

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

***JANUARY–JUNE 2019***



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## INTRODUCTION

Pursuant to the Financial Instruments Market Act and the Ljubljana Stock Exchange Rules, Intereuropa, d. d. hereby publishes the Unaudited business report of the Intereuropa Group and Intereuropa, d. d. for the period January–June 2019.

The consolidated and separate financial statements for the periods January–June 2019 and January–June 2018 have not been audited, while the financial statements for the entire 2018 financial year have been audited. The financial statements are compiled in accordance with the International Financial Reporting Standards.

The Supervisory Board of Intereuropa, d. d. discussed the Unaudited business report of the Intereuropa Group and Intereuropa, d. d. for the period January–June 2019 at its session on 29 August 2019.

The document Unaudited business report of the Intereuropa Group and Intereuropa, d. d. for the period January–June 2019 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](http://www.intereuropa.si) on 29 August 2019.

## **STATEMENT OF MEMBERS OF THE MANAGEMENT BOARD**

The Management Board of Intereuropa, d. d. hereby declares that, to the best of its knowledge, the financial report of Intereuropa, Globalni logistični servis, d. d. and the Intereuropa Group for the period January–June 2019 has been compiled in accordance with IAS 34, and must be read in conjunction with the audited annual financial statements compiled for the financial year ending 31 December 2018.

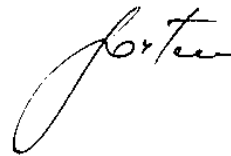
The financial report provides a true and fair picture of the assets, liabilities, financial position and operating results of Intereuropa, Globalni logistični servis, d. d. and the other companies included in consolidation.

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

Intereuropa, d. d.  
Management Board of the Company

Koper, 14 August 2019

Ernest Gortan, MSc  
President of the Management Board



Marko Rems  
Member of the Management Board



Marko Cegnar  
Member of the Management Board



## KEY PERFORMANCE HIGHLIGHTS

Table 1: Key operating indicators of the Intereuropa Group and the parent company Intereuropa, d. d.

in EUR thousand	INTEREUROPA GROUP			INTEREUROPA, D. D.		
	Jan–Jun 2019	Jan–Jun 2018	Index 19/18	Jan–Jun 2019	Jan–Jun 2018	Index 19/18
Sales revenue	80,572	80,181	100	57,143	56,702	101
EBITDA	7,069	6,840	103	4,870	4,953	98
Operating profit (EBIT)	3,775	3,684	102	2,792	2,923	96
Loss from financing activities	-440	-910	-	278	-214	-
Profit from ordinary operations	3,338	2,778	120	3,070	2,709	113
Net profit	3,076	2,691	114	2,958	2,273	130
EBITDA margin (in %)	8.8	8.5	103	8.5	8.7	98
EBIT margin (in %)	4.7	4.6	102	4.9	5.2	95
Sales revenue per employee/month	10.541	10.335	102	16.496	16.877	98
Value added per employee/month	2.767	2.683	103	4.107	4.163	99
ROE (in %)*	5.1	4.5	113	7.0	5.4	128
	30 Jun 2019	31 Dec 2018	Index 19/18	30 Jun 2019	31 Dec 2018	Index 19/18
Assets	228,708	232,927	98	180,463	185,114	97
Equity	124,469	121,643	102	87,975	85,005	103
Net debt	53,897	60,197	90	57,573	64,631	89
No. of employees	1,360	1,327	102	609	599	102
	Jan–Jun 2019	Jan–Dec 2018	Index 19/18	Jan–Jun 2019	Jan–Dec 2018	Index 19/18
Number of shares at the end of period	27,488,803	27,488,803	100			
Earnings per share (in EUR)	0.10	0.15	67			
Closing price at the end of period (in EUR)	2.54	2.60	98			
Book value per share at the end of period (in EUR)	3.20	3.09	104			
P/B	0.79	0.84	94			
P/E	12.70	17.33	73			

EBITDA: operating profit + depreciation/amortisation + revaluation operating expenses for intangible assets and property, plant and equipment – revaluation operating revenues from the reversal of impairments of intangible assets and property, plant and equipment. When comparing data to 2018, account must be taken of changes in the booking of amortisation and depreciation due to amendments to IFRS 16, effective 1 January 2019 (explained in the notes to the consolidated financial statements of the Intereuropa Group and the notes to financial statements of the parent company Intereuropa, d. d. in the financial report).

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

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

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

\* Recalculated on an annual basis.

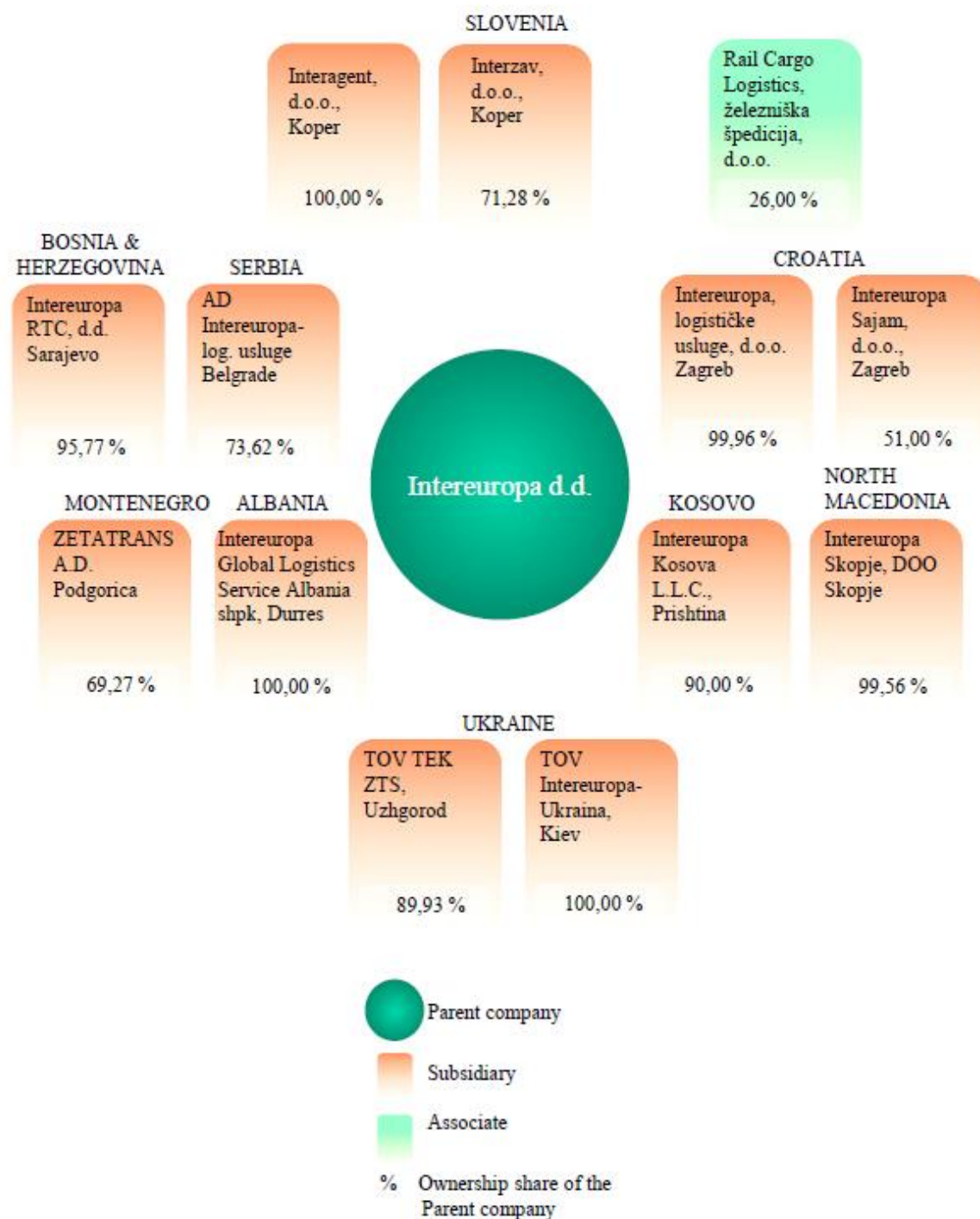
## BASIC INFORMATION ABOUT THE GROUP

Table 2: Basic information about Intereuropa, d. d. and the Intereuropa Group as at 30 June 2019

Parent company	Intereuropa, Globalni logistični servis, d. d.
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, CEESSEG.
Management Board	Ernest Gortan, MSc, President of the Management Board Marko Rems, member of the Management Board Marko Cegnar, member of the Management Board
Supervisory Board	Vojko Čok, Chairman of the Supervisory Board Matija Vojsk, MSc Rok Rape, DSc Zlatka Čretnik Tjaša Benčina Jure Fišer (until 19 June 2019) Jože Golobič (since 27 June 2019)
<b>Intereuropa Group</b>	
No. of employees	1,359
Total closed warehousing area*	216,000 m <sup>2</sup> of own warehousing area
Total own land area	1,624,000 m <sup>2</sup>
Membership in international organisations and logistics networks	FIATA, IATA, FONASBA, BIMCO, GS1, WCA, FETA, HCL ISO 9001:2008 certificate
Quality certificates	<ul style="list-style-type: none"> <li>o Intereuropa, d. d., Koper</li> <li>o Intereuropa, logističke usluge, d. o. o., Zagreb</li> <li>o Intereuropa RTC, d. d., Sarajevo</li> </ul>
Own branch network	Slovenia, Croatia, Montenegro, Bosnia and Herzegovina, Serbia, Kosovo, North Macedonia, Albania and Ukraine

\* Closed warehousing area, excluding tents and canopies, owned by Intereuropa.

Picture 1: Intereuropa Group as at 30 June 2019<sup>1</sup>



<sup>1</sup> The subsidiary in Albania has been excluded from consolidation since 1 January 2019.

## **BUSINESS PLAN FOR 2019**

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While drafting the business plan for 2019, the Intereuropa Group took into account the starting position of the Group as a whole at the end of 2018 and the planned points of departure set out in the strategic plan of the Intereuropa Group for the period 2018–2022, as well as trends in the logistics sector and forecasts of economic trends on the Group's key markets.

The basic business plan for 2019, which included the sale of the business complex in Koper in 2018 and did not include the effects of the transition to the new IFRS 16, was adopted in December 2018. To ensure the proper disclosure of the effects of the transition to IFRS 16 and due to the postponement of the sale of the business complex in Koper, a revised business plan for 2019 was drawn up and approved in May 2019, and includes the effects of the transition to IFRS 16 and the business effects of the leasing of the business complex in Koper. Wherever planned values are stated in this document, the values from the revised business plan for 2019 are taken into account.

The following business and financial objectives were set for the Intereuropa Group in the revised business plan for 2019:

- to generate EUR 169.5 million in sales revenue through growth in revenues on all markets and through growth in all business lines of the core activity in line with market potential, to strengthen cooperation with customers that require integrated logistics solutions through the entire supply chain in the region, and to attract new, profitable clients and key customers that will cooperate with the Group on a regional level;
- to develop products with higher value added in categories where the Group enjoys a competitive advantage, and to achieve higher growth in products where there are numerous opportunities for growth;
- to control direct costs and sales margins in the context of growth in sales, through the active management of the costs of services via more favourable purchasing terms, in particular on account of an increase in the scope of operations and the centralisation of certain procurement functions;
- to generate EBITDA of EUR 14.2 million and an operating profit (EBIT) of EUR 7.6 million; and
- to continue reducing debt, where the sale of real estate that is not used in the performance of the logistics activity represents the most important source for deleveraging.

To achieve the above-described objectives, the Group is planning the following:

- the investment of EUR 5.9 million in property, plant and equipment and intangible assets, primarily in the upgrading and renovation of the warehousing infrastructure, and the refurbishment of warehousing and IT equipment;
- ensuring the optimal number of competent and motivated employees;
- investing in the effective development of employees, and the implementation of a systematic plan of measures to ensure health and well-being within the Intereuropa Group;
- maintaining the proportion of flexible forms of employment at a minimum of 10%;
- the continuation of the establishment of information support for management by objectives and the management of employees' work efficiency;
- the continuation of activities to centralise IT management at the Group level, and to upgrade and consolidate IT systems to support business processes;
- the reduction of risks in connection with ensuring business continuity;



- ensuring the cost-effectiveness of support functions for the performance of logistics processes;
- the effective management of working capital; and
- the implementation of activities aimed at the sale of assets not required for business purposes.

## **SIGNIFICANT EVENTS**

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### IN THE PERIOD JANUARY–JUNE 2019

#### **February**

- Intereuropa attended the 11th World Cargo Association (WCA Ltd.) Worldwide Conference in Singapore from 18 to 22 February 2019. The aforementioned conference is considered the largest and most successful networking event for WCA members.
- On 1 February, Intereuropa entered into a business relationship in the area of logistics with a multinational from the food industry. The new logistics solution comprises the warehousing and distribution of goods to customers' factories.
- Representatives of Intereuropa attended the 17th International Trade Show for Intralogistics Solutions and Process Management (LogiMAT) from 19 to 21 February in Stuttgart, with the aim of gathering information for the implementation of certain innovations relating to warehouse mechanisation, equipment, the warehouse management system (WMS), forklifts, etc. within the Intereuropa Group.

#### **March**

- On 1 March 2019, Intereuropa, d. d. and creditor banks concluded an annex to the financial restructuring agreement, thereby extending the validity of the aforementioned agreement until 31 January 2020. This will allow the Company to refinance its financial liabilities following the completion of the sale of a majority holding of IEKG shares.
- Intereuropa, d. d. was a sponsor of the 2019 World Cup Ski Flying event in Planica, which took place from 21 to 24 March 2019.

#### **April**

- At its session held on 17 April, Intereuropa, d. d.'s Supervisory Board adopted the audited annual report of the Intereuropa Group for the 2018 financial year, together with the independent auditor's report.
- At its session held on 17 April, Intereuropa, d. d.'s Supervisory Board reappointed the current President of Intereuropa, d. d.'s Management Board, Ernest Gortan, MSc, to a new two-year term of office, effective 11 June 2019.
- Intereuropa, d. d. was the main sponsor of the Slovenian Logistics Congress held in Portorož from 3 to 4 April.

#### **May**

- On 9 May, the Company received notification from PwC Svetovanje, d. o. o., on behalf of SID banka, d. d., Nova Ljubljanska banka, d. d., Gorenjska banka, d. d., SKB Banka, d. d. and Banka Intesa Sanpaolo, d. d., that the signing of an agreement on the sale of 72.13% of all shares issued by Intereuropa, d. d. was planned for 10 May 2019.
- On 10 May 2019, the Company received written notification from the sellers of shares in Intereuropa, d. d. (SID banka, d. d., Nova Ljubljanska banka, d. d., Gorenjska banka, d. d., Nova KBM, d. d., SKB Banka, d. d. and Banka Intesa Sanpaolo, d. d.) that those parties

concluded an agreement on 10 May 2019 with the buyer, Pošta Slovenije, d. o. o., Slomškov trg 10, 2000 Maribor, on the sale and purchase of 72.13% of all shares issued by Intereuropa, d. d. The sellers of those shares also informed the Company that the transfer of shares to the buyer will be carried out following the fulfilment of certain suspensive conditions, including receipt of a decision from the Slovenian Competition Protection Agency on the compliance of concentration with competition rules, and confirmation that the buyer will then publish a takeover bid for the purchase of the remaining shares of Intereuropa in accordance with the law. The Company was not notified by the sellers of the shares about the value of the transaction or other significant elements of the agreement on the sale and purchase of the shares.

- At its session held on 23 May, the Company's Supervisory Board adopted the Intereuropa Group's revised business plan for 2019. That revision was drawn up solely to reconcile the plan with the transition to the new IFRS 16 and to reconcile plan assumptions regarding the sale of non-essential assets with the actual situation.

## June

- Intereuropa, d. d. and other Slovenian companies from the logistics and transport sector attended the Transport & Logistics trade fair in Munich from 4 to 7 June.
- Intereuropa's subsidiary Intereuropa Skopje d.o.o. opened a branch office at the Deve Bair border crossing between North Macedonia and Bulgaria on 6 June 2019. The Deve Bair border crossing has become increasingly important in recent years as a result of the growing trade in goods from EU companies destined for North Macedonia, Kosovo and Albania via Bulgaria.
- Intereuropa presented itself at the joint national exhibition area at the China – CEEC Expo 2019 event from 8 to 12 June 2019 in the Chinese city of Ningbo, where Slovenia was presented under the slogan "Slovenia – your logistics partner". In addition to presenting its comprehensive range of logistics services, Intereuropa also sought out opportunities to link up with Chinese partners with the aim of expanding operations.
- At the general meeting of Intereuropa, d. d. held on 27 June, shareholders approved the 2018 annual report of the Intereuropa Group and Intereuropa, d. d., together with the auditor's opinion. Official approval was conferred on the Management Board and Supervisory Board for their work in 2018, and a decision was made on the use of the distributable profit for 2018, which amounted to EUR 4,034,131.80 and will remain undistributed in full. Shareholders also appointed Ernst & Young, Revizija, d. o. o. as official auditor for the 2019, 2020 and 2021 financial years. Shareholders appointed Jože Golobič as new member of the Supervisory Board due to the expiration of the term of office of Jure Fišer.

## EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

## BUSINESS REPORT

### 1. BUSINESS RESULTS OF THE INTEREUROPA GROUP

#### 1.1 Financial results of the Intereuropa Group

Table 3: Financial results of the Intereuropa Group for the period January–June 2019, in EUR thousand

Item/Indicator	Jan–Jun 2019	Jan–Jun 2019 plan	Jan–Jun 2018	Index 2019/plan	Index 19/18
Sales revenue	80,572	84,521	80,181	95	100
EBITDA	7,069	6,631	6,840	107	103
Operating profit	3,775	3,389	3,684	111	102
Loss from financing activities	-440	-864	-910	-	-
Profit from ordinary operations	3,338	2,535	2,778	132	120
Corporate income tax and deferred tax	262	73	86	361	305
Net profit	3,076	2,462	2,691	125	114
EBITDA margin (in %)	8.8	7.8	8.5	112	103
EBIT margin (in %)	4.7	4.0	4.6	117	102
Sales revenue per employee/month	10.541	10.804	10.335	98	102
Value added per employee/month	2.767	2.751	2.683	101	103
ROE (in %)*	5.1	4.2	4.5	122	113

Item/Indicator	30 Jun 2019	31 Dec 2018	Index 19/18
Assets	228,708	232,927	98
Equity	124,469	121,643	102
Net debt	53,897	60,197	90
Current assets/current liabilities	0.53	0.52	101

\* Recalculated on an annual basis. Planned ROE is disclosed for the entire year.

#### Operating profit and EBITDA

- The sales revenue generated by the Intereuropa Group during the first half of this year matched the sales revenue generated during the same period the previous year, but was 5% lower than planned. The sales margin was up relative to the previous year and higher than planned. Section 1.2 Sales presents a detailed analysis of sales revenue by business line and market.
- EBITDA amounted to EUR 7.1 million, an increase of 3% relative to the same period last year and 7% higher than planned. Contributing most to the increase relative to the EBITDA generated last year and the planned value of that indicator was the repayment of operating

receivables based on a court-brokered settlement. Those receivables were several years old and were impaired in full in the past.

Labour costs were up by 1% relative to the same period last year, primarily due to growth in average labour costs per employee. The costs of materials were also up, primarily on account of higher energy prices and costs of services, the latter for the most part due to higher costs of hired labour and maintenance.

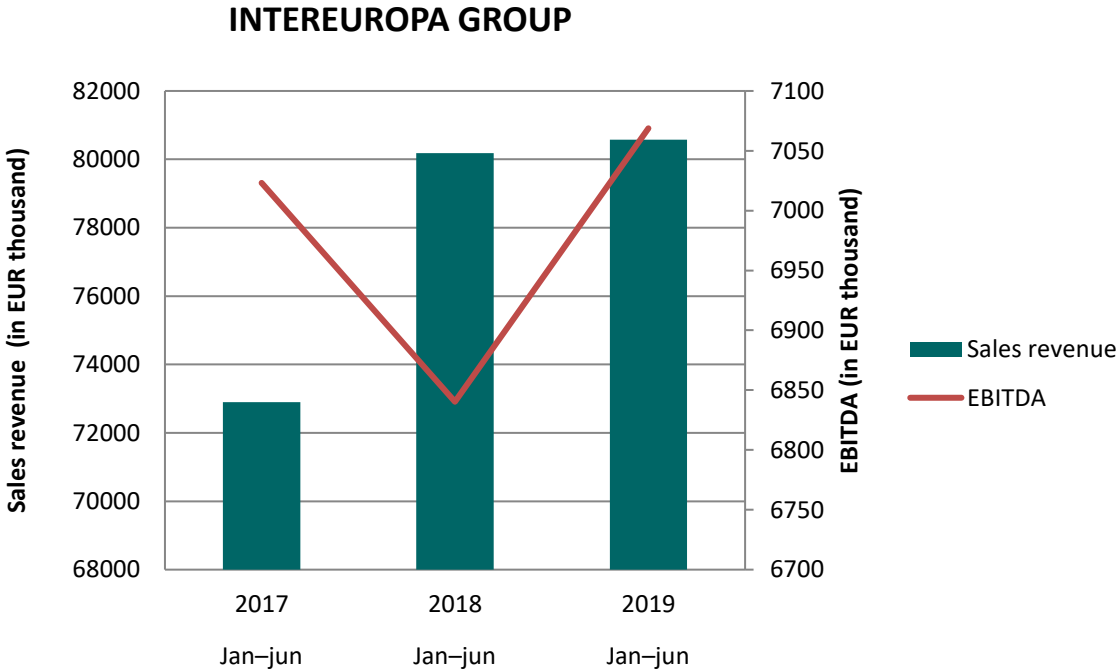
**Loss from financing activities**

→ The loss from financing activities was better than last year’s result and better than planned on account of finance income from a court-brokered settlement and lower interest expense on loans received.

**Profit from ordinary operations and net profit**

→ During the first six months of this year, the Group exceeded the profit from ordinary operations generated during the first half of last year, as well as the planned result. The Group’s net profit amounted to EUR 3.1 million, which was 25% higher than planned and an increase of 14% relative to the same period last year.

Picture 2: Change in EBITDA and sales revenue in the period January–June between 2017 and 2019



### Structure of the statement of financial position

- The current ratio amounted to 0.53, an increase of 0.03 on the end of the previous reporting period.
- The ratio of equity to total assets was up 0.7 percentage points during the second quarter to stand at 54.4% at the end of the first half of the year.
- Net debt amounted to EUR 53.9 million at the end of the first half of the year, a decrease of EUR 6.3 million relative to the end of 2018 and a decrease of EUR 4.7 million relative to the end of the first quarter of 2019.

## 1.2 Sales

The Intereuropa Group generated **sales revenue of EUR 80.6 million** during the first half of 2019, similar to the level recorded during the first half of last year, but 5% lower than planned, primarily due to a drop in planned one-off transactions in the air freight, railway, road and domestic transport segments. Sales revenue was only up relative to the same period last year in the logistics solutions segment. The highest growth in the land transport segment was recorded in groupage, while a decrease in sales revenue was recorded in road and railway transport and customs services. This was largely the result of a drop in orders from the automotive industry in the road transport segment, while a lack of free freight wagons in Ukraine had a significant impact on the drop in sales in the railway transport segment. Sales of all products in the intercontinental transport segment were down relative to the same period last year, most notably air freight, as the result of a drop in shipments from Eastern markets, a change in the structure of shipments (a decrease in the volume of larger shipments and growth in smaller shipments) and a drop in freight rates.

Sales revenue of EUR 42.0 million was generated during the first half of 2019 in the land transport segment, which accounts for 52% of the Group's sales, and was down by 1% relative to the same period last year and 4% lower than planned. The highest proportion or 62% of sales revenue from land transport was generated by the parent company, whose sales revenue was down by 1% relative to the same period last year and 1% lower than planned.

Sales revenue from road transport services, which account for 51% of sales in the land transport segment and 27% of the Group's total sales, was down by 2% relative to the same period last year and 1% lower than planned. Groupage services, which account for 20% of revenues generated by the land transport segment and 11% of total sales, recorded growth of 5% relative to the same period last year, while sales were 5% lower than planned.

The Intereuropa Group generated EUR 13.3 million in sales revenue in the logistics solutions segment during the first half of 2019, an increase of 16% relative to the same period in 2018, but 5% lower than planned. The highest proportion of sales revenue from logistics solutions (72%) was generated by the parent company in Slovenia, where sales revenue was up by 22% relative to the same period last year, but 7% lower than planned.

Sales revenue in the intercontinental transport segment totalled EUR 21.8 million during the first half of 2019, a decrease of 5% relative to the same period last year and 7% lower than planned. The sharpest decline was recorded in the air freight segment. The highest proportion

or 88% of sales revenue in this segment was generated by the parent company, whose sales revenue was down by 5% relative to the same period last year and 4% lower than planned.

Table 4: Sales revenue of the Intereuropa Group by business line, in EUR thousand

Business line	Jan–Jun 2019	Structure	Index 19/18	Index 2019/plan
Land transport	42,037	52%	99	96
Logistics solutions	13,258	16%	116	95
Intercontinental transport	21,795	27%	95	93
Other services	3,482	4%	104	101
<b>TOTAL SALES REVENUE</b>	<b>80,572</b>	<b>100%</b>	<b>100</b>	<b>95</b>

The majority of Group companies recorded an increase in sales revenue relative to the same period in 2018, most notably at the subsidiary Intereuropa, logističke usluge, d. o. o., Zagreb and the parent company Intereuropa, d. d. The sharpest decline in sales revenue relative to the same period last year was recorded by the companies in Serbia and Ukraine.

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

Geographical area (according to company's head office)	Jan–Jun 2019	Structure	Index 19/18
Slovenia*	55,807	69%	101
Croatia	11,837	15%	102
Bosnia and Herzegovina	3,517	4%	100
Serbia	2,176	3%	82
Montenegro	3,101	4%	106
Ukraine	1,612	2%	88
Other	2,521	3%	103
<b>TOTAL SALES REVENUE</b>	<b>80,572</b>	<b>100%</b>	<b>100</b>
EU countries	67,644	84%	101
Non-EU countries	12,927	16%	97

\* The figure for Slovenia also includes adjustments with exclusions that are subject to consolidation procedures.

Companies in Slovenia together generated 69% of the Group's sales revenue and recorded 1% growth in sales revenue during the first half of 2019. Besides Slovenia, high growth was recorded by the companies in Croatia (in the groupage and domestic transport segments), in Kosovo (in the groupage segment) and in Montenegro (in the air freight and road transport segments), while the sharpest drop was recorded at the subsidiary in Serbia (most notably in the air freight and land transport segments).

At the subsidiary AD Intereuropa logističke usluge, Belgrade, harmful conduct by the company's former executive staff was identified last year, which was reflected in a drop in revenues and higher operating costs, particularly during the second half of last year. Despite the activities implemented by the new executive staff to rectify the situation, negative effects can still be felt this year.

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

Geographical area (according to customer's head office)	Jan–Jun 2019	Structure	Index 19/18
Slovenia	31,748	39%	95
Croatia	10,265	13%	105
Austria	3,852	5%	95
Germany	3,487	4%	97
Bosnia and Herzegovina	3,153	4%	104
Ukraine	270	0%	94
Other countries	27,795	34%	107
Other EU countries	14,733	18%	118
Rest of the world	13,063	16%	97
<b>TOTAL</b>	<b>80,572</b>	<b>100%</b>	<b>100</b>

The largest proportion of the Intereuropa Group's sales revenue (39%) was generated by sales to customers with head offices in Slovenia, while 26% was generated by sales to customers in the countries of the former Yugoslavia. Sales to customers with head offices in all other countries accounted for 35% of total sales revenue.

#### LAND TRANSPORT

The land transport segment generated EUR 42.0 million in sales revenue in the period January–June 2019. Actual sales were down by 1% on the figure achieved in the same period last year and 4% lower than planned sales revenue. The parent company in Slovenia generated sales revenue of EUR 26.1 million from land transport services, with that amount representing 62% of the total sales of that segment. The figure was down by half a percent relative to the same period last year. The subsidiaries in Croatia, Montenegro, North Macedonia and Kosovo recorded growth during the first half of the year. The largest lag behind last years' sales results was recorded by the companies in Serbia and Ukraine.

Also contributing to the lag behind last year's sales in the land transport segment were changes in the disclosure of products due to the optimisation of implementing processes and the continued introduction of the standardised WexVS IT solution in the warehousing and storage segment. The aforementioned changes were seen most in a drop in sales of road and railway transport services, and the reclassification of products to sea freight and distribution.

Table 7: Revenues from the sale of land transport products, in EUR thousand

INTEREUROPA GROUP	Jan–Jun 2019	Structure	Index 19/18
<b>LAND TRANSPORT</b>	<b>42,037</b>	<b>100%</b>	<b>99</b>
Groupage services	8,472	20%	105
Domestic transport	6,221	15%	100
Road transport	21,418	51%	98
Customs services	3,668	9%	94
Railway freight	2,258	5%	92

→ Sales of groupage services were up by 5% in the period January–June 2019 relative to the same period last year. Sales were nevertheless down on half-year targets due to weaker



sales results during the second quarter. The parent company in Slovenia recorded 3% growth in sales relative to the same period last year. In addition to the parent company, the companies in Croatia, Bosnia and Herzegovina, Montenegro and Kosovo exceeded last year's sales results.

- The sales revenue generated by the domestic transport segment during the first half of 2019 was similar to the level recorded during the same period last year. Revenues from the sale of domestic transport services were up at the parent company, where sales revenue was up by 6% relative to same period last year, and at the subsidiary in Croatia, where sales revenue was up by 3% relative to the same period last year. The largest lag behind last years' sales results was recorded by the companies in Bosnia and Herzegovina and Serbia. Domestic transport is an important support service for the Group's other segments. As a stand-alone product, it faces extreme price pressures on local markets. All Group companies carry out continuous activities aimed at 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.
- Sales generated by the road transport segment during the period January–June 2019 were down by 2% on last year's results, which is in line with the plan for the first half of 2019. Weak but stable growth in road transport services continued during the second quarter. A reduction in freight rates by transporters was expected in the scope of an increase in transport capacities. This did not, however, occur due to the high prices of refined petroleum products.
- The results generated by the customs services segment in the period January–June 2019 were down by 6% relative to last year's results, primarily due to weaker results at certain subsidiaries of the Group. The results generated by the parent company in Slovenia were similar to the level recorded during the same period last year and were in line with that company's plan. Contributing most to the lag behind last year's results was the company in Serbia, where that lag was in line with plans, and at the companies in Bosnia and Herzegovina and Montenegro, where a drop in demand for customs terminal services is being seen due to the increasing use of simplified customs procedures and growing competition.
- The railway transport segment failed to achieve last year's sales results, primarily due to weak results at the company in Ukraine, where sales were significantly lower than planned on account of a lack of freight wagons. The sales recorded by the parent company in Slovenia in the period January–June 2019 were down on last year's sales results, but were 9% higher than planned.
- The trend of high refined petroleum product prices continued during the first half of 2019. This had a significant impact on the level of direct costs and the associated operational risks. That trend is expected to continue during the second half of the year due to rising tensions in the international political environment.

## LOGISTICS SOLUTIONS

The Intereuropa Group's logistics solutions segment generated EUR 13.2 million in sales revenue during the period January–June 2019 or 16% of the Group's total sales. This translates to 16% growth in sales in this segment relative to the same period in 2018, while actual sales were 5% below planned targets. The parent company in Slovenia, and subsidiaries in Croatia, Serbia, Kosovo and North Macedonia recorded growth in sales during the first half of the year. A lag behind last years' sales results was recorded by the companies in Montenegro and Bosnia and Herzegovina, which also failed to meet planned sales targets.

Numerous activities were carried out, particularly at companies in Slovenia, Croatia, Bosnia and Herzegovina and Serbia to utilise storage capacities and secure new transactions with higher value added. During this period, the Group continued with the intensive implementation of the WexVS IT solution to support warehousing and storage activities in Slovenia and Croatia where, in addition to basic IT support, interfaces for the exchange of orders were developed and implemented between Intereuropa's information system and the information systems of certain customers.

Table 8: Revenues from the sale of logistics solutions, in EUR thousand

INTEREUROPA GROUP	Jan–Jun 2019	Structure	Index 19/18
<b>LOGISTICS SOLUTIONS</b>	<b>13,258</b>	<b>100%</b>	<b>116</b>
Warehousing	10,428	79%	103
Distribution	2,830	21%	213

- The Intereuropa Group generated EUR 10.5 million in revenues from the sale of warehousing and storage services in the period January–June 2019, which translates to 13% of the Group's sales and 79% of the sales revenue generated by the logistics solutions segment. Sales revenue was up by 3% relative to 2018 during the aforementioned period. Revenues from the sale of logistics solutions exceeded last year's results on both key markets. Sales were up by more than 4% in Slovenia and by 1% in Croatia.
- A total of EUR 2.8 million in revenues was generated from the sale of distribution services in the period January–June 2019, which represents 3% of the Intereuropa Group's sales and 21% of sales revenue from logistics services. Sales were up by 113% relative to the same period in 2018 during the accounting period.
- Contributing significantly to growth in revenues from the sale of logistics services were changes in the disclosure of products due to the continued introduction of the WexVS IT solution in the warehousing and storage segment, and the resulting transfer of sales from the sea freight segment to the warehousing and distribution segment.

## INTERCONTINENTAL TRANSPORT

Sales revenue in the intercontinental transport segment totalled EUR 21.8 million during the period January–June 2019, representing 27% of the Intereuropa Group's total sales. The Intereuropa Group recorded a 4.6% drop in sales revenue relative to the same period in 2018, while sales revenue was 6.9% lower than planned.

Table 9: Revenues from the sale of intercontinental transport products, in EUR thousand

INTEREUROPA GROUP	Jan–Jun 2019	Structure	Index 19/18
<b>INTERCONTINENTAL TRANSPORT</b>	<b>21,795</b>	<b>100%</b>	<b>95</b>
Sea freight	16,477	76%	98
Car logistics	2,510	12%	88
Shipping agency	218	1%	94
Air freight	2,589	12%	85

- The sales results of the sea freight segment, which comprises conventional freight, container shipping and RO-RO services, were down by 2.5% relative to last year. At 18.6%, container shipping services recorded high sales growth relative to the results achieved during the same period last year. That growth was driven primarily by growth in the physical number of transactions as the result of a more intensive market approach and the restructuring of this segment. The lag behind last year's sales in the sea freight segment was primarily the result of a 31.8% drop in the conventional freight segment relative to the same period last year, which was primarily a reflection of the broader reorganisation of this segment and the resulting reclassification of a portion of sales revenue to the container shipping segment, and also due to limitations in the railway infrastructure for additional and new train dispatches, and revenues from transactions from and to the Port of Koper. The RO-RO segment recorded growth of 40.1% relative to last year, primarily as the result of projects that were implemented during the first half of this year.
- The drop in revenues from the sale of car logistics services by 11.8% relative to the same period last year was the result of the reduced volumes of key customers, primarily due to a drop in the transshipment of vehicles on the main global markets of key customers through the Port of Koper.
- More than 85% of the total revenues of the air freight segment was generated by the companies in Slovenia and Serbia. The lower sales recorded on both markets were primarily the result of one-off transactions that did not recur this year. Market conditions have also deteriorated slightly, which we noticed for the most part as a significant drop in demand for major shipments, which generate higher sales revenue. Also noted was a decline in demand from China, which was a major generator of air freight shipments in the previous period. We have seen a positive trend in the number of shipments, as the company in Slovenia, which generates more than 60% of revenues in this segment, recorded an 10% increase in the number of shipments. Sales activities and the development of a partner network will continue to be priorities in this product segment.

### 1.3 Investments in fixed assets

The Intereuropa Group invested EUR 1,175 thousand in fixed assets during the first half of 2019, a decrease of 8% relative to the same period last year. Of the aforementioned amount, EUR 360 thousand was invested in property, while EUR 815 thousand was invested in equipment and intangible assets. A total of 20% of the entire investment plan was thus achieved.

The parent company Intereuropa, d. d. invested EUR 717 thousand in property, plant and intangible assets, while other Group companies invested EUR 458 thousand in fixed assets.

Table 10: Breakdown of investments in the period January–June 2019, in EUR thousand

Company	Total property			Total equipment and intangible assets			TOTAL INVESTMENTS			Percentage of annual plan realised
	Jan–Jun 2019	2019 plan	Jan–Jun 2018	Jan–Jun 2019	2019 plan	Jan–Jun 2018	Jan–Jun 2019	2019 plan	Jan–Jun 2018	
Intereuropa, d. d.	162	1,106	188	555	2,334	639	717	3,440	827	21
Subsidiaries	198	855	102	260	1,612	351	458	2,467	453	19
<b>TOTAL</b>	<b>360</b>	<b>1,961</b>	<b>290</b>	<b>815</b>	<b>3,946</b>	<b>990</b>	<b>1,175</b>	<b>5,907</b>	<b>1,280</b>	<b>20</b>

Picture 3: Structure of investments in the Intereuropa Group for the period January–June 2019, in EUR thousand

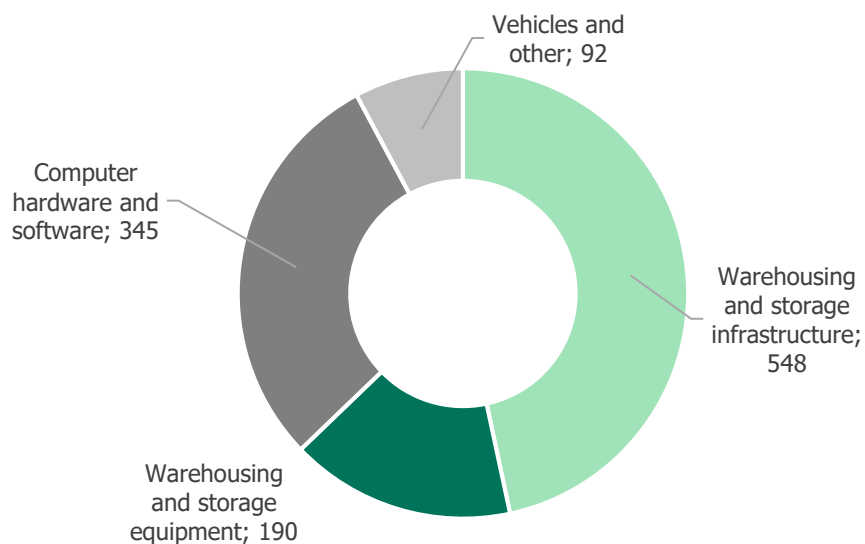


Table 11: Breakdown of investments by type in the period January–June 2019, in EUR thousand

INVESTMENTS BY TYPE	TOTAL INVESTMENTS			Property		Equipment	
	Actual	Plan	Percentage of annual plan realised	Actual	Plan	Actual	Plan
Warehousing and storage infrastructure	548	2,461	22	360	1,792	188	669
Warehousing and storage equipment	190	1,710	11			190	1,710
Vehicles	31	316	10			31	316
IT equipment and intangible assets	345	1,155	30			345	1,155
Other investments	61	264	23		169	61	95
<b>TOTAL</b>	<b>1,175</b>	<b>5,906</b>	<b>20</b>	<b>360</b>	<b>1,961</b>	<b>815</b>	<b>3,945</b>

Investments during the first half of 2019 included:

- the implementation of an outdoor platform at the warehouse in Podgorica;
- the arrangement of business premises at the warehouse in Logatec; and
- the purchase and installation of video surveillance systems at several locations in Slovenia and Croatia.

## 1.4 Sales of fixed assets

The Intereuropa Group sold fixed assets with a total carrying amount of EUR 2.9 million during the period January–June 2019, an increase of EUR 2.3 million relative to the same period last year. Those sales related primarily to the sale of the warehouse-business complex in Jesenice, and land in Maribor and Sarajevo.

## 1.5 Human resource management

### CHANGE IN NUMBER OF EMPLOYEES

The Intereuropa Group had 1,359 employees as at 30 June 2019, an increase of 32 employees relative to the last day of 2018. The main reason for the increase in the number of employees was the employment of several people who previously performed work at Intereuropa via employment agencies.

The Group hired 110 new employees in the period January–June 2019. Of that number, 44 replaced employees who left the Group, 29 were employed due to the increased scope of work or the acquisition of new transactions and two were hired to replace temporarily absent employees, while 27 former agency workers entered into an employment relationship with the Group.

A total of 78 employees left the Intereuropa Group in the period January–June 2019 as follows: the employment of 53 workers was terminated by agreement at the request of those employees,

the temporary employment contracts of eight employees expired and five employees retired, while the same number of employees was laid off due to the elimination of their positions, one worker died and two workers are from the subsidiary in Albania, which is no longer disclosed in the Group's consolidated financial statements.

The turnover rate of key and perspective personnel who left their jobs at their own initiative was 2.3%, a decrease of 4.3 percentage points on the same period last year.

An average of 238 workers, recalculated as FTEs, performed work via employment agencies and student services during the reporting period, a decrease of four employees relative to the comparable period last year. A total of 15.7% of all employees worked via flexible forms of employment.

Table 12: Number of employees in the Intereuropa Group by country as at 30 June 2019

	30 Jun 2019	31 Dec 2018	Difference (19 - 18)	Index 2019/2018
Slovenia	621	611	10	102
Croatia	299	298	1	100
Bosnia and Herzegovina	146	134	12	109
Serbia	80	74	6	108
North Macedonia	35	32	3	109
Kosovo	34	34	0	100
Montenegro	115	113	2	102
Albania	-	2	-2	-
Ukraine	29	29	0	100
<b>TOTAL</b>	<b>1,359</b>	<b>1,327</b>	<b>32</b>	<b>102</b>

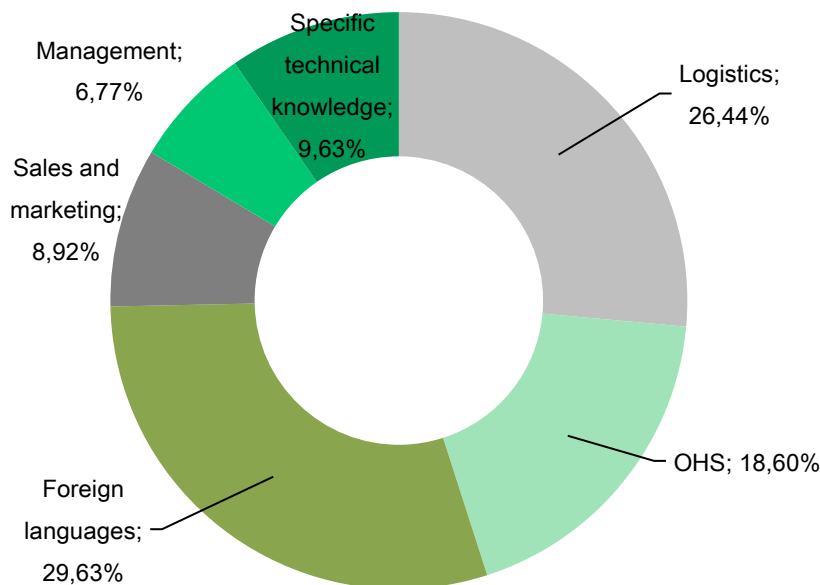
\* Effective 2019, the subsidiary in Albania is no longer included in the Group's consolidated financial statements.

As is evident from the table, the number of employees was up in the majority of countries, except at the subsidiaries in Kosovo and Ukraine, where the number of employees was unchanged.

#### DEVELOPMENT, EDUCATION AND TRAINING

The Intereuropa Group earmarked EUR 24 thousand for the acquisition of new knowledge and skills during the first half of the year. That figure was EUR 59 thousand less than planned and down EUR 25 thousand relative to the same period last year. Employees completed 3,956 training hours, a decrease of 2,250 hours relative to the same period last year. The reason for that decrease lies in the fact that extensive training was carried out during the same period last year in the area of management at the parent company and the subsidiary Intereuropa, logističke usluge, d. o. o., Zagreb, as well as training in the area of IT support for logistics processes (WexVS at the parent company).

Picture 4: Breakdown of education and training at the Intereuropa Group in terms of hours and content



- At the Group level, employees received an average of three hours of training, while employees at the subsidiary Intereuropa, logističke usluge, d. o. o., Zagreb received the most training (an average of seven hours).
- A total of 20% of all education and training was carried out by internal experts. In addition to training in the area of occupational health and safety, experts from the parent company trained employees at the subsidiary in Croatia on the management of IT-supported logistics processes in the sea freight and groupage segments (WexVS), and organised a workshop on the cargo insurance.

#### OCCUPATIONAL HEALTH AND SAFETY

The absenteeism rate due to sick leave was 5% at the Group level during the first half of the year, which is above the planned rate of 4.5%. The sick leave rate at the parent company was down by 0.9 percentage points, from 6.8% during the same period last year to stand at 5.9% this year.

The sick leave rate was also higher than planned at the subsidiary in Croatia, where it was 5.6%. That rate was same at the company in Bosnia and Herzegovina, and below 4.5% at other companies.

A total of six employees suffered workplace injuries at the Group level, which is five less than in the same period in 2018 and translates to 0.40% of the total number of employees, which is below the target rate of 1.5%. A total of six employees suffered workplace injuries at the parent company, which is two less than in the same period in 2018, translating to 0.81% of the total number of employees.

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

- At the Group level, 216 employees were referred for preventive, preliminary, specific-purpose and periodic medical examinations, an increase of 58.82% relative to 2018. A total of 126 employees were referred for preventive, preliminary, specific-purpose and periodic medical examinations at the parent company, an increase of 55.55% relative to 2018.
- A total of 212 employees received training in the areas of occupational health and safety, and fire safety at the Group level, a decrease of 32.48% relative to 2018, while that figure was 187 employees at the parent company, a decrease of 1.58% relative to 2018.
- Special attention was given to ensuring the management of fire risks and to the proper functioning of fire-safety equipment. We carried out periodic inspections of facilities, and active and passive fire-fighting equipment (fire extinguishers and hydrants, fire detectors, domed smoke and heat vents, automatic fire-proof doors, lightning conductors, etc.).

## 1.6 Risk management

The risk management policy of Intereuropa Group companies is defined in the Risk Management Rules of the Intereuropa Group, which were updated in 2018. Those rules define the risk management process at all Group companies, and include:

- the responsibilities and competences of key persons in the risk management process;
- the definition and types of risks;
- the definition of the risk management process;
- the methodology for the measurement of exposure to risks;
- the process of managing loss events and establishing a register of loss events;
- the method of establishing a risk register; and
- informing and reporting methods.

Group companies encounter various risks in their operations. Those risks are classified to the following five risk categories in accordance with the applicable rules: strategic risks, operational risks, financial risks, regulatory compliance risks and reputation risks.

At the end of the first half of the year, a total of 42 risks were identified and assessed at the Group level, one assessed as very high, one assessed as high, 15 assessed as medium and 25 assessed as low.

Four new risks were identified during the first half of the year: three regulatory compliance risks and one strategic risk.

Strategic risk is the risk of loss as a result of incorrect business decisions, a failure to implement the decisions taken and insufficient responsiveness to changes in the business environment. That risk depends on compliance between the outlined strategic objectives and the business strategy employed to achieve these objectives, the funds invested to achieve these objectives, and on the quality of implementation. Of the nine identified strategic risks at the Group level, one was assessed as very high and another as high. They were the risk of the loss of customs



terminal status and the risk that managers at subsidiaries do not work to the benefit of owners and the company itself, but rather to their own benefit.

The highest number of risks is in the operational risk category, where 22 risks have been identified at the Group level. Operational risk represents the possibility of loss due to inadequate or failed implementation of internal procedures, processes, people and systems, and also due to external events. The majority of identified operational risks are assessed as low, while the highest risks amongst those assessed as medium are the risk of a contraction in the scope of operations in the logistics solutions segment at the subsidiary in Serbia and the risk of inadequate insurance coverage for warehoused goods.

Financial risks comprise risks associated with the ability to generate finance income, to control finance costs and to preserve the value of financial assets. Five financial risks were identified at the Group level. None of those identified risks were assessed as high or very high. Detailed information regarding exposure to financial risks is presented in the financial report.

Regulatory compliance risks comprise risks associated with compliance with laws and other regulations that relate to corporate governance, relations with employees, industry standards, internal control systems and the security policy, the personal accountability of executive staff and the members of supervisory boards, and the liability of legal entities. Six regulatory compliance risks were identified and assessed at the end of first half of the year, including the newly identified risk of breaches of personal data protection, which was assessed as medium.

## 1.7 Financial results of the operations of Intereuropa, d. d.

Table 13: Operations of Intereuropa, d. d. in the period January–June 2019, in EUR thousand

Item/Indicator	Jan–Jun 2019	Jan–Jun 2019 plan	Jan–Jun 2018	Index 2019/plan	Index 19/18
Sales revenue	57,143	58,824	56,702	97	101
Land transport	26,073	26,230	26,396	99	99
Logistics solutions	9,550	10,234	7,854	93	122
Intercontinental transport	19,243	20,006	20,281	96	95
Other services	2,278	2,355	2,170	97	105
EBITDA	4,873	4,161	4,955	117	98
Operating profit	2,792	2,066	2,923	135	96
Loss from financing activities	278	2,129	-214	13	-
Profit from ordinary operations	3,070	4,195	2,709	73	113
Corporate income tax and deferred tax	112	-52	436	-	26
Net profit	2,958	4,248	2,273	70	130
EBITDA margin (in %)	8.5	7.1	8.7	121	98
EBIT margin (in %)	4.9	3.5	5.2	139	95
Sales revenue per employee/month	16.496	16.696	16.877	99	98
Value added per employee/month	4.107	3.983	4.163	103	99
ROE (in %)*	7.0	6.8	5.4	102	128

Item/Indicator	30 Jun 2019	31 Dec 2018	Index 19/18
Assets	180,463	185,114	97
Equity	87,975	85,005	103
Net debt	57,573	64,631	89
Current assets/current liabilities	0.36	0.38	96

\* Recalculated on an annual basis. Planned ROE is disclosed for the entire year.

### Operating profit and EBITDA

- The sales revenue generated by the Company during the first half of the year was up by 1% relative to the same period the previous year, but 3% lower than planned. The sales margin was higher than planned and up relative to the first half of 2018.
- EBITDA amounted to EUR 4.9 million, which was 17% higher than planned, but down 2% relative to the same period last year. Contributing significantly to the EBITDA generated during the first half of 2019 was the repayment of operating receivables based on a court-brokered settlement. Those receivables were several years old and were impaired in full in the past.

The costs of materials were higher than planned and up relative to last year, primarily on account of higher energy prices and costs of services, the latter for the most part due to higher costs of hired labour and maintenance. Labour costs were also up relative to the first half of 2018 (by 4%) due to an increase in the number of employees and higher average labour costs per employee, while labour costs were 5% lower than planned as a result of the lower number of employees than planned and lower accrued expenses for employee participation in profits.

### Loss from financing activities

→ The loss from financing activities in the period January–June was EUR 1.9 million worse than planned, but EUR 0.5 million better than in the same period last year. Contributing to the worse result were planned but unrealised revenues from participation in the profits of Group companies (dividends from subsidiaries), while finance income from a court-brokered settlement had a positive effect. Interest expenses on loans were down by EUR 87 thousand relative to the same period last year.

### Profit from ordinary operations and net profit

→ Intereuropa, d. d.'s profit from ordinary operations during the first half of the year was 27% lower than planned, primarily as the result of the aforementioned planned but unrealised revenues from participation in the profits of Group companies, but was up by 13% on the profit from ordinary operations generated last year. The Company's net profit amounted to EUR 3.0 million, which was 30% lower than planned, but up by 30% relative to the first half of 2018.

### Structure of the statement of financial position

→ The current ratio amounted to 0.36 and was down by 0.01 relative to the previous period.  
→ The ratio of equity to total assets was up 1.0 percentage points during the second quarter to stand at 48.7%.  
→ The Company's net debt amounted to EUR 57.6 million at the end of the first half of the year, a decrease of EUR 7.1 million relative to the end of 2018 and a decrease of EUR 5.3 million relative to the end of the first quarter of 2019.

## 1.8 IEKG shares and ownership structure

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

Table 14: Basic data regarding the shares of Intereuropa, d. d. as at 30 June 2019

	30 Jun 2019	31 Dec 2018
Share capital in EUR	27,488,803	27,488,803
Total number of shares	27,488,803	27,488,803
Number of preference shares (IEKN)	10,657,965	10,657,965
Number of ordinary shares (IEKG)	16,830,838	16,830,838
of which treasury shares	18,135	18,135
Number of shareholders	3,788	3,875
Book value per share in EUR	3.20	3.09
Earnings per ordinary share in EUR*	0.10	0.15

\* Data for the period.

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

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

## KEY DATA REGARDING IEKG SHARES

Table 15: Key data regarding IEKG shares for the period January–June 2019

	Jan–Jun 2019	Jan–Dec 2018
Closing price at the end of period in EUR*	2.54	2.60
Weighted average price in EUR	2.58	2.50
Highest price in EUR	2.80	3.00
Lowest price in EUR	2.02	1.93
Market capitalisation in EUR thousand*	42,750	43,760
Turnover in EUR thousand	691	2,010
P/B	0.79	0.84
P/E	12.7	17.3
Capital yield	-2.3%	29.9%

\* As at the last day of the period.

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

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

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

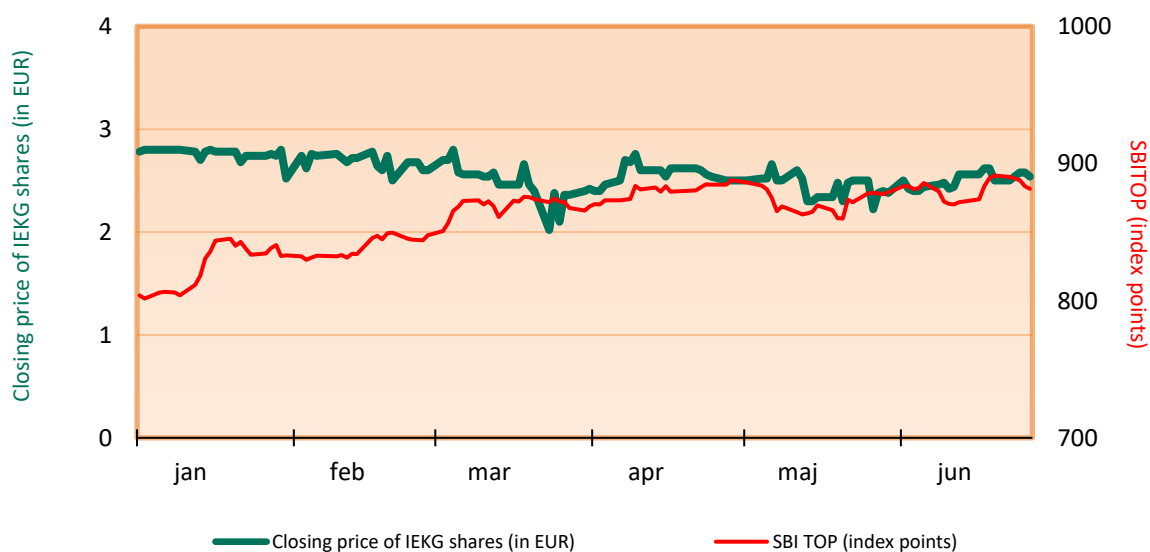
Capital yield = growth in share price during period.

## TRADING IN IEKG SHARES

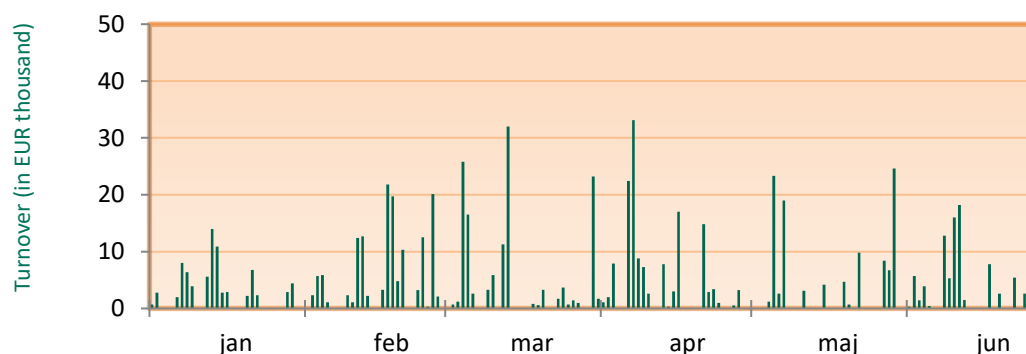
Turnover in shares on the Ljubljana Stock Exchange was down by nearly one quarter during the first half of 2019 relative to the same period in 2018. Turnover in IEKG shares was down by one third and amounted to EUR 691 thousand. The market value of IEKG shares fluctuated between EUR 2.02 and EUR 2.80 per share, while the share price closed at EUR 2.54 at the end of the reporting period. The value of IEKG shares was down by 2.3% over the first half of the year, while the Slovenian SBITOP index gained 9.5%.

The market capitalisation of IEKG shares amounted to EUR 42.8 million at the end of June, accounting for 0.6% of the market capitalisation of all shares on the Ljubljana Stock Exchange.

Picture 5: Changes to the closing price of IEKG shares and the SBITOP index in the period January–June 2019



Picture 6: Turnover in IEKG shares in the period January–June 2019



### OWNERSHIP STRUCTURE

There were no significant changes in the Company's ownership structure during the first half of 2019. There were no changes in the Company's top ten shareholders, whose combined participating interest was unchanged relative to the end of 2018, at 83.6% of total capital.

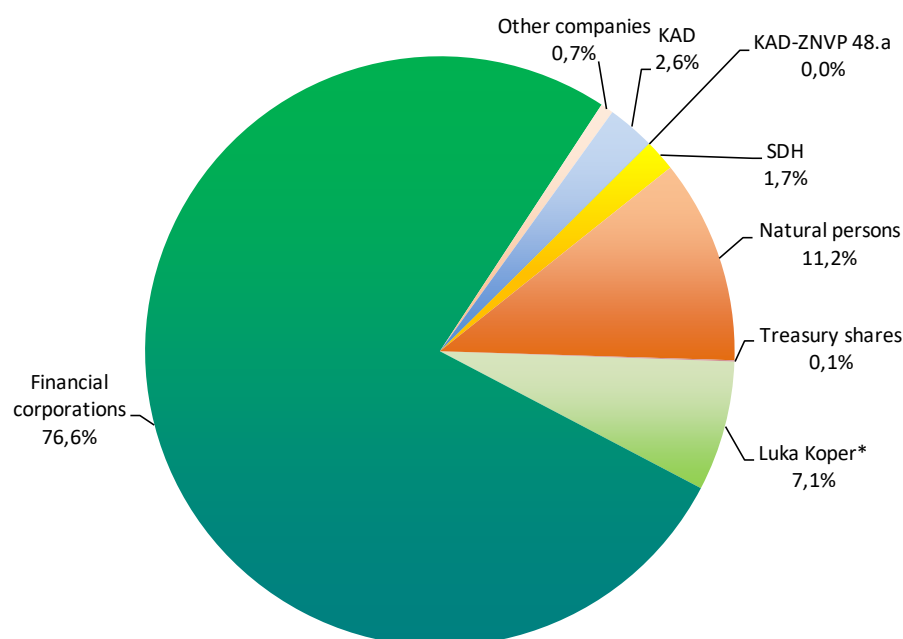
Table 16: Top ten shareholders of Intereuropa, d. d. as at 30 June 2019 relative to 31 December 2018

Shareholder	30 Jun 2019		31 Dec 2018		Index 19/18
	Number of shares	Participating interest (%)	Number of shares	(in %)	
1. SID banka, d. d.	4,942,072	18.0	4,942,072	18.0	100
2. NLB, d. d.	4,770,601	17.4	4,770,601	17.4	100
3. Nova KBM, d. d.	4,036,044	14.7	4,036,044	14.7	100
4. Gorenjska banka, d. d., Kranj	3,068,990	11.2	3,068,990	11.2	100
5. SKB, d. d.	2,254,980	8.2	2,254,980	8.2	100
6. Luka Koper, d. d.	1,344,783	4.9	1,344,783	4.9	100
7. Banka Intesa Sanpaolo, d. d.	753,703	2.7	753,703	2.7	100
8. Kapitalska družba, d. d.	719,797	2.6	719,797	2.6	100
9. Luka Koper INPO, d. o. o.	615,730	2.2	615,730	2.2	100
10. SDH, d. d.	474,926	1.7	474,926	1.7	100
Others	4,507,177	16.4	4,507,177	16.4	100
<b>TOTAL</b>	<b>27,488,803</b>	<b>100.0</b>	<b>27,488,803</b>	<b>100.0</b>	<b>100</b>

The proportion of shares held by foreign investors was up by 0.1 percentage points relative to the situation as at 31 December 2018, and stood at 0.7% at the end of the period.

At the end of the period, 115 ordinary shares were held on a special account of Kapitalska družba, d. d. Those shares were waived by their holders in 2017 or belonged to the Republic of Slovenia, which may not exercise its voting rights (Article 48a of the Book-Entry Securities Act).

Picture 7: Ownership structure of Intereuropa, d. d. as at 30 June 2019



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

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

Members of the Management Board did not hold any shares of Intereuropa, d. d. as at 30 June 2019. The shareholdings of Supervisory Board members are presented in the table below.

Table 17: Number of shares held by Supervisory Board members as at 30 June 2019

Supervisory Board	Number of shares	Participating interest (in %)
Tjaša Benčina, Deputy Chairwoman of the Supervisory Board	40	0.0001

#### TREASURY SHARES

Intereuropa, d. d. did not trade treasury shares during the first half of 2019. It held 18,135 treasury shares (IEKG) as at 30 June 2019, representing 0.0660% of all shares. The proportion of treasury shares has not changed since 31 December 2018. The Company has no voting rights arising from its treasury shares in accordance with Article 249 of the Companies Act (ZGD-1).

#### DIVIDEND POLICY

The Company did not pay dividends between 2009 and 2018.

On 27 June 2019, the general meeting of shareholders adopted a decision leaving the full amount of distributable profit of EUR 4,034,131.80 undistributed.

## NOTIFICATION OF SHAREHOLDERS

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

The following channels are used to communicate with shareholders:

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

The Company collects the remarks and suggestions of shareholders at:  
[vlagatelj@intereuropa.si](mailto:vlagatelj@intereuropa.si).

**FINANCIAL REPORT  
OF THE INTEREUROPA GROUP  
and  
THE PARENT COMPANY INTEREUROPA, d. d.  
for the period January–June 2019**



## INTRODUCTORY NOTES

The Intereuropa Group comprises the parent company Intereuropa, d. d., Koper and its subsidiaries. Intereuropa, d. d. (hereinafter: the Company) is a company established in Slovenia, with its registered office at Vojkovo nabrežje 32, 6000 Koper. It is deemed a large company according to the criteria set out in the Companies Act. The Company's securities are traded on the regulated market. As the parent company, it is obliged to compile consolidated financial statements. The financial statements for the period January–June 2019 and for the comparative period January to June 2018 have not been audited, while the financial statements for the comparative period ending 31 December 2018 have been audited.

## 2. FINANCIAL STATEMENTS OF THE INTEREUROPA GROUP

### 2.1 Basic financial statements of the Intereuropa Group

#### CONSOLIDATED INCOME STATEMENT OF THE INTEREUROPA GROUP

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
<b>Sales revenue</b>	<b>80,572</b>	<b>80,181</b>
Losses from the derecognition of operating receivables and assets from contracts with customers	-11	-87
Other operating revenues	594	686
Costs of goods, materials and services	-58,915	-58,460
Labour costs	-14,161	-13,976
Amortisation and depreciation	-3,217	-3,157
Losses due to the impairment of receivables (including the reversal of impairment losses)	249	-171
Other operating expenses	-1,336	-1,332
<b>Operating profit</b>	<b>3,775</b>	<b>3,684</b>
Interest income	364	83
Other finance income	106	53
Finance costs – costs of financing	-909	-1,046
Losses due to the impairment of loans granted and deposits	-1	0
<b>Loss from financing activities</b>	<b>-440</b>	<b>-910</b>
Investment result recognised according to the equity method	3	4
<b>Profit from ordinary operations</b>	<b>3,338</b>	<b>2,778</b>
Corporate income tax (including deferred taxes)	-262	-87
<b>Net profit for the accounting period</b>	<b>3,076</b>	<b>2,691</b>
Net profit pertaining to controlling interests	2,961	2,578
Net profit pertaining to non-controlling interests	115	113
Basic and diluted earnings per ordinary share (in EUR)	0.17	0.15

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE INTEREUROPA GROUP

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
<b>Net profit for the accounting period</b>	<b>3,076</b>	<b>2,691</b>
<b>Other comprehensive income</b>	<b>105</b>	<b>298</b>
<b>Items that will be reclassified to profit or loss</b>	<b>94</b>	<b>297</b>
Change in the fair value of available-for-sale financial assets	0	-1
Foreign currency translation differences	94	298
<b>Items that will not be reclassified to profit or loss</b>	<b>11</b>	<b>1</b>
Transfer of revaluation surplus for land to net profit brought forward	-817	-185
Change in deferred taxes	78	21
Change in net profit brought forward from the transfer of the revaluation surplus for land	817	185
Corporate income tax on net profit brought forward	-67	-20
<b>Total comprehensive income</b>	<b>3,181</b>	<b>2,989</b>
Total comprehensive income pertaining to controlling interests	3,057	2,872
Total comprehensive income pertaining to non-controlling interests	124	117

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE INTEREUROPA GROUP

in EUR thousand	30 Jun 2019	31 Dec 2018
<b>ASSETS</b>		
Property, plant and equipment	156,532	157,404
Investment property	11,985	12,174
Intangible assets	3,515	3,662
Other non-current assets	20	24
Non-current operating receivables	60	55
Deferred tax assets	9,550	9,542
Long-term loans granted and deposits	5	15
Investment in associate	67	71
Other non-current financial assets	61	31
<b>TOTAL NON-CURRENT ASSETS</b>	<b>181,795</b>	<b>182,978</b>
Available-for-sale assets	2,005	4,715
Inventories	67	70
Short-term loans granted and deposits	1,684	1,272
Assets from contracts with customers	806	762
Current operating receivables	34,990	32,960
Current receivables for corporate income tax	174	129
Other current assets	1,416	463
Cash and cash equivalents	5,771	9,578
<b>TOTAL CURRENT ASSETS</b>	<b>46,913</b>	<b>49,949</b>
<b>TOTAL ASSETS</b>	<b>228,708</b>	<b>232,927</b>
<b>EQUITY</b>		
<b>Equity pertaining to controlling interests</b>	<b>117,043</b>	<b>113,984</b>
Share capital	27,489	27,489
Share premium account	18,455	18,455
Profit reserves	5,526	5,589
Fair value reserves	46,517	47,185
Foreign currency translation differences	-6,402	-6,488
Net profit brought forward	22,497	17,232
Net profit	2,961	4,522
<b>Equity pertaining to non-controlling interests</b>	<b>7,426</b>	<b>7,659</b>
<b>TOTAL EQUITY</b>	<b>124,469</b>	<b>121,643</b>
<b>LIABILITIES</b>		
Provisions	2,323	2,347
Non-current deferred income	80	82
Non-current financial liabilities	907	511
Non-current operating liabilities	962	1,414
Deferred tax liabilities	10,991	11,116
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>15,263</b>	<b>15,470</b>
Current financial liabilities	60,450	70,551
Liabilities from contracts with customers	526	543
Current operating liabilities	27,661	24,349
Current corporate income tax liabilities	299	352
Current deferred income	40	19
<b>TOTAL CURRENT LIABILITIES</b>	<b>88,976</b>	<b>95,814</b>
<b>TOTAL LIABILITIES</b>	<b>104,239</b>	<b>111,284</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>228,708</b>	<b>232,927</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS OF THE INTEREUROPA GROUP

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
<b>Cash flows from operating activities</b>		
<b>Net profit for the accounting period</b>	<b>3,076</b>	<b>2,691</b>
<b>Adjustments for:</b>		
– amortisation and depreciation	3,217	3,157
– impairments and write-offs of property, plant and equipment	78	0
– gains on the sale of property, plant and equipment, and assets held for sale	-401	-353
– losses from the derecognition of operating receivables and assets from contracts with customers	11	87
– losses due to the impairment of receivables (including the reversal of impairment losses)	-249	171
– impairments and write-offs of inventories	1	0
– other non-monetary expenses from the exclusion of a subsidiary from the consolidated financial statements	49	0
– finance income from interest	-364	-83
– other finance income	-106	-53
– finance costs – costs of financing	909	1,046
– losses due to the impairment of loans granted and deposits	1	0
– investment result recognised according to the equity method	-3	-4
– corporate income tax (including deferred taxes)	262	87
<b>Operating profit before changes in net working capital and taxes</b>	<b>6,480</b>	<b>6,747</b>
<b>Changes in net working capital and provisions</b>		
Changes in assets from contracts with customers	-44	-43
Changes in receivables	-1,858	-4,507
Changes in inventories	2	-7
Changes in other current assets	-950	-991
Changes in liabilities from contracts with customers	-17	11
Changes in operating liabilities	3,709	3,273
Changes in provisions	-3	-80
Changes in non-current deferred income	-2	1
Income tax paid	-486	321
<b>Net cash flow from operating activities</b>	<b>6,832</b>	<b>4,725</b>
<b>Cash flows from investing activities</b>		
Interest received	370	80
Inflows from the sale of property, plant and equipment	3,355	945
Inflows from long-term deposits placed	30	30
Net cash flow from short-term loans granted	0	77
Net cash flow from short-term deposits placed	-434	415
Inflows from the sale of other financial assets	0	9
Outflows for the acquisition of property, plant and equipment	-1,820	-1,613
Outflows for the acquisition of intangible assets	-123	-130
Exclusion of a subsidiary from the consolidated financial statements	-78	0
<b>Net cash flow from investing activities</b>	<b>1,300</b>	<b>-187</b>
<b>Cash flows from financing activities</b>		
Interest paid	-950	-1,054
Outflows for the repayment of long-term loans (and finance leases during the comparable period)	-5,151	-4,565
Net cash flow from short-term loans	-5,565	592
Payment of lease liabilities	-175	0
Dividends paid	-94	-51
<b>Net cash flow from financing activities</b>	<b>-11,935</b>	<b>-5,078</b>
<b>Opening balance of cash and cash equivalents</b>	<b>9,578</b>	<b>3,618</b>
Exchange rate differences relating to cash	-4	-34
<b>Net cash flow for the period from ordinary operations</b>	<b>-3,803</b>	<b>-540</b>
<b>Closing balance of cash and cash equivalents</b>	<b>5,771</b>	<b>3,044</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE INTEREUROPA GROUP FOR THE PERIOD JANUARY–JUNE 2019

in EUR thousand	Share capital	Share premium account	PROFIT RESERVES					Fair value reserves	Foreign currency translation 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	Other reserves			Net profit brought forward	Net profit for the accounting period			
<b>Opening balance as at 1 January 2019</b>	<b>27,489</b>	<b>18,455</b>	<b>4,658</b>	<b>180</b>	<b>-180</b>	<b>15</b>	<b>916</b>	<b>47,185</b>	<b>-6,488</b>	<b>17,232</b>	<b>4,522</b>	<b>113,984</b>	<b>7,659</b>	<b>121,643</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-668</b>	<b>86</b>	<b>679</b>	<b>2,961</b>	<b>3,058</b>	<b>123</b>	<b>3,181</b>
Net profit for the financial year	0	0	0	0	0	0	0	0	0	0	2,961	2,961	115	3,076
Other comprehensive income	0	0	0	0	0	0	0	-668	86	679	0	97	8	105
<b>Transactions with owners</b>														
Transfer of net profit from the previous year to net profit brought forward	0	0	0	0	0	0	0	0	0	4,522	-4,522	0	0	0
Dividends and shares in profit	0	0	0	0	0	0	0	0	0	0	0	0	-356	-356
Transfer of reserves to net profit brought forward due to exclusion of a subsidiary from the consolidated financial statements	0	0	-3	0	0	0	-61	0	0	64	0	0	0	0
<b>Closing balance as at 30 June 2019</b>	<b>27,489</b>	<b>18,455</b>	<b>4,656</b>	<b>180</b>	<b>-180</b>	<b>15</b>	<b>855</b>	<b>46,517</b>	<b>-6,402</b>	<b>22,497</b>	<b>2,961</b>	<b>117,043</b>	<b>7,426</b>	<b>124,469</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE INTEREUROPA GROUP FOR THE PERIOD JANUARY–JUNE 2018

in EUR thousand	Share capital	Share premium account	PROFIT RESERVES					Fair value reserves	Foreign currency translation 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	Other reserves			Net profit brought forward	Net profit for the accounting period			
<b>Reported as at 31 December 2017</b>	<b>27,489</b>	<b>18,455</b>	<b>4,653</b>	<b>180</b>	<b>-180</b>	<b>15</b>	<b>916</b>	<b>47,371</b>	<b>-6,669</b>	<b>22,167</b>	<b>-1,002</b>	<b>113,395</b>	<b>7,741</b>	<b>121,136</b>
<b>Adjustment for the initial application of IFRS 9*</b>	0	0	0	0	0	0	0	0	0	-607	0	-607	-41	-648
<b>Adjusted balance as at 1 January 2018</b>	<b>27,489</b>	<b>18,455</b>	<b>4,653</b>	<b>180</b>	<b>-180</b>	<b>15</b>	<b>916</b>	<b>47,371</b>	<b>-6,669</b>	<b>21,560</b>	<b>-1,002</b>	<b>112,788</b>	<b>7,700</b>	<b>120,488</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-159</b>	<b>294</b>	<b>159</b>	<b>2,578</b>	<b>2,872</b>	<b>117</b>	<b>2,989</b>
Net profit for the financial year	0	0	0	0	0	0	0	0	0	0	2,578	2,578	113	2,691
Other comprehensive income	0	0	0	0	0	0	0	-159	294	159	0	294	4	298
<b>Transactions with owners</b>														
Transfer of net profit from the previous year to net profit brought forward	0	0	0	0	0	0	0	0	0	-1,002	1,002	0	0	0
Dividends and shares in profit	0	0	0	0	0	0	0	0	0	0	0	0	-164	-164
Other changes	0	0	0	0	0	0	0	0	0	1	0	1	0	1
<b>Adjusted balance at 30 June 2018</b>	<b>27,489</b>	<b>18,455</b>	<b>4,653</b>	<b>180</b>	<b>-180</b>	<b>15</b>	<b>916</b>	<b>47,212</b>	<b>-6,375</b>	<b>20,718</b>	<b>2,578</b>	<b>115,661</b>	<b>7,653</b>	<b>123,314</b>

## 2.2 Notes to the financial statements of the Intereuropa Group

### a) Basis for compiling the financial statements

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 of the Intereuropa Group in the period since the last annual report.

### b) Use of estimates and judgements

The senior management has verified estimates, judgements and assumptions, and concluded that they were the same as those that applied at the time the financial statements as at 31 December 2018 were compiled, except for the following:

- the senior management’s assessment regarding the exclusion of the subsidiary Intereuropa Global logistics Service Albania Shpk, Durres from the consolidated financial statements due to the latter’s immaterial effect on the presentation of the Intereuropa Group’s financial position, operating results and cash flows; and
- assessments and judgements that relate to the initial application of IFRS 16 Leases (the Group began applying the aforementioned standard on 1 January 2019), as described in the following point (2.2c) Changes in significant accounting policies.

### Effect of the exclusion of Intereuropa Albania Shpk from the consolidated financial statements

Table 18: Effect of the exclusion of the subsidiary Intereuropa Albania Shpk on the Group’s statement of financial position, income statement and cash flow statement for the period January–June 2019

in EUR thousand	Effect on the Group's statement of financial position and income statement
Property, plant and equipment	-1
Current operating receivables	-62
Cash and cash equivalents	-78
Current operating liabilities	53
<b>Total net assets of subsidiary</b>	<b>-88</b>
Reversal of foreign currency translation differences in connection with the subsidiary’s equity	9
Investment in company	30
<b>Total effect on the income statement (other operating expenses)</b>	<b>-49</b>
<b>Effect on the Group’s cash flow statement (reduction in cash and cash equivalents in cash flows from investing activities)</b>	<b>-78</b>

The Group values its investment in the aforementioned subsidiary at historical cost.

## **c) Changes in significant accounting policies**

### **Transition to IFRS 16 Leases**

#### **c.1) Significant accounting policies under IFRS 16 Leases**

IFRS 16 Leases, adopted by the EU on 31 October 2017 (applicable to annual periods beginning on or after 1 January 2019).

For the purpose of transitioning to IFRS 16, the Group took a practical approach by applying the aforementioned standard retrospectively with the cumulative effect of initial application recognised on 1 January 2019. It thus did not recalculate comparable data.

IFRS 16 replaces IAS 17 Leases and related clarifications. IFRS 16 eliminates the previous dual lease accounting model, when the Group acted as lessee. In that model, finance leases were disclosed as assets and operating leases as an expense based on the straight-line method over the entire lease term. IFRS 16 instead requires the Group to disclose leases in the statement of financial position using a single model (similar to how it accounted for finance leases under IAS 17) and thus eliminate the distinction between operating and finance leases, provided that those leases do not represent exemptions that the Group may apply (short-term leases and leases where the underlying asset has a low value).

Accounting for leases by lessors under IFRS 16 does not differ substantially from accounting under IAS 17. Accounting for leases in which the Group acts as lessor thus remains the same.

IFRS 16 allows for the application of the aforementioned standard to intangible assets that are not expressly exempt from its application. However, the Group decided that it will not apply the standard to intangible assets.

As at 1 January 2019, the Group determined whether the contracts in which its acts as lessee are lease contracts or contracts containing a lease in accordance with IFRS 16. A lease contract contains a lease if it conveys the right to control of an identified asset for a period of time in exchange for consideration. The Group recognised the following for such contracts (except for the exemptions stated below):

- right-of-use assets in leases (disclosed in property, plant and equipment and in the statement of financial position); and
- lease liabilities (disclosed under financial liabilities in the statement of financial position and under cash flows from financing activities in the cash flow statement).

Right-of-use assets are depreciated, while lease liabilities accrue interest. The Group recognised new assets and liabilities for its operating leases in connection with cars, forklifts and other equipment as at 1 January 2019, and additionally for buildings and equipment in the period January–June 2019. The nature of and costs associated with these leases thus changed, as the Group recognised the costs of operating leases equally over the lease term during the comparable period.

The Group applied two exemptions allowed by the aforementioned standard by excluding from the recognition of assets and liabilities leases:

- that are short-term in nature; and
- in which the underlying asset has a low value.



The Group recognises lease payments in connection with short-term and low-value leases as expenses based on the straight-line method over the entire lease term. It recognises liabilities from those leases as trade payables in the statement of financial position and under cash flows from operating liabilities in the cash flow statement.

When determining the lease term, the Group takes into account the period in which the lease may not be terminated. For that purpose, it takes into account the period in which a contract is legally enforceable. In accordance with IFRS 16, a lease is no longer enforceable when the lessor and lessee have the right to terminate the lease relationship and the financial consequences are not material.

### **Recognition and measurement of right-of-use assets and lease liabilities**

On the day a lease commences (and on 1 January 2019 with the transition to IFRS 16), the Group recognises a right-of-use asset and a lease liability.

#### Right-of-use assets under leases

Upon initial recognition, the Group measures a right-of-use asset at historical cost, which includes:

- the amount of the initially measured lease liability;
- received lease payments that were made at or prior to the commencement of a lease, less lease incentives;
- initial direct costs incurred by the lessee; and
- estimated costs that the lessee will incur in the removal of an asset that is the subject of a lease, costs for the restoration of the location where an asset is located, or the return of an asset that is the subject of a lease to the condition stated in the terms of a lease.

Following initial recognition, the Group measures such assets using the historical cost model, less accumulated depreciation and any accumulated impairment loss, corrected for the remeasurement of the lease liability.

#### Lease liabilities

Upon initial recognition, the Group **measures lease liabilities at the present value of future lease payments on the day of recognition. Lease payments are discounted at the interest rate implicit in a lease if that rate can be determined. If this is not possible, the Group applies the incremental borrowing rate that it would have to pay if it acquired an asset with a similar value as a right-of-use asset for a similar period, based on a similar guarantee in a similar economic environment.**

Following initial recognition, the Group measures the aforementioned liability such that its carrying amount is:

- increased by the amount of interest on a lease,
- decreased by the amount of lease payments, and
- increased or decreased, such that the amount of the liability is adjusted to the remeasured or amended lease.

## Sale and leaseback transactions

In sale and leaseback transactions in which it acts as seller, i.e. lessee, the Group measures a right-of-use asset proportionately with that part of the previous carrying amount of the right-of-use asset that it has kept. Accordingly, it only recognises the amount of gains or losses that relate to the rights that were transferred by the buyer, i.e. lessor. Such gains are recognised in other operating revenues.

### c.2) Effect of the transition to IFRS 16 on the statement of financial position, income statement and cash flow statement

#### Effect of the transition as at 1 January 2019

Table 19: Effect of the transition to IFRS 16 on the carrying amount of assets and liabilities as at 1 January 2019

in EUR thousand	Reported as at 31 December 2018	Adjustment for the initial application of IFRS 16	Adjusted balance as at 1 January 2019
ASSETS	232,927	779	233,706
Property, plant and equipment	157,404	779	158,183
LIABILITIES	111,283	779	112,062
Non-current financial liabilities	511	500	1,011
Current financial liabilities	70,551	279	70,830

Table 20: Differences between lease liabilities under IAS 17 and lease liabilities under IFRS 16 as at 1 January 2019

in EUR thousand	Operating leases in 2019
Operating lease liabilities under IAS 17 as at 31 December 2018 (undiscounted value)	831
Lease liabilities as at 1 January 2019 (discounted value according to the weighted average assumed interest rate of 2.83%)	802
Finance lease liabilities as at 31 December 2018	585
Reduction for contracts reclassified to other costs of services	-23
<b>Lease liabilities as at 1 January 2019</b>	<b>1,364</b>
Of which:	
- non-current lease liabilities	996
- current lease liabilities	368

In accordance with the option provided for by IFRS 16, the Group did not include in the explanation of differences in the above table leases that were recognised under IAS 17 prior to 1 January 2019 and that it assessed under IFRS 16 as short-term.

## Application of IFRS 16 in the period January–June 2019

Table 21: Changes in right-of-use assets under leases in the period January–June 2019

in EUR thousand	Right-of-use assets under leases		
	Buildings	Equipment	Total
<b>Balance as at 31 December 2018</b>	<b>0</b>	670	<b>670</b>
Transition to IFRS 16	0	778	778
<b>Balance as at 1 January 2019</b>	<b>0</b>	1,448	<b>1,448</b>
Increase for new leases	115	33	148
Depreciation	-25	-232	-257
Exchange rate differences	0	2	2
<b>Balance as at 30 June 2019</b>	<b>90</b>	<b>1,251</b>	<b>1,341</b>

The increase from new leases in respect of buildings relates to right-of-use assets (relating to those buildings) from leaseback transactions.

Table 22: Interest expenses on lease liabilities and costs of short-term leases in the period January–June 2019

in EUR thousand	Jan–Jun 2019
Interest expenses on lease liabilities	23
Costs of short-term leases of real estate and equipment	515
<b>Total</b>	<b>538</b>

Table 23: Effect of the application of IFRS 16 on the cash flow statement for the period January–June 2019 (Group as lessee)

in EUR thousand	Jan–Jun 2019
Lease payments for short-term leases (disclosed in cash flows from operating activities)	629
Payment of lease liabilities comprising principal (disclosed in cash flows from financing activities)	175
<b>Total</b>	<b>804</b>

Table 24: Gains on sale and leaseback transactions in the period January–June 2019

in EUR thousand	Jan–Jun 2019
Gains on sale and leaseback transactions	55

During the reporting period, the Group sold and leased back part of a building.

Table 25: Rental income in the period January–June 2019

in EUR thousand	Jan–Jun 2019
Rental income	2,791

## Other disclosures

The balance of non-current and current lease liabilities as at 30 June 2019 is disclosed in Table 22 Non-current financial liabilities and Table 23 Current financial liabilities.

An analysis of the maturity of lease liabilities is presented in Table 30 Liquidity risk.

### A) NOTES TO THE CONSOLIDATED INCOME STATEMENT

**Sales revenue** amounted to EUR 80,572 thousand (EUR 80,181 thousand during the comparable period).

Table 26: Sales revenue by business line and country in the period January–June 2019

in EUR thousand	Slovenia		Croatia		Bosnia and Herzegovina		Serbia		Montenegro	
	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
<b>Revenues by business line</b>										
Land transport	26,073	26,396	8,569	8,373	2,586	2,643	1,212	1,507	1,913	1,879
Logistics solutions	9,550	7,854	2,283	2,166	323	341	479	473	482	488
Intercontinental transport	19,466	20,498	1,072	1,034	238	188	766	987	154	119
Other services	2,374	2,261	376	391	649	594	0	0	585	495
<b>Total</b>	<b>57,463</b>	<b>57,009</b>	<b>12,300</b>	<b>11,964</b>	<b>3,795</b>	<b>3,765</b>	<b>2,457</b>	<b>2,967</b>	<b>3,135</b>	<b>2,981</b>
<b>Revenues generated by country (with respect to a customer's head office)</b>										
Slovenia	31,122	32,240	523	432	159	192	211	247	93	142
Croatia	855	785	9,953	9,540	25	22	42	20	22	10
Bosnia and Herzegovina	529	632	160	217	2,937	2,780	34	37	68	25
Montenegro	184	165	5	9	1	1	28	34	2,445	2,283
Other countries	24,773	23,188	1,660	1,766	673	771	2,144	2,629	507	521
<b>Total</b>	<b>57,463</b>	<b>57,009</b>	<b>12,300</b>	<b>11,964</b>	<b>3,795</b>	<b>3,765</b>	<b>2,457</b>	<b>2,967</b>	<b>3,135</b>	<b>2,981</b>

in EUR thousand	Ukraine		Other countries		Exclusions and adjustments		Total	
	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
<b>Revenues by business line</b>								
Land transport	1,612	1,824	2,420	2,372	2,346	2,434	42,037	42,559
Logistics solutions	0	0	160	138	19	23	13,258	11,437
Intercontinental transport	0	0	340	297	243	273	21,795	22,850
Other services	0	0	166	166	668	572	3,482	3,334
<b>Total</b>	<b>1,612</b>	<b>1,824</b>	<b>3,086</b>	<b>2,972</b>	<b>3,276</b>	<b>3,301</b>	<b>80,572</b>	<b>80,181</b>
<b>Revenues generated by country (with respect to a customer's head office)</b>								
Slovenia	137	783	454	474	951	1,035	31,748	33,474
Croatia	0	0	27	4	657	608	10,265	9,773
Bosnia and Herzegovina	0	0	0	0	575	655	3,153	3,035
Montenegro	0	0	0	0	207	191	2,456	2,301
Other countries	1,475	1,042	2,605	2,494	886	813	32,949	31,598
<b>Total</b>	<b>1,612</b>	<b>1,824</b>	<b>3,086</b>	<b>2,972</b>	<b>3,276</b>	<b>3,301</b>	<b>80,572</b>	<b>80,181</b>

Table 27: Sales revenue with respect to the timing of recognition in the period January–June 2019

in EUR thousand	Land transport		Logistics solutions		Intercontinental transport		Other services		Total	
	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Revenues from completed services	42,389	42,429	13,069	11,384	21,182	21,988	3,236	3,155	79,876	78,956
Revenues from incomplete services	473	705	30	25	193	495	0	0	696	1,225
<b>Total</b>	<b>42,863</b>	<b>43,134</b>	<b>13,099</b>	<b>11,409</b>	<b>21,375</b>	<b>22,483</b>	<b>3,236</b>	<b>3,155</b>	<b>80,572</b>	<b>80,181</b>

## Other operating revenues

Table 28: Other operating revenues in the period January–June 2019

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
Gains from the sale of property, plant and equipment, and assets held for sale	401	353
Revenues from the reversal of provisions	32	29
Government grants received	29	32
Other operating revenues	131	271
<b>Total</b>	<b>594</b>	<b>686</b>

## Costs of goods, materials and services

Table 29: Costs of goods, materials and services in the period January–June 2019

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
Costs of materials and historical cost of goods sold	2,281	2,142
Costs of services	56,634	56,318
– direct costs	50,030	50,111
– costs of hired labour and student work	1,930	1,723
– maintenance of property, plant and equipment	813	804
– maintenance of intangible assets	418	392
– costs of short-term leases of property, plant and equipment	515	-
– costs of leases of intangible assets	200	7
– insurance premiums	456	415
– costs of asset security	393	377
– costs of intellectual services	255	244
– costs associated with the Supervisory Board and its committees	89	86
– other costs of services	1,535	2,159
<b>Total</b>	<b>58,915</b>	<b>58,460</b>

Direct costs primarily comprise the costs of subcontractors (transportation, port-related services, etc.) that are directly related to the provision of the Group's services. Other costs of services in the amount of EUR 1,535 thousand comprise the costs of municipal and banking services, costs in connection with business travel, training costs, the costs of ancillary services and other costs. Other costs of services included the costs of lease payments in accordance with IAS 17, which amounted to EUR 652 thousand during the comparable period.

## Labour costs

Table 30: Labour costs in the period January–June 2019

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
Costs of wages and salaries	9,959	9,788
Social security costs and other levies	2,174	2,140
Other labour costs	2,028	2,048
– annual leave allowance	415	412
– transportation and meal allowances	993	943
– other labour costs	92	119
– expenses for employee participation in profits	529	574
<b>Total</b>	<b>14,161</b>	<b>13,976</b>

## Amortisation and depreciation

Table 31: Amortisation and depreciation in the period January–June 2019

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
Depreciation of property, plant and equipment, and investment property	2,946	2,898
Amortisation of intangible assets	271	258
<b>Total</b>	<b>3,217</b>	<b>3,157</b>

## Losses due to the impairment of receivables (including the reversal of impairment losses)

In the period January–June 2019, the item Losses due to the impairment of receivables (including the reversal of impairment losses) comprised revenues in the amount of EUR 249 thousand, primarily due to repayment of other receivables in the amount of EUR 647 thousand. The expected effect is disclosed in Table 53 Changes in adjustments to the value of current trade receivables and Table 55 Changes in adjustments to the value of other current operating receivables.

## Other operating expenses

Table 32: Other operating expenses in the period January–June 2019

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
Building land use fees and similar expenses	720	810
Expenses in connection with other levies	32	29
Expenses from the impairments of property, plant and equipment	78	0
Expenses from the creation of provisions	72	0
Other operating expenses	435	493
<b>Total</b>	<b>1,336</b>	<b>1,332</b>

## Finance income and costs

Table 33: Finance income and costs in the period January–June 2019

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
Interest income	364	83
Revenues from the disposal of financial assets	0	9
Net exchange rate differences	106	44
<b>Total finance income</b>	<b>470</b>	<b>136</b>
Interest expense	-909	-1,046
Losses due to the impairment of loans granted and deposits	-1	0
<b>Total finance costs</b>	<b>-910</b>	<b>-1,046</b>
<b>Loss from financing activities</b>	<b>-440</b>	<b>-910</b>

Interest income primarily comprises the payment of default interest in the amount of EUR 284 thousand, which derives from other receivables.

The Group generated a **profit from ordinary operations** of EUR 3,338 thousand.

**Corporate income tax** was in the amount of EUR 262 thousand, comprising current tax in the amount of EUR 320 thousand and deferred tax which decreased current tax in the amount of EUR 58 thousand.

The Group generated a **net profit** of EUR 3,076 thousand during the reporting period. Of that amount, EUR 2,961 thousand pertains to **controlling** interests, while EUR 115 thousand pertains to **non-controlling** interests.

## B) NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### Property, plant and equipment

Table 34: Property, plant and equipment as at 30 June 2019

in EUR thousand	30 Jun 2019	31 Dec 2018
Land and buildings	148,307	149,822
- land	76,740	76,788
- buildings	71,567	73,034
Plant and equipment	6,388	7,191
Right-of-use assets under leases	1,341	-
Investments in foreign fixed assets	6	2
Property, plant and equipment in acquisition	489	388
<b>Total</b>	<b>156,532</b>	<b>157,404</b>

Contributing to the reduction in the value of property, plant and equipment were depreciation costs (EUR 2,757 thousand), impairment costs (EUR 78 thousand), asset sales (EUR 221 thousand) and the exclusion of a subsidiary from the consolidated financial statements (EUR 1 thousand). The increase in property, plant and equipment was the result of right-of-use assets under leases (EUR 778 thousand with the transition to IFRS 16 as at 1 January 2019 and EUR 148 thousand in the period January–June 2019), the purchase of other items of property, plant and equipment (EUR 1,051 thousand) and exchange rate differences (EUR 208 thousand).

The carrying amount of property, plant and equipment (land and buildings) pledged as collateral was EUR 107,989 thousand as at 30 June 2019 (comprising collateral for loans received and contingent liabilities). The Group had no other legal restrictions on the disposal of aforementioned assets.

### Investment property

The carrying amount of investment property was EUR 11,985 thousand as at 30 June 2019. The reduction in the value of investment property during the reporting period was the result of depreciation in the amount of EUR 189 thousand.

The carrying amount of pledged investment property at the end of June 2019 was EUR 9,949 thousand (comprising additional collateral for liabilities for which the underlying collateral comprises pledged items of property, plant and equipment).



## Intangible assets

Table 35: Intangible assets as at 30 June 2019

in EUR thousand	30 Jun 2019	31 Dec 2018
Long-term property rights	451	554
Goodwill	42	42
Other intangible assets	2,468	2,621
Intangible assets under construction	555	446
<b>Total</b>	<b>3,515</b>	<b>3,662</b>

## Loans granted and deposits

Table 36: Loans granted and deposits as at 30 June 2019

in EUR thousand	30 Jun 2019	31 Dec 2018
<b>Long-term loans and deposits</b>	<b>5</b>	<b>15</b>
- loans granted	2	3
- deposits	3	13
<b>Short-term loans and deposits</b>	<b>1,684</b>	<b>1,272</b>
- loans granted	1	1
- deposits	1,683	1,271
<b>Total</b>	<b>1,689</b>	<b>1,286</b>

As at 30 June 2019, the Group had pledged short-term deposits in the amount of EUR 910 thousand as collateral for contingent liabilities.

## Available-for-sale assets

Available-for-sale assets amounted to EUR 2,005 thousand as at the reporting date. They relate to real estate, the sale of which is planned in a short period of time. The reduction in assets in the amount of EUR 2,714 thousand is the result of sales and an increase in exchange rate differences in the amount of EUR 4 thousand.

## Current operating receivables

Table 37: Current operating receivables as at 30 June 2019

in EUR thousand	30 Jun 2019	31 Dec 2018
Current trade receivables	33,629	30,929
Current operating receivables from others	1,360	2,030
<b>Total</b>	<b>34,990</b>	<b>32,960</b>

The Group had current trade receivables with a carrying amount of EUR 10,000 thousand pledged as collateral as at 30 June 2019. That amount represents additional collateral for contingent liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

**Other current assets** amounted to EUR 1,416 thousand at the end of the first half of 2019 and comprise current deferred costs.

## Provisions

Table 38: Provisions as at 30 June 2019

in EUR thousand	30 Jun 2019	31 Dec 2018
Provisions for severance pay at retirement and jubilee benefits	1,355	1,365
Provisions for lawsuits	968	982
<b>Total</b>	<b>2,323</b>	<b>2,347</b>

## Non-current financial liabilities

Table 39: Non-current financial liabilities as at 30 June 2019

in EUR thousand	30 Jun 2019	31 Dec 2018
Long-term loans received (and finance leases as at 31 December 2018)	0	511
Lease liabilities	907	-
<b>Total</b>	<b>907</b>	<b>511</b>

## Current financial liabilities

Table 40: Current financial liabilities as at 30 June 2019

in EUR thousand	30 Jun 2019	31 Dec 2018
Short-term loans received	59,301	70,046
Lease liabilities	471	89
Liabilities for dividends and other shares in profit	678	416
<b>Total</b>	<b>60,450</b>	<b>70,551</b>

On 1 March 2019, the parent company signed an annex to the financial restructuring agreement, thereby extending the maturity of the final instalment in the amount of EUR 57,044 thousand from 30 September 2019 to 31 January 2020.

The extension of the financial restructuring agreement until January 2020 did not result in a change in the target values of financial commitments, despite the fact that the original agreement envisaged the classification of financial liabilities under that agreement to non-current financial liabilities, which would affect the quick ratio for 2019. Because all financial liabilities under the financial restructuring agreement were reclassified to current financial liabilities as at 30 June 2019, the Group failed to achieve the target value of the quick ratio. For that reason, the parent company has received a waiver from all creditor banks for the aforementioned financial commitment.

The Group had approved and undrawn revolving loans in the amount of EUR 5,530 thousand as at 30 June 2019.

## Current operating liabilities

Table 41: Current operating liabilities of the Intereuropa Group as at 30 June 2019

in EUR thousand	30 Jun 2019	31 Dec 2018
Current trade payables	22,572	20,544
Other current operating liabilities	5,089	3,805
<b>Total</b>	<b>27,661</b>	<b>24,349</b>

### C) OTHER NOTES

## Contingent liabilities

Table 42: Contingent liabilities as at 30 June 2019

in EUR thousand	30 Jun 2019	31 Dec 2018
Contingent liabilities from bank guarantees and guarantees given to others	19,584	16,585
Contingent liabilities from lawsuits	486	876
Contingent liabilities to D.S.U., družba za svetovanje in upravljanje, d. o. o.	66	66
Other contingent liabilities	105	105
<b>Total contingent liabilities</b>	<b>20,240</b>	<b>17,631</b>

## Fair value

Table 43: Fair value of financial instruments as at 30 June 2019

in EUR thousand	30 Jun 2019		31 Dec 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Financial assets measured at fair value through other comprehensive income	4	4	102	102
Financial assets measured at fair value through profit or loss	27	27	27	27
Loans and deposits	1,689	1,689	1,287	1,287
Operating receivables	35,050	35,050	33,015	33,015
Cash and cash equivalents	5,771	5,771	9,578	9,578
<b>Total</b>	<b>42,541</b>	<b>42,541</b>	<b>43,982</b>	<b>43,982</b>
<b>Financial liabilities</b>				
Loans (and finance leases as at 31 December 2018)	59,301	59,301	70,647	70,647
at fixed interest rates	0	0	643	643
at variable interest rates	59,301	59,301	70,004	70,004
Lease liabilities	1,378	1,378	-	-
Liabilities for dividends and other shares in profit	678	678	416	416
Operating liabilities	28,623	28,623	25,763	25,763
<b>Total</b>	<b>89,980</b>	<b>89,980</b>	<b>96,826</b>	<b>96,826</b>

Table 44: Fair value hierarchy of assets as at 30 June 2019

in EUR thousand Fair value hierarchy	30 Jun 2019			Total
	Level 1	Level 2	Level 3	
Land	0	0	76,740	76,740
Financial assets measured at fair value through other comprehensive income	4	0	0	4
Financial assets measured at fair value through profit or loss	0	0	27	27
<b>Total</b>	<b>4</b>	<b>0</b>	<b>76,768</b>	<b>76,772</b>

in EUR thousand Fair value hierarchy	31 Dec 2018			Total
	Level 1	Level 2	Level 3	
Land	0	0	76,788	76,788
Financial assets measured at fair value through other comprehensive income	4	0	0	4
Financial assets measured at fair value through profit or loss	0	0	27	27
<b>Total</b>	<b>4</b>	<b>0</b>	<b>76,815</b>	<b>76,819</b>

The table only includes assets measured at fair value. The Group assesses that the carrying amount of financial assets and financial liabilities not measured at fair value reflects their fair value.

#### TRANSACTIONS WITH RELATED PARTIES

Table 45: Transactions with related parties during the period January–June 2019

in EUR thousand	Associate		Other*	
	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Revenues from the sale of services	262	313	28	33
Costs of services	2,504	2,063	7	12

in EUR thousand	Associate		Other*	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Balance of operating receivables	85	91	8	9
Balance of operating liabilities	824	694	0	0

\* Companies that are controlled or jointly controlled by an individual, or a member of their immediate family, who is in a relationship with the Group

INFORMATION BY BUSINESS LINE FOR THE PERIOD JANUARY–JUNE 2019

Table 46: Geographical business segments in the period January–June 2019

in EUR thousand	Slovenia		Croatia		Bosnia and Herzegovina		Serbia		Montenegro	
	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Revenues from external customers	55,725	55,179	11,837	11,620	3,517	3,500	2,176	2,664	3,101	2,931
Revenues from transactions with other segments	1,737	1,830	463	343	278	264	281	303	34	50
Total revenues	57,463	57,009	12,300	11,964	3,795	3,765	2,457	2,967	3,135	2,981
Amortisation and depreciation	2,080	2,032	665	664	137	131	103	98	181	174
Operating profit	2,869	3,823	478	359	284	143	-182	-232	422	410
Interest income	1,196	86	2	5	0	0	0	1	34	32
Interest expense	925	957	22	23	3	32	32	26	4	0
Profit from ordinary operations	3,149	3,588	459	322	281	111	-204	-257	455	442
Investment result recognised according to the equity method	0	10	0	0	0	0	0	0	0	0
Corporate income tax	127	609	45	15	30	-350	0	0	41	-24
Net profit or loss	3,022	2,299	414	306	251	97	-204	-257	414	398

in EUR thousand	Ukraine		Other		Total		Adjustments (including eliminations*)		Group	
	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Revenues from external customers	1,612	1,824	2,521	2,458	80,489	80,176	82	5	80,572	80,181
Revenues from transactions with other segments	0	0	565	514	3,358	3,305	-3,358	-3,305	0	0
Total revenues	1,612	1,824	3,086	2,972	83,848	83,482	-3,276	-3,301	80,572	80,181
Amortisation and depreciation	14	24	37	35	3,217	3,157	0	0	3,217	3,157
Operating profit	-37	-14	8	42	3,841	4,531	-72	-2	3,769	4,529
Interest income	114	0	5	0	1,351	124	-886	-42	465	83
Interest expense	26	45	0	5	1,011	1,087	-98	-42	913	1,046
Profit from ordinary operations	50	100	13	37	4,202	4,343	-865	-720	3,338	3,623
Investment result recognised according to the equity method	0	0	0	0	0	10	3	4	3	4
Corporate income tax	3	0	16	8	262	691	0	0	262	252
Net profit	47	100	-4	35	3,940	2,978	-865	-287	3,076	2,691

\* All adjustments are subject to consolidation procedures.

	Slovenia		Croatia		Bosnia and Herzegovina		Serbia		Montenegro	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
<i>in EUR thousand</i>										
Assets	181,494	190,122	50,660	50,226	13,716	13,457	10,282	10,101	18,022	17,545
Non-current assets	150,353	155,090	41,322	41,577	11,300	11,567	9,003	9,026	11,725	11,958
Operating liabilities	0	19,878	0	2,964	0	1,211	0	1,119	0	539
Financial liabilities	478	71,777	123	585	11	93	32	1,134	12	400
Investment in associate	57	39	0	0	0	0	0	0	0	0

	Ukraine		Other		Total		Adjustments (including eliminations*)		Group	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
<i>in EUR thousand</i>										
Assets	1,734	1,718	3,268	3,513	279,175	286,827	-50,467	-49,813	228,708	237,014
Non-current assets	1,261	1,229	1,033	1,049	225,995	231,642	-44,200	-44,578	181,795	187,064
Operating liabilities	0	641	0	1,100	0	27,453	0	-1,690	0	25,763
Financial liabilities	55	1,358	106	0	817	75,347	0	-4,284	817	71,063
Investment in associate	0	0	0	0	57	39	0	32	57	71

\* All adjustments are subject to consolidation procedures.

## FINANCIAL RISKS

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

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

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

Table 47: Liquidity risk as at 30 June 2019

in EUR thousand							
30 Jun 2019	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Loans from banks and others	59,301	60,223	3,213	56,994	15	0	0
Lease liabilities	1,378	1,409	308	211	695	194	1
Liabilities for dividends and other shares in profit	678	678	678	0	0	0	0
Trade payables	22,862	22,862	22,545	28	152	71	69
of which trade payables for short-term leases	86	86	86	0	0	0	0
Other operating liabilities	5,761	5,761	5,101	0	660	0	0
<b>Total</b>	<b>89,980</b>	<b>90,933</b>	<b>31,845</b>	<b>57,233</b>	<b>1,522</b>	<b>265</b>	<b>70</b>

Table 48: Liquidity risk as at 31 December 2018

in EUR thousand							
31 Dec 2018	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Loans from banks and others	70,062	71,345	8,637	62,414	308	0	0
Liabilities from finance leases	584	630	56	56	518	0	0
Liabilities for dividends and other shares in profit	416	416	416	0	0	0	0
Trade payables	20,847	20,847	20,470	74	163	71	69
Other operating liabilities	4,916	4,916	3,807	0	1,097	0	0
<b>Total</b>	<b>96,825</b>	<b>98,154</b>	<b>33,386</b>	<b>62,544</b>	<b>2,087</b>	<b>71</b>	<b>69</b>

On 1 March 2019, the parent company extended the maturity of the final instalment under the financial restructuring agreement in the amount of EUR 57,044 thousand from 30 September 2019 to 31 January 2020. The Group is planning to continue implementing a strategy in 2019 aimed at the sale of certain non-strategic real estate and further reduce the balance of bank loans received, which in turn will reduce liquidity risk. It is planning to refinance financial liabilities from the financial restructuring agreement in 2019.

Table 49: Currency risk as at 30 June 2019

30 Jun 2019	EUR	HRK	RSD	Other	in EUR thousand Total
Operating receivables	26,411	5,230	928	2,481	<b>35,050</b>
Long-term loans granted and deposits	0	0	0	5	<b>5</b>
Short-term loans granted and deposits	1,641	0	0	43	<b>1,684</b>
Short-term loans received	-59,045	0	-210	-46	<b>-59,301</b>
Liabilities for dividends and other shares in profit	-662	0	0	-16	<b>-678</b>
Lease liabilities	-1,200	-156	-22	0	<b>-1,378</b>
Operating liabilities	-23,546	-2,436	1,034	1,607	<b>-28,623</b>
<b>Exposure disclosed in the statement of financial position</b>	<b>-56,401</b>	<b>2,638</b>	<b>-338</b>	<b>860</b>	<b>-53,241</b>

Table 50: Currency risk as at 31 December 2018

31 Dec 2018	EUR	HRK	RSD	Other	in EUR thousand Total
Operating receivables	26,196	3,939	558	2,322	<b>33,015</b>
Long-term loans granted and deposits	10	0	0	5	<b>15</b>
Short-term loans granted and deposits	1,149	122	0	1	<b>1,272</b>
Long-term loans received	-496	0	0	-15	<b>-511</b>
Short-term loans received	-69,806	0	-268	-61	<b>-70,135</b>
Liabilities for dividends and other shares in profit	-400	0	0	-16	<b>-416</b>
Operating liabilities	-20,789	-2,479	-644	1,851	<b>-25,763</b>
<b>Exposure disclosed in the statement of financial position</b>	<b>-64,136</b>	<b>1,582</b>	<b>-354</b>	<b>385</b>	<b>-62,523</b>

Table 51: Exposure to credit risk and expected credit losses in connection with current trade receivables as at 30 June 2019

in EUR thousand	Gross value as at 30 June 2019	Average percentage of value adjustments created	Value adjustment as at 30 June 2019
Non-past-due	24,513	0.28%	69
0 to 30 days past due	6,232	0.98%	61
31 to 90 days past due	2,478	3.48%	86
91 to 180 days past due	1,442	56.44%	814
More than 180 days past due	4,412	100.00%	4,412
Exchange rate differences	-6		
<b>Total</b>	<b>39,071</b>		<b>5,442</b>



Table 52: Exposure to credit risk and expected credit losses in connection with current trade receivables as at 31 December 2018

in EUR thousand	Gross value as at 31 December 2018	Average percentage of value adjustments created	Value adjustment as at 31 December 2018
Non-past-due	22,107	0.31%	69
1 to 30 days past due	6,079	0.35%	21
31 to 90 days past due	2,198	2.67%	59
91 to 180 days past due	804	13.23%	107
More than 180 days past due	4,947	100.00%	4,947
Exchange rate differences	1		3
<b>Total</b>	<b>36,135</b>		<b>5,206</b>

Table 53: Changes in adjustments to the value of current trade receivables in the period January–June 2019

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
Adjustment to value of receivables as at 1 January	5,206	5,134
Exclusion of company from the consolidated financial statements	-35	0
Written-off receivables	-136	-159
Losses due to the impairment of receivables (including the reversal of impairment losses)	398	171
Exchange rate differences	9	1
<b>Balance as at 30 June</b>	<b>5,442</b>	<b>5,147</b>

Table 54: Exposure to credit risk and expected credit losses in connection with other current operating receivables as at 30 June 2019

in EUR thousand	Gross value as at 30 June 2019	Value adjustment as at 30 June 2019
Non-past-due	1,168	0
Past-due	416	274
<b>Total</b>	<b>1,584</b>	<b>274</b>

Table 55: Changes in adjustments to the value of other current operating receivables in the period January–June 2019

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
Adjustment to value of receivables as at 1 January	1,347	1,357
Written-off receivables	-421	0
Losses due to the impairment of receivables (including the reversal of impairment losses)	-647	0
Exchange rate differences	-5	8
<b>Balance as at 30 June</b>	<b>274</b>	<b>1,365</b>

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

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

Table 56: Interest-rate risk as at 30 June 2019

Type of variable interest rate	Loan amount 30 June 2019	Increase in IR by 10 basis points	in EUR thousand	
			Increase in IR by 25 basis points	Increase in IR by 50 basis points
3-month EURIBOR	59,654	-60	-149	-298
1-month EURIBOR	210	0	-1	-1
<b>Total</b>	<b>59,865</b>	<b>-60</b>	<b>-150</b>	<b>-299</b>

Table 57: Interest-rate risk as at 31 December 2018

Type of variable interest rate	Loan amount 31 December 2018	Increase in IR by 10 basis points	in EUR thousand	
			Increase in IR by 25 basis points	Increase in IR by 50 basis points
3-month EURIBOR	70,379	-70	-176	-352
1-month EURIBOR	268	0	-1	-1
<b>Total</b>	<b>70,647</b>	<b>-71</b>	<b>-177</b>	<b>-353</b>

#### EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting date that could have a significant impact on the presented financial statements during the first six months of 2019.

### 3. FINANCIAL STATEMENTS OF THE PARENT COMPANY INTEREUROPA, D. D.

#### 3.1 Basic financial statements of the parent company Intereuropa, d. d.

##### INCOME STATEMENT OF INTEREUROPA, D. D.

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
<b>Sales revenue</b>	<b>57,143</b>	<b>56,702</b>
Losses from the derecognition of operating receivables and assets from contracts with customers	-11	-11
Other operating revenues	263	357
Costs of goods, materials and services	-43,048	-42,442
Labour costs	-9,356	-9,036
Amortisation and depreciation	-2,079	-2,030
Losses due to the impairment of receivables (including the reversal of impairment losses)	403	-90
Other operating expenses	-523	-527
<b>Operating profit</b>	<b>2,792</b>	<b>2,923</b>
Interest income	369	85
Other finance income	833	752
Finance costs – costs of financing	-889	-957
Other finance costs	-35	-94
<b>Loss from financing activities</b>	<b>278</b>	<b>-214</b>
<b>Profit from ordinary operations</b>	<b>3,070</b>	<b>2,709</b>
Corporate income tax (including deferred taxes)	-112	-436
<b>Net profit for the accounting period</b>	<b>2,958</b>	<b>2,273</b>
Basic and diluted earnings per ordinary share (in EUR)	0.10	0,08

STATEMENT OF OTHER COMPREHENSIVE INCOME OF INTEREUROPA, D. D.

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
<b>Net profit for the accounting period</b>	<b>2,958</b>	<b>2,273</b>
<b>Other comprehensive income</b>	<b>12</b>	<b>5</b>
<b>Items that will not be reclassified to profit or loss</b>	<b>12</b>	<b>5</b>
Transfer of revaluation surplus for land to net profit brought forward	-693	-32
Change in deferred taxes	66	6
Change in net profit brought forward from the transfer of the revaluation surplus for land	693	32
Corporate income tax on net profit brought forward	-54	-1
<b>Total comprehensive income</b>	<b>2,970</b>	<b>2,278</b>

STATEMENT OF FINANCIAL POSITION OF INTEREUROPA, D. D.

in EUR thousand	30 Jun 2019	31 Dec 2018
<b>ASSETS</b>		
Property, plant and equipment	85,412	85,752
Investment property	9,983	10,138
Intangible assets	3,294	3,431
Other non-current assets	20	23
Non-current operating receivables	34	16
Deferred tax assets	7,237	7,208
Long-term loans granted and deposits	42	102
Other non-current financial assets	44,323	44,323
<b>TOTAL NON-CURRENT ASSETS</b>	<b>150,345</b>	<b>150,993</b>
Available-for-sale assets	0	2,714
Inventories	7	7
Short-term loans granted and deposits	2,047	1,615
Assets from contracts with customers	539	590
Current operating receivables	24,489	23,620
Current receivables for corporate income tax	7	0
Other current assets	1,069	145
Cash and cash equivalents	1,960	5,430
<b>TOTAL CURRENT ASSETS</b>	<b>30,118</b>	<b>34,121</b>
<b>TOTAL ASSETS</b>	<b>180,463</b>	<b>185,114</b>
<b>EQUITY</b>		
Share capital	27,489	27,489
Share premium account	18,455	18,455
Profit reserves	2,749	2,749
Fair value reserves	31,717	32,278
Net profit brought forward	4,607	0
Net profit	2,958	4,034
<b>TOTAL EQUITY</b>	<b>87,975</b>	<b>85,005</b>
<b>LIABILITIES</b>		
Provisions	1,069	1,068
Non-current deferred income	70	81
Non-current financial liabilities	374	0
Non-current operating liabilities	951	1,401
Deferred tax liabilities	7,440	7,572
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>9,904</b>	<b>10,122</b>
Current financial liabilities	61,248	71,778
Liabilities from contracts with customers	18	17
Current operating liabilities	21,095	18,056
Current corporate income tax liabilities	202	136
Current deferred income	21	0
<b>TOTAL CURRENT LIABILITIES</b>	<b>82,584</b>	<b>89,987</b>
<b>TOTAL LIABILITIES</b>	<b>92,488</b>	<b>100,109</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>180,463</b>	<b>185,114</b>

STATEMENT OF CASH FLOWS OF INTEREUROPA, D. D.

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
<b>Cash flows from operating activities</b>		
<b>Net profit for the accounting period</b>	<b>2,958</b>	<b>2,273</b>
<b>Adjustments for:</b>		
– amortisation and depreciation	2,079	2,030
– gains on the sale of property, plant and equipment, and assets held for sale	-176	-108
– losses from the derecognition of operating receivables and assets from contracts with customers	11	11
– losses due to the impairment of receivables (including the reversal of impairment losses)	-403	90
– finance income from interest	-369	-85
– other finance income	-833	-752
– finance costs – costs of financing	889	957
– other finance costs	35	94
– corporate income tax (including deferred taxes)	112	436
<b>Operating profit before changes in net working capital and provisions</b>	<b>4,302</b>	<b>4,946</b>
Changes in assets from contracts with customers	51	-24
Changes in receivables	201	-3,007
Changes in other current assets	-922	-866
Changes in liabilities from contracts with customers	0	-3
Changes in operating liabilities	3,293	1,947
Changes in provisions	22	-37
Change in deferred revenues	-11	1
Corporate income tax	-203	516
<b>Net cash flow from operating activities</b>	<b>6,733</b>	<b>3,473</b>
<b>Cash flows from investing activities</b>		
Interest received	368	65
Dividends received and shares in profit	140	448
Inflows from the sale of property, plant and equipment, and assets held for sale	2,907	413
Inflows from long-term loans granted	47	76
Inflows from long-term deposits placed	30	0
Inflows from the disposal of other non-current financial assets	0	9
Net cash flow from short-term loans granted	-450	0
Outflows for the acquisition of property, plant and equipment, and investment property	-1,291	-1,049
Outflows for the acquisition of intangible assets	-115	-123
Outflows for increase in capital of subsidiaries	-30	-92
<b>Net cash flow from investing activities</b>	<b>1,606</b>	<b>-253</b>
<b>Cash flows from financing activities</b>		
Interest paid	-920	-961
Outflows for the repayment of long-term loans	-5,120	-4,221
Net cash flow from short-term loans received	-5,672	1,650
Payment of lease liabilities	-98	-
<b>Net cash flow from financing activities</b>	<b>-11,810</b>	<b>-3,532</b>
<b>Opening balance of cash and cash equivalents</b>	<b>5,430</b>	<b>413</b>
<b>Net cash flow for the period</b>	<b>-3,470</b>	<b>-312</b>
<b>Closing balance of cash and cash equivalents</b>	<b>1,960</b>	<b>101</b>

STATEMENT OF CHANGES IN EQUITY OF INTEREUROPA, D. D. FOR THE PERIOD JANUARY–JUNE 2019

in EUR thousand	Share capital	Share premium account	PROFIT RESERVES			Fair value reserves	RETAINED EARNINGS		Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares (as deduction item)		Net profit brought forward	Net profit	
<b>Opening balance as at 1 January 2019</b>	<b>27,489</b>	<b>18,455</b>	<b>2,749</b>	<b>180</b>	<b>-180</b>	<b>32,278</b>	<b>0</b>	<b>4,034</b>	<b>85,005</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-561</b>	<b>573</b>	<b>2,958</b>	<b>2,970</b>
Net profit	0	0	0	0	0	0	0	2,958	2,958
Other comprehensive income	0	0	0	0	0	-561	573	0	12
<b>Transactions with owners</b>									
Transfer of net profit from the previous year to net profit brought forward	0	0	0	0	0	0	4,034	-4,034	0
<b>Closing balance as at 30 June 2019</b>	<b>27,489</b>	<b>18,455</b>	<b>2,749</b>	<b>180</b>	<b>-180</b>	<b>31,717</b>	<b>4,607</b>	<b>2,958</b>	<b>87,975</b>

STATEMENT OF CHANGES IN EQUITY OF INTEREUROPA, D. D. FOR THE PERIOD JANUARY–JUNE 2018

in EUR thousand	Share capital	Share premium account	PROFIT RESERVES			Fair value reserves	RETAINED EARNINGS		Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares (as deduction item)		Net profit brought forward	Net profit	
<b>Reported as at 31 December 2017</b>	<b>27,489</b>	<b>18,455</b>	<b>2,749</b>	<b>180</b>	<b>-180</b>	<b>32,342</b>	<b>3,509</b>	<b>340</b>	<b>84,884</b>
Adjustment for the initial application of IFRS 9	0	0	0	0	0	0	-428	0	-428
<b>Adjusted balance as at 1 January 2018</b>	<b>27,489</b>	<b>18,455</b>	<b>2,749</b>	<b>180</b>	<b>-180</b>	<b>32,342</b>	<b>3,081</b>	<b>340</b>	<b>84,456</b>
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-26</b>	<b>31</b>	<b>2,273</b>	<b>2,278</b>
Net profit	0	0	0	0	0	0	0	2,273	2,273
Other comprehensive income	0	0	0	0	0	-26	31	0	5
Other changes	0	0	0	0	0	1	0	0	1
<b>Transactions with owners</b>									
Transfer of net profit from the previous year to net profit brought forward	0	0	0	0	0	0	340	-340	0
<b>Closing balance as at 30 June 2018</b>	<b>27,489</b>	<b>18,455</b>	<b>2,749</b>	<b>180</b>	<b>-180</b>	<b>32,317</b>	<b>3,452</b>	<b>2,273</b>	<b>86,735</b>



## **3.2 Notes to the financial statements of the parent company Intereuropa, d. d.**

### **a) Basis for compiling the financial statements**

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 parent company in the period since the last annual report.

### **b) Use of estimates and judgements**

The senior management has verified estimates, judgements and assumptions, and concluded that they were the same as those that applied at the time the financial statements as at 31 December 2018 were compiled, except for assessments and judgements that relate to the initial application of IFRS 16 Leases (the Company began applying the aforementioned standard on 1 January 2019), as described in the following point (3.2c) Changes in significant accounting policies.

### **c) Changes in significant accounting policies**

#### **Transition to IFRS 16 Leases**

##### **c.1) Significant accounting policies under IFRS 16 Leases**

IFRS 16 Leases, adopted by the EU on 31 October 2017 (applicable to annual periods beginning on or after 1 January 2019).

For the purpose of transitioning to IFRS 16, the Company took a practical approach by applying the aforementioned standard retrospectively with the cumulative effect of initial application recognised on 1 January 2019. It thus did not recalculate comparable data.

IFRS 16 replaces IAS 17 Leases and related clarifications. IFRS 16 eliminates the previous dual lease accounting model, when the Company acted as lessee. In that model, finance leases were disclosed as assets in the statement of financial position and operating leases as an expense based on the straight-line method over the entire lease term. IFRS 16 instead requires companies to disclose leases in the statement of financial position using a single model (similar to how it accounted for finance leases under IAS 17) and thus eliminate the distinction between operating and finance leases, provided that those leases do not represent exemptions that companies may apply (short-term leases and leases where the underlying asset has a low value).

Accounting for leases by lessors under IFRS 16 does not differ substantially from accounting under IAS 17. Accounting for leases in which the Company acts as lessor thus remains the same.

IFRS 16 allows for the application of the aforementioned standard to intangible assets that are not expressly exempt from its application. However, the Company decided that it will not apply the standard to intangible assets.

As at 1 January 2019, the Company determined whether the contracts in which its acts as lessee are lease contracts or contracts containing a lease in accordance with IFRS 16. A lease contract contains a lease if it conveys the right to control of an identified asset for a period of time in exchange for consideration.

The Company recognised the following for such contracts (except for the exemptions stated below):

- right-of-use assets in leases (disclosed in property, plant and equipment and in the statement of financial position); and
- lease liabilities (disclosed under financial liabilities in the statement of financial position and under cash flows from financing activities in the cash flow statement).

Right-of-use assets are depreciated, while lease liabilities accrue interest. The Company recognised new assets and liabilities for its operating leases in connection with cars, forklifts and other equipment as at 1 January 2019, and additionally for buildings and equipment in the period January–June 2019. The nature of and costs associated with these leases thus changed, as the Company recognised the costs of operating leases equally over the lease term during the comparable period.

The Company applied two exemptions allowed by the aforementioned standard by excluding from the recognition of assets and liabilities leases:

- that are short-term in nature; and
- in which the underlying asset has a low value.

The Company recognises lease payments in connection with short-term and low-value leases as expenses based on the straight-line method over the entire lease term. It recognises liabilities from those leases as trade payables in the statement of financial position and under cash flows from operating liabilities in the cash flow statement.

When determining the lease term, the Company applies the period in which a contract is legally enforceable, where in accordance with IFRS 16, a lease is deemed no longer enforceable when the lessor and lessee have the right to terminate the lease relationship and the financial consequences are not material.

### **Recognition and measurement of right-of-use assets and lease liabilities**

On the day a lease commences (and on 1 January 2019 with the transition to IFRS 16), the Company recognises a right-of-use asset and a lease liability.

#### **Right-of-use assets under leases**

Upon initial recognition, the Company measures a right-of-use asset at historical cost, which includes:

- the amount of the initially measured lease liability;
- received lease payments that were made at or prior to the commencement of a lease, less lease incentives;
- initial direct costs incurred by the lessee; and
- estimated costs that the lessee will incur in the removal of an asset that is the subject of a lease, costs for the restoration of the location where an asset is located, or the return of an asset that is the subject of a lease to the condition stated in the terms of a lease.

Following initial recognition, the Company measures such assets using the historical cost model, less accumulated depreciation and any accumulated impairment loss, corrected for the remeasurement of the lease liability.

#### Lease liabilities

Upon initial recognition, the Company **measures lease liabilities at the present value of future lease payments on the day of recognition. Lease payments are discounted at the interest rate implicit in a lease if that rate can be determined. If this is not possible, the Company applies the incremental borrowing rate that it would have to pay if it acquired an asset with a similar value as a right-of-use asset for a similar period, based on a similar guarantee in a similar economic environment.**

Following initial recognition, the Company measures the aforementioned liability such that its carrying amount is:

- increased by the amount of interest on a lease,
- decreased by the amount of lease payments, and
- increased or decreased, such that the amount of the liability is adjusted to the remeasured or amended lease.

#### Sale and leaseback transactions

In sale and leaseback transactions in which it acts as seller, i.e. lessee, the Company measures a right-of-use asset proportionately with that part of the previous carrying amount of the right-of-use asset that it has kept. Accordingly, it only recognises the amount of gains or losses that relate to the rights that were transferred by the buyer, i.e. lessor. Such gains are recognised in other operating revenues.

### c.2) Effect of the transition to IFRS 16 on the statement of financial position, income statement and cash flow statement

#### Effect of the transition as at 1 January 2019

Table 58: Effect of the transition to IFRS 16 on the carrying amount of the Company's assets and liabilities as at 1 January 2019

in EUR thousand	Reported as at 31 December 2018	Adjustment for the initial application of IFRS 16	Adjusted balance as at 1 January 2019
<b>ASSETS</b>	<b>185,114</b>	<b>582</b>	<b>185,696</b>
Property, plant and equipment	85,752	582	86,334
<b>LIABILITIES</b>	<b>100,109</b>	<b>582</b>	<b>100,691</b>
Non-current financial liabilities	0	391	391
Current financial liabilities	71,778	191	71,969

Table 59: Differences between lease liabilities under IAS 17 and lease liabilities under IFRS 16 as at 1 January 2019

in EUR thousand	2019
Lease liabilities under IAS 17 as at 31 December 2018 (undiscounted value)	631
Lease liabilities as at 1 January 2019 (discounted value according to the weighted average assumed interest rate of 2.69%)	605
Reduction for contracts reclassified to other costs of services	-23
<b>Lease liabilities as at 1 January 2019</b>	<b>582</b>
Of which:	
non-current lease liabilities	391
current lease liabilities	191

In accordance with the option provided for by IFRS 16, the Company did not include leases that were recognised under IAS 17 prior to 1 January 2019 and that it assessed under IFRS 16 as short-term in the explanation of differences in the above table.

### Application of IFRS 16 in the period January–June 2019

Table 60: Changes in right-of-use assets under leases in the period January-June 2019

in EUR thousand	Right-of-use assets under leases		
	Buildings	Equipment	Total
<b>Balance as at 1 January 2019</b>	<b>0</b>	<b>582</b>	<b>582</b>
Increase for new leases	115	33	148
Depreciation	-25	-95	-120
<b>Balance as at 30 June 2019</b>	<b>90</b>	<b>520</b>	<b>610</b>

The increase from new leases in respect of buildings relates to right-of-use assets (relating to those buildings) from leaseback transactions.

Table 61: Interest expenses on lease liabilities and costs of short-term leases in the period January–June 2019

in EUR thousand	Jan–Jun 2019
Interest expenses on lease liabilities	9
Costs of short-term leases of real estate and equipment	101
<b>Total</b>	<b>110</b>

Table 62: Effect of the application of IFRS 16 on the cash flow statement for the period January–June 2019 (Company as lessee)

in EUR thousand	Jan–Jun 2019
Lease payments for short-term leases (disclosed in cash flows from operating activities)	99
Payment of lease liabilities comprising principal (disclosed in cash flows from financing activities)	98
<b>Total</b>	<b>197</b>

Table 63: Gains on sale and leaseback transactions in the period January–June 2019

in EUR thousand	Jan–Jun 2019
Gains on sale and leaseback transactions	55

During the reporting period, the Company sold and leased back part of a building.

Table 64: Rental income in the period January–June 2019

in EUR thousand	Jan–Jun 2019
Rental income	1,988

## Other disclosures

The balance of non-current and current lease liabilities as at 30 June 2019 is disclosed in Table 62 Financial liabilities.

An analysis of the maturity of lease liabilities is presented in Table 68 Liquidity risk.

## A) NOTES TO THE INCOME STATEMENT

### Sales revenue

**Sales revenue** amounted to EUR 57,143 thousand (EUR 56,702 thousand during the comparable period).

Table 65: Sales revenue by business line in the period January–June 2019

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
<b>Revenues by business line</b>		
Land transport	26,073	26,396
Logistics solutions	9,550	7,854
Intercontinental transport	19,243	20,281
Other services	2,278	2,170
<b>Total</b>	<b>57,143</b>	<b>56,702</b>
<b>Revenues generated by country (with respect to a customer's head office)</b>		
Slovenia	31,005	32,119
Croatia	854	785
Bosnia and Herzegovina	529	632
Montenegro	184	163
Other countries	24,571	23,004
<b>Total</b>	<b>57,143</b>	<b>56,702</b>

Table 66: Sales revenue with respect to the timing of recognition in the period January–June 2019

in EUR thousand	Land transport		Logistics solutions		Intercontinental transport		Other services		Total	
	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Revenues from completed services	25,573	25,365	9,550	7,854	19,243	20,281	2,278	2,170	56,644	55,670
Revenues from incomplete services	281	520	29	19	189	493	0	0	499	1,032
<b>Total</b>	<b>25,854</b>	<b>25,885</b>	<b>9,579</b>	<b>7,873</b>	<b>19,432</b>	<b>20,774</b>	<b>2,278</b>	<b>2,170</b>	<b>57,143</b>	<b>56,702</b>

### Other operating revenues

Table 67: Other operating revenues in the period January–June 2019

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
Gains from the sale of property, plant and equipment, and assets held for sale	176	108
Government grants received	27	30
Other operating revenues	60	219
<b>Total</b>	<b>263</b>	<b>357</b>

### Costs of goods, materials and services

Table 68: Costs of goods, materials and services in the period January–June 2019

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
Costs of materials and historical cost of goods sold	1,029	937
Costs of services within the Group	1,008	1,019
Costs of services (excluding the Group):	41,012	40,486
– direct costs	36,819	36,646
– costs of hired labour and student work	1,621	1,437
– maintenance of property, plant and equipment, and investment property	491	480
– maintenance of intangible assets	366	332
– costs of short-term leases of property, plant and equipment	101	-
– costs of leases of intangible assets	200	7
– insurance premiums	298	222
– costs of asset security	258	238
– costs of intellectual services	109	151
– costs associated with the Supervisory Board and its committees	89	86
– other costs of services	660	886
<b>Total</b>	<b>43,048</b>	<b>42,442</b>

Direct costs comprise the costs of subcontractors (transportation, port-related services, etc.) that are directly related to the provision of the Company's services. Other costs of services in the amount of EUR 660 thousand comprise the costs of municipal and banking services, costs in connection with business travel, training costs, the costs of ancillary services and other costs. Other costs of services included the costs of lease payments in accordance with IAS 17, which amounted to EUR 282 thousand during the comparable period.

## Labour costs

Table 69: Labour costs in the period January–June 2019

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
Costs of wages and salaries	6,300	6,043
Social security costs	1,338	1,293
Other labour costs	1,718	1,700
annual leave allowance	357	343
transportation and meal allowances	776	747
other labour costs	57	36
expenses for employee participation in profits	529	574
<b>Total</b>	<b>9,356</b>	<b>9,036</b>

## Amortisation and depreciation

Table 70: Amortisation and depreciation in the period January–June 2019

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
Depreciation of property, plant and equipment, and investment property	1,827	1,791
Amortisation of intangible assets	252	239
<b>Total</b>	<b>2,079</b>	<b>2,030</b>

## Losses due to the impairment of receivables (including the reversal of impairment losses)

In the period January–June 2019, the item Losses due to the impairment of receivables (including the reversal of impairment losses) comprised revenues in the amount of EUR 403 thousand, primarily due to repayment of other receivables in the amount of EUR 571 thousand. The expected effect is disclosed in Table 91 Changes in adjustments to the value of current trade receivables and Table 93 Changes in adjustments to the value of other current operating receivables.

## Other operating expenses

Table 71: Other operating expenses in the period January–June 2019

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
Building land use fees and similar expenses	466	484
Other levies	3	2
Costs from the creation of provisions	0	0
Other operating expenses	54	41
<b>Total</b>	<b>523</b>	<b>527</b>

## Finance income and costs

Table 72: Finance income and costs in the period January–June 2019

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
Interest income from Group companies	25	22
Interest income from others	344	63
Income from dividends and other shares in profit from Group companies	826	733
Income from participating interest in associate	8	10
Gains from the disposal of financial assets	0	9
<b>Total finance income</b>	<b>1,202</b>	<b>837</b>
Interest expense and other borrowing expenses	-889	-957
Expenses from impairments of investments in participating interests and shares in Group companies	-30	-92
Net exchange rate differences	-5	-2
<b>Total finance costs</b>	<b>-924</b>	<b>-1,051</b>
<b>Loss from financing activities</b>	<b>278</b>	<b>-214</b>

Interest income from others primarily comprises the payment of default interest in the amount of EUR 284 thousand, which derives from other receivables.

The **profit from ordinary operations** in the amount of EUR 3,070 thousand was the result of operating profit in the amount of EUR 2,792 thousand and a loss from financing activities in the amount of EUR 278 thousand.

**Corporate income tax** for the reporting period was in the amount of EUR 112 thousand, comprising current tax in the negative amount of EUR 207 thousand and deferred tax which decreased current tax in the amount of EUR 95 thousand.

A **net profit** in the amount of EUR 2,958 thousand was thus achieved taking into account corporate income tax.

## B) NOTES TO THE STATEMENT OF FINANCIAL POSITION

### Property, plant and equipment

Table 73: Property, plant and equipment as at 30 June 2019

in EUR thousand	30 Jun 2019	31 Dec 2018
Land and buildings	80,142	81,160
Land	44,732	44,732
Buildings	35,410	36,428
Plant and equipment	4,451	4,575
Right-of-use assets under leases	610	-
Investments in foreign fixed assets	6	2
Property, plant and equipment in acquisition	202	15
<b>Total</b>	<b>85,412</b>	<b>85,752</b>

Contributing to the reduction in the value of property, plant and equipment were depreciation costs (EUR 1,671 thousand). The increase in property, plant and equipment was the result of



right-of-use assets under leases (EUR 582 thousand with the transition to IFRS 16 as at 1 January 2019 and EUR 148 thousand in the period January–June 2019) and the purchase of other items of property, plant and equipment (EUR 601 thousand).

The carrying amount of property, plant and equipment (land and buildings) pledged as collateral was EUR 72,169 thousand at the end of the first half of 2019 (comprising collateral for loans received and contingent liabilities).

The Company had no other legal restrictions on the disposal of aforementioned assets.

### Investment property

The carrying amount of investment property was EUR 9,983 thousand as at 30 June 2019. The reduction in this item was the result of depreciation in the amount of EUR 155 thousand.

The carrying amount of investment property pledged as collateral was EUR 9,594 thousand at the end of June 2019. That amount represents additional collateral for liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

### Intangible assets

Table 74: Intangible assets as at 30 June 2019

in EUR thousand	30 Jun 2019	31 Dec 2018
Long-term property rights	274	367
Other intangible assets	2,466	2,617
Intangible assets under construction	555	446
<b>Total</b>	<b>3,294</b>	<b>3,431</b>

### Loans granted and deposits

Table 75: Loans granted and deposits as at 30 June 2019

in EUR thousand	30 Jun 2019	31 Dec 2018
<b>Long-term loans granted and deposits</b>	<b>42</b>	<b>102</b>
loans to subsidiaries	42	92
Deposits	0	10
<b>Short-term loans granted and deposits</b>	<b>2,047</b>	<b>1,615</b>
loans to subsidiaries	2,037	1,585
deposits	10	30
<b>Total</b>	<b>2,089</b>	<b>1,717</b>

The Company had pledged short-term deposits in the amount of EUR 10 thousand as collateral for contingent liabilities.

## Other non-current financial assets

Table 76: Other non-current financial assets as at 30 June 2019

in EUR thousand	30 Jun 2019	31 Dec 2018
Non-current investments in shares and participating interests in subsidiaries	44,257	44,257
Non-current investment in a participating interest in an associate	39	39
Other non-current financial assets	27	27
<b>Total</b>	<b>44,323</b>	<b>44,323</b>

The carrying amount of pledged investments in shares and participating interests in subsidiaries was EUR 9,274 thousand at the end of June. That amount represents additional collateral for liabilities for which the underlying collateral comprises pledged items of property, plant and equipment.

## Available-for-sale assets

Available-for-sale assets, which amounted to EUR 2,714 thousand at the end of 2018, were sold in their entirety during the first half of 2019.

## Current operating receivables

Table 77: Current operating receivables as at 30 June 2019

in EUR thousand	30 Jun 2019	31 Dec 2018
Current operating receivables from Group companies	615	566
Current operating receivables from Group companies for interest	195	193
Current receivables for dividends and other shares in profit of Group companies	685	0
Current trade receivables (excluding the Group)	22,400	21,773
Current operating receivables from others	594	1,089
<b>Total</b>	<b>24,489</b>	<b>23,620</b>

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

**Other current assets**, which amounted to EUR 1,069 thousand at the end of the first half of 2019, comprise current deferred costs.

## Provisions

Table 78: Provisions as at 30 June 2019

in EUR thousand	30 Jun 2019	31 Dec 2018
Provisions for severance pay at retirement and jubilee benefits	1,055	1,055
Provisions for lawsuits	14	13
<b>Total</b>	<b>1,069</b>	<b>1,068</b>

## Financial liabilities

Table 79: Financial liabilities as at 30 June 2019

in EUR thousand	30 Jun 2019	31 Dec 2018
Non-current lease liabilities	374	-
<b>Total non-current financial liabilities</b>	<b>374</b>	<b>-</b>
Short-term loans received from Group companies	1,920	2,061
Short-term loans from others	59,045	69,717
Current lease liabilities	284	-
<b>Total current financial liabilities</b>	<b>61,248</b>	<b>71,778</b>

On 1 March 2019, the Company signed an annex to the financial restructuring agreement, thereby extending the maturity of the final instalment in the amount of EUR 57,044 thousand from 30 September 2019 to 31 January 2020.

The extension of the financial restructuring agreement until January 2020 did not result in a change in the target values of financial commitments, despite the fact that the original agreement envisaged the classification of financial liabilities under that agreement to non-current financial liabilities, which would affect the quick ratio for 2019. Because all financial liabilities under the financial restructuring agreement were reclassified to current financial liabilities as at 30 June 2019, the Company failed to achieve the target value of the quick ratio. For that reason, the Company has already received a waiver from all creditor banks for the aforementioned financial commitment.

The Company had approved and undrawn revolving loans in the amount of EUR 5,530 thousand as at 30 June 2019.

## Current operating liabilities

Table 80: Current operating liabilities as at 30 June 2019

in EUR thousand	30 Jun 2019	31 Dec 2018
Current operating liabilities to Group companies	403	356
Current trade payables (excluding the Group)	16,998	15,176
Other current operating liabilities	3,694	2,524
<b>Total</b>	<b>21,095</b>	<b>18,056</b>

## C) OTHER NOTES

### Contingent liabilities

Table 81: Contingent liabilities as at 30 June 2019

in EUR thousand	30 Jun 2019	31 Dec 2018
From bank guarantees and guarantees given to Group companies	312	468
From bank guarantees and guarantees given to others	9,555	9,555
From lawsuits	65	68
To D.S.U., družba za svetovanje in upravljanje, d. o. o.	66	66
<b>Total</b>	<b>9,998</b>	<b>10,157</b>

## Fair value

Table 82: Fair value of financial instruments as at 30 June 2019

in EUR thousand	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>				
Financial assets measured at fair value through profit or loss	27	27	27	27
Loans and deposits	2,089	2,089	1,717	1,717
Operating receivables	24,523	24,523	23,636	23,636
Cash and cash equivalents	1,960	1,960	5,430	5,430
<b>Total</b>	<b>28,599</b>	<b>28,599</b>	<b>30,811</b>	<b>30,811</b>
<b>Liabilities</b>				
Loans	60,965	60,965	71,777	71,777
- at fixed interest rates	1,920	1,920	0	0
- at variable interest rates	59,045	59,045	71,777	71,777
Lease liabilities	657	657	0	0
Operating liabilities	22,046	22,046	19,457	19,457
<b>Total</b>	<b>83,669</b>	<b>83,669</b>	<b>91,235</b>	<b>91,235</b>

Table 83: Fair value hierarchy of assets as at 30 June 2019

in EUR thousand	30 Jun 2019			
Fair value hierarchy	Level 1	Level 2	Level 3	Total
Land	0	0	44,732	44,732
Financial assets measured at fair value through profit or loss	0	0	27	27
<b>Total</b>	<b>0</b>	<b>0</b>	<b>44,760</b>	<b>44,760</b>
in EUR thousand	31 Dec 2018			
Fair value hierarchy	Level 1	Level 2	Level 3	Total
Land	0	0	44,732	44,732
Financial assets measured at fair value through profit or loss	0	0	27	27
<b>Total</b>	<b>0</b>	<b>0</b>	<b>44,760</b>	<b>44,760</b>

The table only includes assets measured at fair value. The Company assesses that the carrying amount of financial assets and financial liabilities not measured at fair value reflects their fair value.

## TRANSACTIONS WITH RELATED PARTIES

Table 84: Transactions with related parties during the period January–June 2019

in EUR thousand	Subsidiaries		Associate		Other*	
	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018	Jan–Jun 2019	Jan–Jun 2018
Revenues from the sale of services	1,812	1,823	217	313	25	30
Interest income	25	22	0	0	0	0
Income from participating interests	826	8	8	10	0	0
Costs of services	1,034	1,019	2,054	2,063	5	9
Interest expense	16	8	0	0	0	0

in EUR thousand	Subsidiaries		Associate		Other*	
	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018	30 Jun 2019	31 Dec 2018
Non-current investments in shares and participating interests	44,257	44,257	39	39	0	0
Balance of operating receivables	1,496	759	85	91	8	6
Loans granted	2,079	1,677	0	0	0	0
Balance of operating liabilities	403	356	824	694	0	0
Loans received	1,920	2,060	0	0	0	0

\* Companies that are controlled or jointly controlled by an individual, or a member of their immediate family, who is in a relationship with the Company.

## FINANCIAL RISKS

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

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

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

Table 85: Liquidity risk as at 30 June 2019

in EUR thousand							
30 Jun 2019	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Loans received within the Group on the basis of loan agreements	1,920	1,939	934	1,005	0	0	0
Loans received from others on the basis of loan agreements	59,045	59,960	2,985	56,975	0	0	0
Lease liabilities	657	670	136	159	216	159	0
Operating liabilities to Group companies	403	403	403	0	0	0	0
Trade payables (excluding the Group)	17,289	17,289	16,970	28	152	71	69
of which trade payables for short-term leases	14	14	14	0	0	0	0
Other operating liabilities	4,354	4,354	3,694	0	660	0	0
<b>Total</b>	<b>83,669</b>	<b>84,616</b>	<b>25,122</b>	<b>58,167</b>	<b>1,028</b>	<b>229</b>	<b>69</b>

On 1 March 2019, the Company extended the maturity of the final instalment under the financial restructuring agreement in the amount of EUR 57,044 thousand from 30 September 2019 to 31 January 2020. The Company is planning to continue implementing a strategy in 2019 aimed at the sale of certain non-strategic real estate and further reduce the balance of bank loans received, which in turn will reduce liquidity risk. It is planning to refinance financial liabilities from the financial restructuring agreement in 2019.

Table 86: Liquidity risk as at 31 December 2018

in EUR thousand							
31 Dec 2018	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Loans received within the Group on the basis of loan agreements	2,060	2,079	1,073	1,006	0	0	0
Loans received from others on the basis of loan agreements	69,717	70,998	8,610	62,388	0	0	0
Liabilities for dividends	0	0	0	0	0	0	0
Operating liabilities to Group companies	356	356	356	0	0	0	0
Trade payables (excluding the Group)	15,478	15,478	15,104	72	163	71	69
Other operating liabilities	3,621	3,621	2,524	0	1,097	0	0
<b>Total</b>	<b>91,233</b>	<b>92,532</b>	<b>27,667</b>	<b>63,465</b>	<b>1,261</b>	<b>71</b>	<b>69</b>

Table 87: Currency risk as at 30 June 2019

in EUR thousand				
30 Jun 2019	EUR	USD	Other	Total
Operating receivables from Group companies	1,495	0	1	1,495
Other operating receivables	22,781	241	4	23,027
of which trade receivables	22,178	220	2	22,400
Short-term loans to Group companies	2,037	0	0	2,037
Long-term loans to Group companies	42	0	0	42
Short-term loans granted and deposits placed with others	10	0	0	10
Short-term loans received from Group companies	-1,920	0	0	-1,920
Short-term loans received from others and other current financial liabilities	-59,045	0	0	-59,045
Lease liabilities	-657	0	0	-657
Operating liabilities within the Group	-403	0	0	-403
Other operating liabilities	-21,472	-156	-16	-21,644
of which trade payables	-17,141	-135	-14	-17,289
<b>Exposure disclosed in the statement of financial position</b>	<b>-57,131</b>	<b>85</b>	<b>-11</b>	<b>-57,057</b>

Table 88: Currency risk as at 31 December 2018

in EUR thousand				
31 Dec 2018	EUR	USD	Other	Total
Operating receivables from Group companies	759	0	0	759
Other operating receivables	22,680	191	6	22,878
of which trade receivables	21,589	181	2	21,773
Short-term loans to Group companies	1,585	0	0	1,585
Long-term loans to Group companies	92	0	0	92
Long-term deposits placed	10	0	0	10
Short-term loans granted and deposits placed with others	30	0	0	30
Short-term loans received from Group companies	-2,060	0	0	-2,060
Long-term loans from others	0	0	0	0
Short-term loans received from others and other current financial liabilities	-69,718	0	0	-69,718
Operating liabilities within the Group	-356	0	0	-356
Other operating liabilities	-18,919	-159	-21	-19,099
of which trade payables	-15,311	-150	-17	-15,478
<b>Exposure disclosed in the statement of financial position</b>	<b>-65,897</b>	<b>32</b>	<b>-15</b>	<b>-65,879</b>

Table 89: Exposure to credit risk and expected credit losses in connection with current trade receivables as at 30 June 2019

in EUR thousand	Gross value as at 30 June 2019	Average percentage of value adjustments created	Value adjustment as at 30 June 2019
Non-past-due	17,795	0.19%	33
0 to 30 days past due	3,588	0.27%	10
31 to 90 days past due	1,470	3.14%	46
91 to 180 days past due	350	27.26%	95
More than 181 days past due	2,534	100.00%	2,534
Exchange rate differences	-4	0.00%	0
<b>Total</b>	<b>25,734</b>		<b>2,719</b>

Table 90: Exposure to credit risk and expected credit losses in connection with current trade receivables as at 31 December 2018

in EUR thousand	Gross value as at 31 December 2018	Average percentage of value adjustments created	Value adjustment as at 31 December 2018
Non-past-due	17,514	0.23%	41
1 to 30 days past due	3,566	0.22%	8
31 to 90 days past due	1,068	2.95%	31
91 to 180 days past due	345	20.91%	72
More than 181 days past due	2,471	100.00%	2,471
Exchange rate differences	-2	0.00%	0
<b>Total</b>	<b>24,962</b>		<b>2,623</b>

The Company believes that credit risk is appropriately managed. The most significant risk in the aforementioned category is the risk of payment delays and default by customers, where the Company has in place control limits and mechanisms for approving exposure to credit risk for major customers.

Table 91: Changes in adjustments to the value of current trade receivables

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
Adjustment to value of receivables as at 1 January	2,623	2,520
Write-offs of receivables	-71	-28
Losses due to the impairment of receivables (including the reversal of impairment losses)	167	90
<b>Balance as at 30 June</b>	<b>2,719</b>	<b>2,581</b>



Table 92: Exposure to credit risk and expected credit losses in connection with other current operating receivables

in EUR thousand	Gross value as at 30 June 2019	Value adjustment as at 30 June 2019	Gross value as at 31 December 2018	Value adjustment as at 31 December 2018
Non-past-due	554	0	1,089	0
Past-due	272	272	1,264	1,264
<b>Total</b>	<b>826</b>	<b>272</b>	<b>2,353</b>	<b>1,264</b>

Table 93: Changes in adjustments to the value of other current operating receivables

in EUR thousand	Jan–Jun 2019	Jan–Jun 2018
Adjustment to value of receivables as at 1 January	1,264	1,264
Write-offs of receivables	-421	0
Losses due to the impairment of receivables (including the reversal of impairment losses)	-570	0
<b>Balance as at 30 June</b>	<b>272</b>	<b>1,264</b>

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

Table 94: Interest-rate risk as at 30 June 2019

Type of variable interest rate	Loan amount 30 June 2019	Increase in IR by 10 basis points	Increase in IR by 25 basis points	in EUR thousand Increase in IR by 50 basis points
3-month EURIBOR	59,067	-59	-148	-295

Table 95: Interest-rate risk as at 31 December 2018

Type of variable interest rate	Loan amount 31 December 2018	Increase in IR by 10 basis points	Increase in IR by 25 basis points	in EUR thousand Increase in IR by 50 basis points
3-month EURIBOR	69,717	-70	-174	-349

#### EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting date that could have a significant impact on the presented financial statements during the first six months of 2019.