.'s shares and the SBITOP index in the period January–December 2016

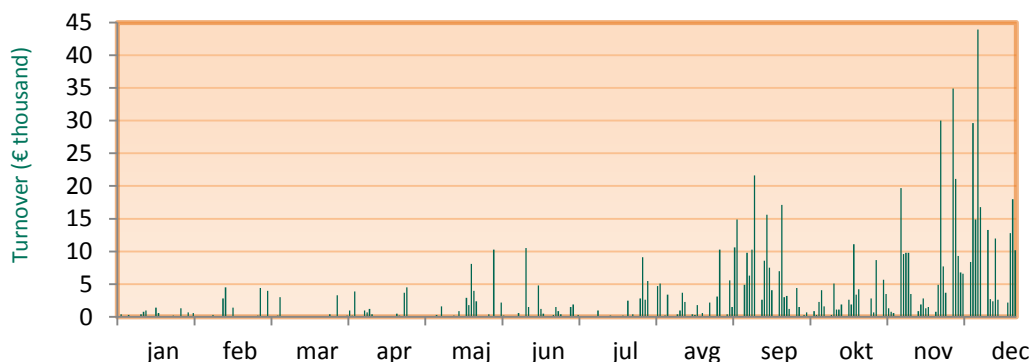


Figure3: Trading in IEKG shares in the period January–December 2016

OWNERSHIP STRUCTURE

There were no significant changes in the Company's ownership structure in 2016. The top ten shareholders remained unchanged and collectively held an 81.9% participating interest in the Company.

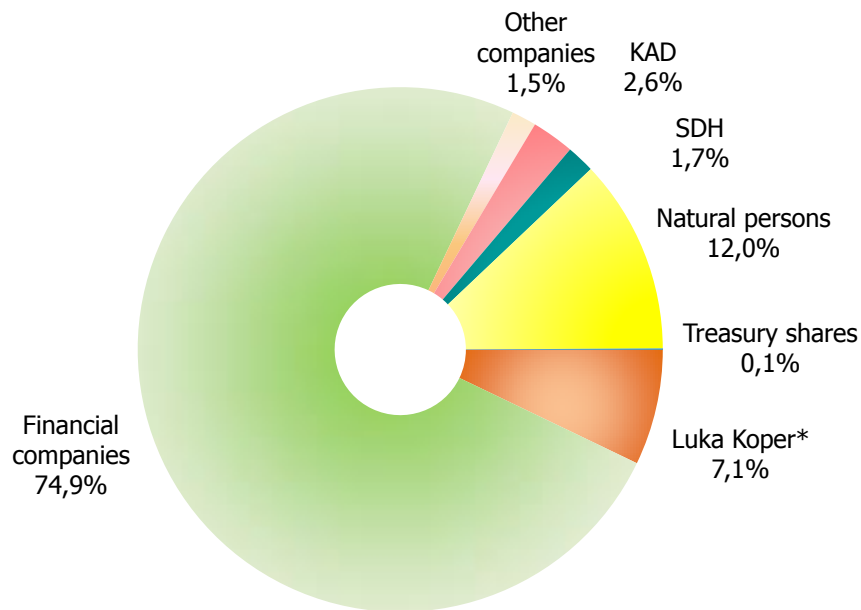
Table 12: Top ten shareholders of Intereuropa d.d. as at 31 December 2016 relative to 31 December 2015

Shareholder	31 Dec 2016		31 Dec 2015		Index 16 /15
	Number of shares	Share (in %)	Number of shares	Share (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. Gorenjska banka d.d., Kranj	3,068,990	11.2	3,068,990	11.2	100
4. KBS banka d.d. ¹	2,850,752	10.4	2,850,752	10.4	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. Nova KBM d.d.	1,185,292	4.3	1,185,292	4.3	100
8. Banka Koper d.d.	753,703	2.7	753,703	2.7	100
9. Kapitalska družba d.d.	719,797	2.6	719,797	2.6	100
10. Luka Koper INPO d.o.o.	615,730	2.2	615,730	2.2	100

On 3 January 2017 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%.

There were 4,394 shareholders entered in Intereuropa d.d.'s register of shareholders at the end of 2016, a decrease of 13% on the end of 2015. This was primarily the result of a decrease in the number of minority shareholders, i.e. natural persons who decided to withdraw from the ownership structure due to the disproportionate costs of maintaining their portfolio. The proportion of shares held by foreign investors stood at 0.5% at the end of the year.

¹ The bank was named Raiffeisen banka d.d. until 30 June 2016.



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

Figure4: Ownership structure of Intereuropa d.d. as at 31 December 2016

SHAREHOLDINGS OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Members of the Management Board did not hold any shares of Intereuropa d.d. as at 31 December 2016. The shareholdings of Supervisory Board members are presented in the table below.

Table 13: Number of shares held by Supervisory Board members as at 31 December 2016

Supervisory Board	Number of shares	Participating interest (in %)
Nevija Pečar, Deputy Chairwoman	4,185	0.053
Maša Čertalič, MSc., member	99	0.001

TREASURY SHARES

Intereuropa d.d. held 18,135 treasury shares (IEKG) as at 31 December 2016, representing 0.0660% of all shares. The proportion of treasury shares has not changed since 31 December 2015. The Company has no voting rights arising from its treasury shares in accordance with Article 249 of the Companies Act (ZGD-1).

DIVIDEND POLICY

Intereuropa d.d. did not pay out any dividends in 2016.



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;
- regular publication of business results and other price-sensitive information;
- regular communication via the SEOnet electronic system;
- regular communication with the media; and
- 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.



INFORMATION REGARDING THE BUSINESS RESULTS OF THE INTEREUROPA GROUP AND INTEREUROPA d.d.

INTRODUCTORY NOTES

The information regarding the business results of the Intereuropa Group and Intereuropa d.d. has been compiled on the basis of financial statements of the Intereuropa Group and its parent company Intereuropa d.d. for 2016 and as at 31 December 2016 (the reporting date).

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 management examined the estimates, assessments and assumptions, and concluded that they were the same as those that applied at the time the financial statements as at 31 December 2015 were compiled, except the amended depreciation rates for certain items of equipment where the rate was reduced from 20% to 15% (the effect of that change is lower depreciation by EUR 87 thousand for the Intereuropa Group and by EUR 63 thousand for Intereuropa d.d.).

The subsidiary Intereuropa Transport d.o.o. 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 2015 financial year.

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

We recalculated the comparable data in the financial statements of the Intereuropa Group for 2015 due to the identification of a material error. The error relates to the effect of an extraordinary event arising from fraud relating to storage at the subsidiary AD Zetatrans A.D., Podgorica (in the amount of EUR 1,037 thousand).

In accordance with these findings, we recalculated the financial data for 2014 and 2015, 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 2014

	in EUR thousand		
Effect on the Group's statement of financial position	Reporting in 2014 after correction of error	Correction of error	Reporting year 2014
Equity	147,110	-528	147,638
Current operating liabilities	25,108	510	24,598
Current operating receivables	31,442	-18	31,460

Table 15: Effect of the error on items reported in the statement of financial position as at 31 December 2015

	in EUR thousand		
Effect on the Group's statement of financial position	Reporting in 2015 after correction of error	Correction of error	Reporting year 2015
Equity	147,137	-1,037	148,174
Current operating liabilities	26,116	510	25,606
Current operating receivables	31,075	-527	31,602

Table 16: Effect of error on items reported in the income statement for the period January–December 2015

	in EUR thousand		
Effect on the Group's income statement	Reporting in 2015 after correction of error	Correction of error	Reporting year 2015
Expenses from impairments and write-offs of receivables	1,648	509	1,139
Net profit or loss	288	-509	797

Reclassification of items in the financial statements of the Intereuropa Group

The following reclassifications of comparable data were made in the income statement:

- items that were disclosed under "write-downs" (EUR 7,728 thousand) were reclassified to the following two items: amortisation (EUR 6,502 thousand), while other items (revaluation operating expenses for intangible assets and property, plant and equipment and expenses from impairments and write-offs of receivables and inventories) were disclosed under "other



operating expenses" (EUR 1,226 thousand) for a more appropriate presentation in the statement;

- the amount of EUR 653 thousand was reclassified from the item "costs of goods, materials and services" to the item "other operating expenses" because the aforementioned amount relates to duties; and
- the amount of EUR 363 thousand was reclassified from "other operating expenses" to the item "labour costs" because the aforementioned amount relates to labour costs (from costs related to employee profit-sharing).

The following reclassifications of comparable data were made in the statement of financial position:

- an amount from real estate rights (right of superficies) was reclassified from the item "intangible assets" to the item "property, plant and equipment" (EUR 759 thousand as at 1 January 2015 and EUR 728 thousand as at 31 December 2015); and
- an amount that relates to current deferred costs was reclassified from the item "current operating receivables" to the item "other current assets" (EUR 62 thousand as at 1 January 2015 and EUR 90 thousand as at 31 December 2015).

The following reclassifications of comparable data were made in the cash flow statement:

- an amount was reclassified from the item "non-cash expenses" (EUR 1,308 thousand) to the item "change in provisions" (EUR 945 thousand) and to the item "changes in operating liabilities" (EUR 363 thousand); and
- an amount was reclassified from the item "non-cash revenues" (EUR 186 thousand) to the item "change in provisions" (EUR 105 thousand) and to the item "change in operating liabilities" (EUR 81 thousand) for a more appropriate presentation in the statement.

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

The following reclassifications of comparable data were made in the income statement:

- items that were disclosed under "write-downs" (EUR 4,246 thousand) were reclassified to the following two items: amortisation (EUR 3,940 thousand), while other items (revaluation operating expenses for intangible assets and property, plant and equipment and expenses from impairments and write-offs of receivables) were disclosed under "other operating expenses" (EUR 306 thousand) for a more appropriate presentation in the statement; and
- the amount of EUR 325 thousand was reclassified from "other operating expenses" to the item "labour costs" because the aforementioned amount relates to labour costs (from costs related to employee profit-sharing).

The following reclassifications of comparable data were made in the statement of financial position:

- an amount from real estate rights (right of superficies) was reclassified from the item "intangible assets" to the item "property, plant and equipment" (EUR 759 thousand as at 1 January 2015 and EUR 728 thousand as at 31 December 2015).

The following reclassifications of comparable data were made in the cash flow statement:



Information regarding the business results of Intereuropa d.d.
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- an amount was reclassified from the item "non-cash expenses" (EUR 809 thousand) to the item "change in provisions and non-current deferred income" (EUR 484 thousand) and to the item "changes in operating liabilities" (EUR 325 thousand); and
- an amount was reclassified from the item "non-cash revenues" (EUR 144 thousand) to the item "change in provisions" (EUR 66 thousand) and to the item "change in operating liabilities" (EUR 78 thousand) for a more appropriate presentation in the statement.

3. 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 2016 to 31 December 2016

in EUR thousand	January–December 2016	January–December 2015 (adjusted)
Sales revenue	135,596	134,613
Other operating revenues	1,755	1,614
Costs of goods, materials and services	-94,048	-95,053
Labour costs	-26,565	-25,576
Amortisation/depreciation	-6,596	-6,502
Other operating expenses	-3,481	-4,871
Operating profit or loss	6,661	4,224
Finance income	459	366
Finance costs	-3,067	-3,861
Profit or loss from financing activities	-2,608	-3,495
Investment result recognised according to the equity method	39	34
Profit or loss from ordinary operations	4,092	762
Corporate income tax (including deferred taxes)	-5,695	-474
Net profit or loss for the accounting period	-1,603	288
Net profit or loss pertaining to controlling interests	-1,955	173
Net profit or loss pertaining to non-controlling interests	352	115

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE INTEREUROPA GROUP

for the period 1 January 2016 to 31 December 2016

in EUR thousand	January– December 2016	January– December 2015 (adjusted)
Net profit or loss for the accounting period	-1,603	288
Other comprehensive income	-6,391	-16
Items to be reclassified to profit or loss	419	-9
Change in the fair value of available-for-sale financial assets	47	-9
Transfer of revaluation surplus for available-for-sale financial assets to profit or loss	0	0
Change in deferred taxes in the revaluation surplus for available-for-sale financial assets	-11	2
Attributable changes in equity of associates and joint ventures	-1	0
Exchange rate differences	384	-2
Items not reclassified to profit or loss	-6,810	-7
Change in fair value of land	-8,283	0
Transfer of revaluation surplus for land to net profit or loss brought forward	-7,267	0
Change in deferred taxes	2,015	0
Change in net profit or loss brought forward from the transfer of the revaluation surplus for land	7,267	0
Corporate income tax on net profit or loss brought forward	-363	0
Actuarial net gains and losses for severance pay at retirement	-179	0
Other changes in retained earnings	0	-7
Total comprehensive income	-7,994	272
Total comprehensive income pertaining to controlling interests	-8,314	178
Total comprehensive income pertaining to non-controlling interests	320	94



CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE INTEREUROPA GROUP

as at 31 December 2016

in EUR thousand	31 December 2016	31 December 2015 (adjusted)	1 December 2015 (adjusted)
ASSETS			
Property, plant and equipment	191,173	208,066	210,748
Investment property	9,840	11,278	11,565
Intangible assets	5,486	5,825	5,939
Other non-current assets	49	62	105
Non-current operating receivables	0	44	0
Deferred tax assets	11,392	16,666	16,937
Long-term loans and deposits	30	45	44
Investment in joint venture	102	135	141
Other non-current financial assets	542	518	1,559
TOTAL NON-CURRENT ASSETS	218,614	242,639	247,038
Available-for-sale assets	323	0	0
Inventories	134	137	249
Short-term loans granted and deposits	2,124	6,604	9,180
Current operating receivables	28,804	30,985	31,380
Current receivables from corporate income tax	60	57	191
Other current assets	377	364	433
Cash and cash equivalents	5,294	11,107	6,757
TOTAL CURRENT ASSETS	37,116	49,254	48,190
TOTAL ASSETS	255,730	291,893	295,228
EQUITY			
Equity pertaining to controlling interests	129,496	138,236	138,057
Share capital	27,489	27,489	27,489
Share premium account	18,455	18,455	18,455
Profit reserves	5,277	5,029	4,302
Fair value reserve	50,575	64,089	64,272
Exchange rate differences	-7,486	-7,902	-7,917
Net profit or loss brought forward	33,686	31,597	32,088
Net profit or loss	1,500	-521	-632
Equity pertaining to non-controlling interests	9,066	8,901	9,053
TOTAL EQUITY	138,562	147,137	147,110
LIABILITIES			
Provisions	1,847	6,163	5,471
Non-current deferred income	104	119	0
Non-current financial liabilities	74,736	92,499	98,196
Non-current operating liabilities	329	691	454
Deferred tax liabilities	11,459	13,406	13,396
TOTAL NON-CURRENT LIABILITIES	88,475	112,878	117,517
Current financial liabilities	6,201	5,648	5,359
Current operating liabilities	21,885	26,116	25,108
Current corporate income tax liabilities	602	113	134
Current deferred income	5	0	0
TOTAL CURRENT LIABILITIES	28,693	31,878	30,601
TOTAL LIABILITIES	117,168	144,756	148,118
TOTAL EQUITY AND LIABILITIES	255,730	291,893	295,228



CONSOLIDATED STATEMENT OF CASH FLOWS OF THE INTEREUROPA GROUP

for the period 1 January 2016 to 31 December 2016

in EUR thousand	January–December 2016	January– December 2015 (adjusted)
Cash flows from operating activities		
Net profit or loss for the accounting period	-1,603	288
Adjustments for:		
- amortisation and depreciation	6,596	6,502
- impairments and write-offs of property, plant and equipment and intangible assets	81	21
- gains on the sale of property, plant and equipment and investment property	-704	-192
- losses from the sale of property, plant and equipment and investment property	1	12
- impairments and write-offs of receivables and inventories	806	1,648
- finance income	-459	-365
- recognised result for joint venture according to the equity method	-39	-34
- finance costs	3,067	3,861
- corporate income tax (including deferred taxes)	5,695	474
Operating profit before changes in net working capital and taxes	13,440	12,215
Changes in net working capital and provisions		
Changes in receivables	1,392	-1,378
Changes in inventories	-5	63
Changes in other current assets	-33	97
Changes in operating liabilities	-4,482	1,321
Changes in provisions	-4,496	830
Changes in non-current deferred income	-15	-13
Corporate income tax	-251	-80
Net cash flow from operating activities	5,550	13,055
Cash flows from investing activities		
Interest received	272	385
Dividends received and shares in profits	43	49
Inflows from the sale of property, plant and equipment	8,119	306
Inflows from long-term loans granted	1	2
Inflows from long-term deposits placed	20	52
Net cash flow from short-term deposits placed	4,499	2,567
Inflows from the sale of other financial assets	256	1,000
Outflows for the acquisition of property, plant and equipment	-3,650	-3,605
Outflows for the acquisition of intangible assets	-143	-420
Outflows for long-term deposits placed	-16	-30
Outflows from the increase in short-term loans granted	0	-11
Net cash flow from investing activities	9,401	295
Cash flows from financing activities		
Inflows from long-term loans and finance leases received	618	756
Inflows from the increase in short-term loans	9	448
Interest paid	-2,959	-3,335
Outflows from the repayment of long-term loans and finance leases	-18,263	-6,608
Dividends paid	-154	-246
Net cash flow from financing activities	-20,749	-8,985
Opening balance of cash and cash equivalents	11,107	6,757
Exchange rate differences relating to cash	-15	-15
Net cash flow for the period from ordinary operations	-5,798	4,365
Closing balance of cash and cash equivalents	5,294	11,107

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE INTEREUROPA GROUP

for the period 1 January 2016 to 31 December 2016

in EUR thousand	PROFIT RESERVES							RETAINED EARNINGS						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 reserve	Exchange rate differences	Net profit or loss brought forward	Net profit or loss for the accounting period	Equity pertaining to controlling interests	Equity pertaining to non-controlling interests	
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	-13,514	416	6,739	-1,955	-8,314	320	-7,994
Net profit or loss for the financial year	0	0	0	0	0	0	0	0	0	0	-1,955	-1,955	352	-1,603
Other comprehensive income	0	0	0	0	0	0	0	-13,514	416	6,739	0	-6,359	-32	-6,391
Transactions with owners														
Transfer of net profit or loss from the previous year to net profit or loss brought forward	0	0	0	0	0	0	0	0	0	-521	521	0	0	0
Dividends and shares in profit	0	0	0	0	0	0	0	0	0	-426	0	-426	-155	-581
Transfer of retained earnings to reserves	0	0	0	0	0		248	0	0	-248	0	0	0	0
Settlement of net losses	0	0	0	0	0	0	0	0	0	-3,455	3,455	0	0	0
Other changes	0	0	-38	0	0	-323	361	0	0	0	0	0	0	0
Closing balance 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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE INTEREUROPA GROUP

for the period 1 January 2015 to 31 December 2015

in EUR thousand	Share capital	Share premium account	PROFIT RESERVES				Fair value reserve	Exchange rate differences	RETAINED EARNINGS		Equity pertaining to controlling interests	Equity pertaining to non-controlling interests	Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares (as deduction item)	Reserves under the articles of association			Net profit or loss brought forward	Net profit or loss for the accounting period			
Reported as at 31 December 2014	27,489	18,455	3,976	180	-180	326	64,272	-7,917	32,088	-267	138,422	9,216	147,638
Correction of error	0	0	0	0	0	0	0	0	0	-365	-365	-163	-528
Reported as at 31 December 2014 after correction of error	27,489	18,455	3,976	180	-180	326	64,272	-7,917	32,088	-632	138,057	9,053	147,110
Total comprehensive income	0	0	0	0	0	0	-7	15	-3	173	178	94	272
Net profit or loss for the financial year	0	0	0	0	0	0	0	0	0	173	173	115	288
Other comprehensive income	0	0	0	0	0	0	-7	15	-3	0	5	-21	-16
Transactions with owners													
Transfer of net profit or loss from the previous year to net profit or loss brought forward	0	0	0	0	0	0	0	0	-632	632	0	0	0
Payment of dividends and profit participation	0	0	0	0	0	0	0	0	0	0	0	-246	-246
Transfer of retained earnings to reserves	0	0	714	0	0	12	0	0	-32	-694	0	0	0
Other changes	0	0	1	0	0	0	-176	0	176	0	1	0	1
Closing balance as at 31 December 2015	27,489	18,455	4,691	180	-180	338	64,089	-7,902	31,597	-521	138,236	8,901	147,137



3.2 Notes to the financial statements of the Intereuropa Group

A) NOTES TO THE CONSOLIDATED INCOME STATEMENT

Sales revenue amounted to EUR 135,596 thousand. The Group generated EUR 1,755 thousand in **other operating revenues** that are mainly accounted for by revenues from the reversal of adjustments and write-offs of receivables (EUR 714 thousand), and gains on the sale of property, plant and equipment (EUR 704 thousand). The remainder relates to revenues from state grants awarded for the co-financing of projects, revenues from the employment of disabled persons above the prescribed quota (EUR 79 thousand) and other revenues (EUR 258 thousand).

Costs of goods, materials and services

Table 17: Costs of goods, materials and services of the Intereuropa Group in the period January–December 2016

in EUR thousand	January– December 2016	January– December 2015
Historical cost of goods and materials sold and cost of materials used	4,037	4,168
Costs of services	90,011	90,885
direct costs	79,813	80,565
costs of telecommunication services	460	427
maintenance costs	2,270	2,390
insurance premiums	763	735
training and education costs	60	79
other costs of services	6,645	6,691
Total	94,048	95,053

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 18: Labour costs of the Intereuropa Group in the period January–December 2016

in EUR thousand	January– December 2016	January– December 2015
Wages and salaries	19,232	18,608
Social security costs	3,929	3,761
Other labour costs:	3,404	3,207
annual leave allowance	816	603
transportation and meal allowances	2,033	2,065
other labour costs	531	176
expenses for employee participation in profits	24	363
Total	26,565	25,576



Depreciation and amortisation

Table 19: Depreciation and amortisation of the Intereuropa Group in the period January–December 2016

in EUR thousand	January– December 2016	January– December 2015
Amortisation of intangible assets	500	548
Depreciation of property, plant and equipment and investment property	6,096	5,954
Total	6,596	6,502

Other operating expenses

Table 20: Other operating expenses of the Intereuropa Group in the period January–December 2016

in EUR thousand	January– December 2016	January– December 2015
Building land use fee and similar expenses	1,606	1,552
B) Revaluation operating expenses for intangible assets, and property, plant and equipment	82	33
Expenses from value adjustments (impairments) and write-offs of receivables	798	1,648
Expenses from value adjustments (impairments) and write-offs of inventories	8	54
Costs of creation of provisions	251	891
Other operating expenses	736	694
Total other operating expenses	3,481	4,871

Effect of finance income and costs on profit or loss

Table 21: Effect of finance income and costs in the Intereuropa Group in the period January–December 2016

in EUR thousand	January– December 2016	January– December 2015
Interest income	234	340
Dividend income and shares in the profit of others	9	8
Revenues from the reversal of impairments of loans and bills of exchange	216	18
Total finance income	459	366
Interest expense	-2,942	-3,270
Expenses from the disposal of financial assets	-1	0
Finance costs from impairments and write-offs of financial assets	-9	-38
Net exchange rate differences	-115	-553
Total finance costs	-3,067	-3,861
Profit or loss from financing activities	-2,608	-3,495



The Group generated a **profit or loss from ordinary operations** of EUR 4,092 thousand, which was reduced by the effect of current and deferred taxes in the amount of EUR 5,695 thousand.

Current taxes recognised in profit or loss amounted to EUR 372 thousand in 2016, while the effect of deferred taxes represents an expense of EUR 5,323 thousand (the reversal of receivables for deferred taxes from tax losses in the amount of EUR 4,921 thousand had the most significant impact on deferred taxes).

The Group generated a **net loss** of EUR 1,603 thousand during the reported period. Of that amount, the negative amount of EUR 1,955 thousand pertains to **controlling** interests, while EUR 352 thousand pertains to **non-controlling** interest.

B) NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

Table 22: Property, plant and equipment of the Intereuropa Group as at 31 December 2016

in EUR thousand	31 December 2016	31 December 2015
Land and buildings	184,154	202,376
a) Land	87,988	102,827
b) Buildings	96,166	99,549
Other plant and equipment	6,599	5,369
Property, plant and equipment in acquisition	420	320
Total	191,173	208,066

Intangible assets

Table 23: Intangible assets of the Intereuropa Group as at 31 December 2016

in EUR thousand	31 December 2016	31 December 2015
Long-term property rights	726	877
Goodwill	1,275	1,275
Other intangible assets	3,090	3,673
Intangible assets under construction	394	0
Total	5,486	5,825



Loans granted and deposits

Table 24: Loans granted and deposits of the Intereuropa Group as at 31 December 2016

in EUR thousand	31 December 2016	31 December 2015
Long-term loans granted and deposits	30	45
- Loans granted	6	7
- Deposits	24	38
Short-term loans granted and deposits	2,124	6,604
- Loans granted and bills of exchange	78	79
- Deposits	2,046	6,525
Total	2,153	6,649

Other financial assets in the amount of EUR 542 thousand comprise available-for-sale financial assets.

Current operating receivables

Table 25: Current operating receivables of the Intereuropa Group as at 31 December 2016

in EUR thousand	31 December 2016	31 December 2015
Current trade receivables	26,618	28,169
Current operating receivables from others	2,186	2,816
Total	28,804	30,985

Other current assets in the amount of EUR 377 thousand relate to current deferred costs.

Equity

The Group's equity amounted to EUR 138,562 thousand and represented 54% of total equity and liabilities.

Provisions

Table 26: Provisions of the Intereuropa Group as at 31 December 2016

in EUR thousand	31 December 2016	31 December 2015
Provisions for severance pay at retirement and jubilee benefits	1,285	1,072
Provisions for lawsuits	563	919
Other provisions	0	4,172
Total	1,847	6,163

The decrease in provisions for liabilities arising from lawsuits was largely the result of the settlement of a lawsuit by the parent company (EUR 396 thousand) in the total amount of



EUR 600 thousand; the amount exceeding created provisions (EUR 204 thousand) is disclosed under Other operating expenses.

The decrease in other provisions was a result of the redemption of a guarantee in the form of a deposit in the amount of EUR 4,160 thousand that was made by Intereuropa d.d. when the subsidiary in Russia was sold.

Non-current financial liabilities comprise loans and finance leases and amounted to EUR 74,736 thousand.

Current financial liabilities

Table 27: Current financial liabilities of the Intereuropa Group as at 31 December 2016

in EUR thousand	31 December 2016	31 December 2015
Short-term loans and finance leases received	5,358	5,232
Liabilities for dividends and other shares in profit	843	416
Total	6,201	5,648

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

Current operating liabilities

Table 28: Current operating liabilities of the Intereuropa Group as at 31 December 2016

in EUR thousand	31 December 2016	31 December 2015
Current trade payables	18,050	22,163
Current operating liabilities based on advances	525	680
Other current operating liabilities	3,310	3,273
Total	21,885	26,116

Contingent liabilities

Table 29: Contingent liabilities of the Intereuropa Group as at 31 December 2016

in EUR thousand	31 December 2016	31 December 2015
From bank guarantees and guarantees given to others	13,176	11,771
From lawsuits	1,614	1,140
To D.S.U., družba za svetovanje in upravljanje, d.o.o.	250	250
Other contingent liabilities	105	105
Total	15,145	13,266

FAIR VALUE OF FINANCIAL INSTRUMENTS

With respect to the calculation of their fair value, financial instruments are categorised to three levels:



- **Level 1** includes the unadjusted price quoted on an active market on the date of measurement;
- **Level 2** includes inputs other than the quoted prices included in Level 1 that can be directly or indirectly monitored for assets or liabilities; and
- **Level 3** includes unmonitored inputs for an asset or liability.

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

in EUR thousand		31 December 2016			
Fair value hierarchy	Level 1	Level 2	Level 3	Total	
Available-for-sale financial assets	462	0	80	542	

in EUR thousand		31 December 2015			
Fair value hierarchy	Level 1	Level 2	Level 3	Total	
Available-for-sale financial assets	407	0	111	518	

We assess that the carrying amounts (book values) of other financial instruments reflect their fair values.

TRANSACTIONS BETWEEN RELATED PARTIES

Table 31: Transactions between related parties

Revenues from the sale of services		
in EUR thousand	January– December 2016	January– December 2015
Associate and joint venture	1,039	1,460

Costs of services		
in EUR thousand	January– December 2016	January– December 2015
Associate and joint venture	3,768	4,304

Balance of operating receivables		
in EUR thousand	31 December 2016	31 December 2015
Associate and joint venture	130	91

Balance of operating liabilities		
in EUR thousand	31 December 2016	31 December 2015
Associate and joint venture	504	555

INFORMATION BY BUSINESS SEGMENT FOR THE PERIOD JANUARY–DECEMBER 2016

Table 32: Geographical business segments of the Intereuropa Group in the period January–December 2016

in EUR thousand	Slovenia		Croatia		Bosnia and Herzegovina		Serbia		Montenegro	
	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2016	Jan–Dec 2015
Revenues from external customers	88,734	89,264	20,559	20,399	6,602	6,145	4,189	4,108	5,396	5,069
Revenues from transactions with other segments	3,209	3,144	539	423	383	433	870	648	144	131
Total revenues	91,944	92,408	21,098	20,822	6,986	6,579	5,059	4,756	5,540	5,200
Depreciation and amortisation	3,938	3,946	1,563	1,481	354	328	183	193	439	430
Operating profit or loss	4,832	3,682	-43	-712	281	358	574	558	688	-30
Interest income	224	295	25	42	0	0	5	7	38	52
Interest expense	2,670	3,041	70	48	12	14	77	99	1	0
Profit or loss from ordinary operations	2,097	1,580	-70	-698	267	344	482	436	725	22
Revenues from investments valued according to the equity method	34	41	0	0	0	0	0	0	0	0
Corporate income tax	5,436	279	36	10	30	38	77	71	90	43
Assets	192,299	228,289	58,364	59,006	16,860	17,072	9,476	9,553	21,338	21,675
Non-current assets	166,661	191,170	52,777	53,157	15,629	15,737	8,463	8,577	17,821	18,080
Operating liabilities	16,943	20,077	2,918	3,456	888	987	618	605	616	1,326
Financial liabilities	77,587	95,184	1,628	2,125	213	268	1,150	1,519	404	409
Investments according to the equity method	39	75	0	0	0	0	0	0	0	0

in EUR thousand	Ukraine		Others		Total		Adjustments (including eliminations)*		Group	
	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2016	Jan–Dec 2015	Jan–Dec 2016	Jan–Dec 2015
Revenues from external customers	5,489	5,025	4,642	4,617	135,612	134,628	-16	-16	135,596	134,613
Revenues from transactions with other segments	1	1	667	743	5,814	5,523	-5,814	-5,523	0	0
Total revenues	5,490	5,026	5,310	5,360	141,426	140,152	-5,830	-5,539	135,596	134,613
Depreciation and amortisation	50	60	68	63	6,596	6,502	0	0	6,596	6,502
Operating profit or loss	108	162	249	225	6,688	4,753	-27	-529	6,661	4,224
Interest income	2	8	0	2	295	406	-61	-65	234	340
Interest expense	172	131	0	1	3,002	3,335	-61	-65	2,942	3,270
Profit or loss from ordinary operations	-200	-509	246	206	3,549	1,891	543	-1,129	4,092	762
Revenues from investments valued according to the equity method	0	0	0	0	34	41	5	-7	39	34
Corporate income tax	0	0	26	32	5,695	474	0	0	5,695	474
Assets	1,914	2,186	3,278	3,086	303,528	341,394	-47,798	-49,501	255,730	291,893
Non-current assets	1,247	1,388	1,080	1,106	263,678	289,214	-45,064	-46,574	218,614	242,640
Operating liabilities	851	940	842	761	23,675	27,643	-1,460	-836	22,216	26,807
Financial liabilities	1,309	1,304	0	0	81,865	100,809	-928	-2,662	80,937	98,148
Investments in joint venture according to equity method	0	0	0	0	39	75	63	60	102	135

* All adjustments are subject to consolidation procedures.



Table 33: Sales revenue of the Intereuropa Group by business segment (in EUR thousand)

<i>in EUR thousand</i>	Jan– Dec 2016	Jan– Dec 2015	Jan– Dec 2016	Jan– Dec 2015	Jan– Dec 2016	Jan– Dec 2015	Jan– Dec 2016	Jan– Dec 2015	Jan– Dec 2016	Jan– Dec 2015
	Land transport		Logistics solutions		Intercontinental transport		Other services		Group	
Revenues from sales to third parties	75,333	76,564	18,942	16,983	34,721	34,626	6,600	6,440	135,596	134,613

EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period that could significantly affect the Group's financial statements for 2016.



4. 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 2016 to 31 December 2016

in EUR thousand	January–December 2016	January– December 2015 (adjusted)
Sales revenue	91,052	91,492
Other operating revenues	743	583
Costs of goods, materials and services	-64,793	-66,469
Labour costs	-16,648	-16,103
Amortisation/depreciation	-3,933	-3,940
Other operating expenses	-1,713	-1,939
Operating profit or loss	4,708	3,624
Finance income	2,548	1,181
Finance costs	-5,298	-3,331
Profit or loss from financing activities	-2,750	-2,150
Profit or loss from ordinary operations	1,958	1,474
Corporate income tax (including deferred taxes)	-5,413	-245
Net profit or loss for the accounting period	-3,455	1,229
Basic and diluted earnings per ordinary share (in EUR)	-0.13	0.04



STATEMENT OF COMPREHENSIVE INCOME OF INTEREUROPA D.D.

for the period 1 January 2016 to 31 December 2016

in EUR thousand	January– December 2016	January– December 2015
Net profit or loss for the accounting period	-3,455	1,229
Other comprehensive income	-6,977	-7
Items to be reclassified to profit or loss	37	-7
Change in the fair value of available-for-sale financial assets	47	-9
Change in deferred taxes in the revaluation surplus for available-for-sale financial assets	-10	2
Items not reclassified to profit or loss	-7,014	0
Change in fair value of land	-8,283	0
Transfer of revaluation surplus for land to net profit or loss brought forward	-7,267	0
Change in deferred taxes	1,798	0
Change in net profit or loss brought forward from the transfer of the revaluation surplus for land	7,267	0
Actuarial net gains and losses for severance pay at retirement	-166	0
Corporate income tax on net profit or loss brought forward	-363	0
Total comprehensive income	-10,432	1,222



STATEMENT OF FINANCIAL POSITION OF INTEREUROPA D.D.

as at 31 December 2016

in EUR thousand	31 December 2016	31 December 2015 (adjusted)
ASSETS		
Property, plant and equipment	96,812	112,747
Investment property	8,903	10,308
Intangible assets	3,962	4,320
Other non-current assets	49	62
Deferred tax assets	11,160	16,413
Long-term loans granted and deposits	10	253
Other non-current financial assets	45,739	47,036
TOTAL NON-CURRENT ASSETS	166,635	191,139
Available-for-sale assets	323	0
Inventories	8	9
Short-term loans granted and deposits	1,343	5,279
Other current financial assets	250	250
Current operating receivables	20,290	21,406
Other current assets	60	40
Cash and cash equivalents	1,822	8,169
TOTAL CURRENT ASSETS	24,096	35,153
TOTAL ASSETS	190,731	226,292
EQUITY		
Share capital	27,489	27,489
Share premium account	18,455	18,455
Profit reserves	2,749	2,749
Fair value reserve	34,929	48,659
Net profit or loss brought forward	3,496	89
Net profit or loss	0	535
TOTAL EQUITY	87,118	97,976
LIABILITIES		
Provisions	1,078	5,421
Non-current deferred income	103	118
Non-current financial liabilities	73,175	90,109
Non-current operating liabilities	306	656
Deferred tax liabilities	8,193	9,966
TOTAL NON-CURRENT LIABILITIES	82,855	106,270
Current financial liabilities	4,412	3,752
Current operating liabilities	15,849	18,294
Current corporate income tax liabilities	497	0
TOTAL CURRENT LIABILITIES	20,758	22,046
TOTAL LIABILITIES	103,613	128,316
TOTAL EQUITY AND LIABILITIES	190,731	226,292



STATEMENT OF CASH FLOWS OF INTEREUROPA D.D.

for the period 1 January 2016 to 31 December 2016

in EUR thousand	January– December 2016	January– December 2015 (adjusted)
Cash flows from operating activities		
Net profit or loss for the accounting period	-3,455	1,229
Adjustments for:		
- amortisation and depreciation	3,933	3,940
- impairments and write-offs of property, plant and equipment and intangible assets	80	9
- gains on the sale of property, plant and equipment	-463	-34
- losses from the sale of property, plant and equipment	0	5
- impairments and write-offs of receivables	228	291
- finance income	-2,548	-1,181
- finance costs	5,298	3,331
- corporate income tax (including deferred taxes)	5,413	245
Operating profit before changes in net working capital and taxes	8,487	7,836
Changes in net working capital and provisions		
Changes in receivables	897	274
Changes in inventories	1	19
Changes in other current assets	-22	-1
Changes in operating liabilities	-2,737	449
Changes in provisions	-4,509	417
Changes in non-current deferred income	-15	-13
Net cash flow from operating activities	2,102	8,981
Cash flows from investing activities		
Interest received	183	291
Dividends received and shares in profits	792	886
Inflows from the sale of property, plant and equipment	7,867	68
Inflows from long-term loans granted	20	240
Inflows from long-term deposits placed	0	50
Inflows from the sale of other non-current financial assets	256	1,000
Net cash flow from short-term loans granted	51	60
Net cash flow from short-term deposits placed	4,128	1,983
Outflows for the acquisition of property, plant and equipment	-2,250	-1,972
Outflows for the acquisition of intangible assets	-91	-241
Outflows for long-term deposits placed	-10	-30
Outflows for increase in capital of subsidiaries	-14	-31
Net cash flow from investing activities	10,932	2,304
Cash flows from financing activities		
Interest paid	-2,681	-3,099
Outflows for the repayment of long-term loans	-16,700	-4,611
Net cash flow from financing activities	-19,381	-7,710
Opening balance of cash and cash equivalents	8,169	4,594
Net cash flow for the period	-6,347	3,575
Closing balance of cash and cash equivalents	1,822	8,169

STATEMENT OF CHANGES IN EQUITY OF INTEREUROPA d.d.

for the period 1 January 2016 to 31 December 2016

in EUR thousand	Share capital	Share premium account	PROFIT RESERVES			Fair value reserve	RETAINED EARNINGS		Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares (as deduction item)		Net profit or loss brought forward	Net profit or loss	
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	-13,730	6,753	-3,455	-10,432
Net profit or loss	0	0	0	0	0	0	0	-3,455	-3,455
Other comprehensive income	0	0	0	0	0	-13,730	6,753	0	-6,977
Transactions with owners									
Transfer of net profit or loss from the previous year to net profit or loss brought forward	0	0	0	0	0	0	535	-535	0
Dividends	0	0	0	0	0	0	-426	0	-426
Settlement of net losses	0	0	0	0	0	0	-3,455	3,455	0
Closing balance as at 31 December 2016	27,489	18,455	2,749	180	-180	34,929	3,496	0	87,118

STATEMENT OF CHANGES IN EQUITY OF INTEREUROPA d.d.

for the period 1 January 2015 to 31 December 2015

in EUR thousand	Share capital	Share premium account	PROFIT RESERVES			Fair value reserve	RETAINED EARNINGS		Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares (as deduction item)		Net profit or loss brought forward	Net profit or loss	
Opening balance as at 1 January 2015	27,489	18,455	2,054	180	-180	48,755	0	0	96,753
Total comprehensive income for the period	0	0	0	0	0	-7	0	1,229	1,222
Net profit or loss	0	0	0	0	0	0	0	1,229	1,229
Other comprehensive income	0	0	0	0	0	-7	0	0	-7
Transactions with owners									
Other changes	0	0	1	0	0	-89	89	0	1
Transfer of net profit or loss to reserves	0	0	694	0	0	0	0	-694	0
Closing balance as at 31 December 2015	27,489	18,455	2,749	180	-180	48,659	89	535	97,976



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

A) NOTES TO INCOME STATEMENT

Sales revenue

Table 34: Sales revenue of Intereuropa d.d. in the period January–December 2016

in EUR thousand	January–December 2016	January–December 2015
Revenues from sales to companies in the Group	3,215	3,104
Revenues from sales to others	87,837	88,387
Total	91,052	91,492

Other operating revenues (EUR 743 thousand) comprise gains on the sale of property, plant and equipment (EUR 463 thousand), revenues from the reversal of value adjustments and write-offs of receivables (EUR 133 thousand), revenues from state grants awarded for the co-financing of projects and revenues from the employment of disabled persons above the prescribed quota (EUR 72 thousand) and other revenues (EUR 75 thousand).

Costs of goods, materials and services

Table 35: Costs of goods, materials and services of Intereuropa d.d. in the period January–December 2016

in EUR thousand	January–December 2016	January–December 2015
Historical cost of goods and materials sold and cost of materials used	1,654	1,617
Cost of services in the Group	2,065	2,182
Cost of services (excluding the Group):	61,074	62,670
direct costs	55,346	57,161
costs of telecommunication services	165	119
maintenance costs	1,527	1,573
insurance premiums	454	456
training and education costs	34	39
other costs of services	3,546	3,323
Total	64,793	66,469

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 36: Labour costs of Intereuropa d.d. in the period January–December 2016

in EUR thousand	January–December 2016	January–December 2015
Wages and salaries	11,923	11,427
Pension insurance costs	1,405	1,321
Other social security costs	863	826
Other labour costs:	2,457	2,528
annual leave allowance	688	492
transportation and meal allowances	1,580	1,619
other labour costs	188	92
expenses for employee participation in profits	0	325
Total	16,648	16,103

Depreciation and amortisation

Table 37: Depreciation and amortisation of Intereuropa d.d. in the period January–December 2016

in EUR thousand	January–December 2016	January–December 2015
Depreciation of property, plant and equipment and investment property	3,466	3,412
Amortisation of intangible assets	468	528
Total	3,933	3,940

Other operating expenses

Table 38: Other operating expenses of Intereuropa d.d. in the period January–December 2016

in EUR thousand	January–December 2016	January–December 2015
Building land use fee and similar expenses	1,097	1,051
Expenses from impairments and write-offs of property, plant and equipment	80	14
Expenses from value adjustments (impairments) and write-offs of receivables	228	291
Other operating expenses	308	583
Total	1,713	1,939

The majority of other operating expenses derived from the settlement of a lawsuit (EUR 204 thousand) that exceeded the amount of non-current provisions for liabilities arising from lawsuits that were already created and used.



Effect of finance income and costs on profit or loss

Table 39: Effect of finance income and costs on the profit or loss of Intereuropa d.d. in the period January–December 2016

in EUR thousand	January–December 2016	January–December 2015
Interest income from Group companies	61	64
Interest income from others	157	213
Income from dividends and other shares of profit from Group companies	750	838
Income from participating interest in joint venture	34	41
Income from dividends and other shares in profit from other companies	8	8
Revenues from the reversal of impairments of loans and bills of exchange	1,336	18
Revenues from the sale of financial assets	202	0
Net exchange rate differences	1	0
Total finance income	2,548	1,181
Interest expense and other borrowing expenses	-2,669	-3,040
Expenses from impairments of financial investments in participating interests and shares in Group companies	-2,620	-247
Expenses for impairments of other financial assets	-8	-34
Expenses from the disposal of financial assets	-1	0
Net exchange rate differences	0	-10
Total finance costs	-5,298	-3,331
Profit or loss from financing activities	-2,750	-2,150

Revenues from the reversal of loan impairments (EUR 1,322 thousand) were the result of the reversal of the impairment of the loan granted to the subsidiary Intereuropa Transport d.o.o. (in liquidation), through which that subsidiary's capital was increased in the form of a non-cash contribution. The non-current financial investment in a participating interest in that subsidiary was impaired in the same amount. In addition to the aforementioned impairment, an investment in a participating interest in the subsidiary TOV TEK ZTS, Uzhhorod (EUR 1,284 thousand) and an investment in a participating interest in the subsidiary TOV Intereuropa – Kiev, Ukraine (EUR 14 thousand) were also impaired.

The **profit or loss from ordinary operations** in the amount of EUR 1,958 thousand was the result of operating profit in the amount of EUR 4,708 thousand and a loss from financing activities in the amount of EUR 2,750 thousand.

Corporate income tax (in the amount of 5,413 thousand) comprises current taxes recognised in profit or loss (EUR 143 thousand), while the effect of deferred taxes represents an expense (EUR 5,270 thousand; the reversal of receivables for deferred taxes from tax losses in the amount of EUR 4,921 thousand had the most significant impact on deferred taxes).

Net profit or loss therefore totalled EUR 3,455 thousand.



B) NOTES TO STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

Table 40: Property, plant and equipment of Intereuropa d.d. as at 31 December 2016

in EUR thousand	31 December 2016	31 December 2015
Land and buildings	92,787	109,669
a) Land	50,394	65,287
b) Buildings	42,394	44,382
Other plant and equipment	3,777	2,959
Property, plant and equipment in acquisition	247	119
Total	96,812	112,747

Intangible assets

Table 41: Intangible assets of Intereuropa d.d. as at 31 December 2016

in EUR thousand	31 December 2016	31 December 2015
Long-term property rights	569	745
Other intangible assets	3,083	3,576
Intangible assets under construction	311	0
Total	3,962	4,320

Loans granted and deposits

Table 42: Loans granted and deposits of Intereuropa d.d. as at 31 December 2016

in EUR thousand	31 December 2016	31 December 2015
Long-term loans granted	10	253
- to subsidiaries	0	223
- deposits	10	30
Short-term loans granted and deposits	1,343	5,279
- to subsidiaries	1,293	1,070
- bills of exchange	0	11
- deposits	50	4,198
Total	1,353	5,532

Other non-current financial assets

Table 43: Other non-current financial assets of Intereuropa d.d. as at 31 December 2016

in EUR thousand	31 December 2016	31 December 2015
Investments in shares and participating interests in subsidiaries	45,169	46,453
Investments in participating interest in jointly controlled company	39	75
Other non-current financial assets	531	508
Total	45,739	47,036



Current operating receivables

Table 44: Current operating receivables of Intereuropa d.d. as at 31 December 2016

in EUR thousand	31 December 2016	31 December 2015
Current operating receivables from Group companies	577	571
Current operating receivables from Group companies for interest	216	172
Current trade receivables (excluding the Group)	18,551	20,011
Current operating receivables from others	945	652
Total	20,290	21,406

Other current assets amounting to EUR 60 thousand comprise current deferred costs.

Equity

Equity represents the Company's equity financing, namely its liability to its shareholders. The ratio of equity to total liabilities is 46%.

Provisions

Table 45: Provisions of Intereuropa d.d. as at 31 December 2016.

in EUR thousand	31 December 2016	31 December 2015
Provisions for severance pay at retirement and jubilee benefits	993	780
Provisions for lawsuits	85	481
Other provisions	0	4,160
Total	1,078	5,421

The decrease in provisions for liabilities arising from lawsuits was the result of the settlement of a lawsuit by the parent company (EUR 396 thousand) in the total amount of EUR 600 thousand; the amount exceeding created provisions (EUR 204 thousand) is disclosed under Other operating expenses.

The decrease in other provisions was a result of the redemption of a guarantee in the form of a deposit in the amount of EUR 4,160 thousand that was made by Intereuropa d.d. when the subsidiary in Russia was sold.

The full amount of **non-current financial liabilities** (EUR 73,175 thousand) relates to long-term loans received.

Current financial liabilities amounted to EUR 4,412 thousand and comprise the current portion of long-term loans (EUR 3,986 thousand) and liabilities for preferred dividends (EUR 426 thousand).

Current operating liabilities



Table 46: Current operating liabilities of Intereuropa d.d. as at 31 December 2016

in EUR thousand	31 December 2016	31 December 2015
Current operating liabilities to Group companies	358	347
Current trade payables	13,344	16,077
Current operating liabilities based on advances	59	81
Other current operating liabilities	2,087	1,789
Total	15,849	18,294

Contingent liabilities

Table 47: Contingent liabilities of Intereuropa d.d. as at 31 December 2016

in EUR thousand	31 December 2016	31 December 2015
From bank guarantees and guarantees given to Group companies	1,786	2,922
From bank guarantees and guarantees given to others	4,614	4,695
From lawsuits	299	603
To D.S.U., družba za svetovanje in upravljanje, d.o.o.	250	250
Total	6,949	8,470

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value hierarchy of financial instruments

With respect to the calculation of their fair value, financial instruments are categorised to three levels:

- **Level 1** includes the unadjusted price quoted on an active market on the date of measurement;
- **Level 2** includes inputs other than the quoted prices included in Level 1 that can be directly or indirectly monitored for assets or liabilities; and
- **Level 3** includes unmonitored inputs for an asset or liability.

Table 48: Fair value hierarchy at Intereuropa d.d. as at 31 December 2016

in EUR thousand	31 December 2016				
	Fair value hierarchy	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets		451	0	80	531
in EUR thousand	31 December 2015				
	Fair value hierarchy	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets		404	0	104	508

We assess that the carrying amounts (book values) of other financial instruments reflect their fair values.



TRANSACTIONS BETWEEN RELATED PARTIES

Table 49: Transactions between related parties

Revenues from the sale of services in EUR thousand	January–December 2016	January–December 2015
Subsidiaries	3,215	3,104
Associate and joint venture	728	832
Costs of services		
in EUR thousand	January–December 2016	January–December 2015
Subsidiaries	2,065	2,182
Associate and joint venture	3,765	4,289
Interest income		
in EUR thousand	January–December 2016	January–December 2015
Subsidiaries	61	64
Income from participating interests		
in EUR thousand	January–December 2016	January–December 2015
Subsidiaries	750	838
Associate and joint venture	34	41
Balance of operating receivables		
in EUR thousand	31 December 2016	31 December 2015
Subsidiaries	794	743
Associate and joint venture	130	91
Balance of operating liabilities		
in EUR thousand	31 December 2016	31 December 2015
Subsidiaries	358	347
Associate and joint venture	500	551
Loans granted		
in EUR thousand	31 December 2016	31 December 2015
Subsidiaries	1,293	1,293

EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period that could significantly affect the Company's financial statements for 2016.

IN BRIEF ...

The continued favourable economic climate on European markets in 2016 was reflected in the performance of Group companies. The Intereuropa Group achieved 1% growth in 2016 relative to 2015 and generated **EUR 135.6 million in sales revenue**.

The Group exceeded sales results by 12% in the logistics solutions business segment. The increased turnover of goods and new businesses in major warehouses in Slovenia that represent the bulk of operations in this business segment contributed most to that increase. The Group achieved similar results to the previous year in the intercontinental transport business segment. Operations improved relative to the previous year in the following product segments: RO-RO, air freight, car logistics and container shipping. The drop in planned sales in the area of conventional sea-freight transport was the most significant factor in the slightly lower results than planned. Sales revenue in the land transport segment was down 2% on the results achieved in 2015. An increase in the scope of operations and physical indicators that was not supported by any financial result was most frequently seen in some land transport products. This mostly impacted the operations of the parent company, as it generates the largest share of revenues in the land transport business segment.

Last year's sales results were exceeded by all subsidiaries, except the parent company in Slovenia, the subsidiary in Albania and Interagent d.o.o., Koper.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) were up by 24% relative to the previous year to stand at **EUR 13.3 million**. The **operating profit (EBIT)** of the Group was also up by 58%, to stand at **EUR 6.7 million** in 2016. Return on sales revenue (EBIT margin) also improved, from 3.1% last year to 4.9% in 2016.

The **loss from financing activities** of **EUR 2.6 million** was primarily the result of net interest expense and gains on the sale of financial assets. **Net financial debt** was down 9% on the previous year to stand at **EUR 73.5 million** at the end of the period. The Group generated a **profit from ordinary operations** of **EUR 4.1 million**. Corporate income tax (including deferred tax) amounted to EUR 5.7 million and reduced the profit from ordinary operations. The Group thus ended the reporting period with a **net loss of EUR 1.6 million**.

The Group's Management Board believes that the rise in key performance indicators in 2016 confirms the appropriateness of the Group's outlined strategy, as well as the quality of the work of all Group employees. They encourage us to remain fully committed to carrying out the necessary activities to achieve our established objectives.