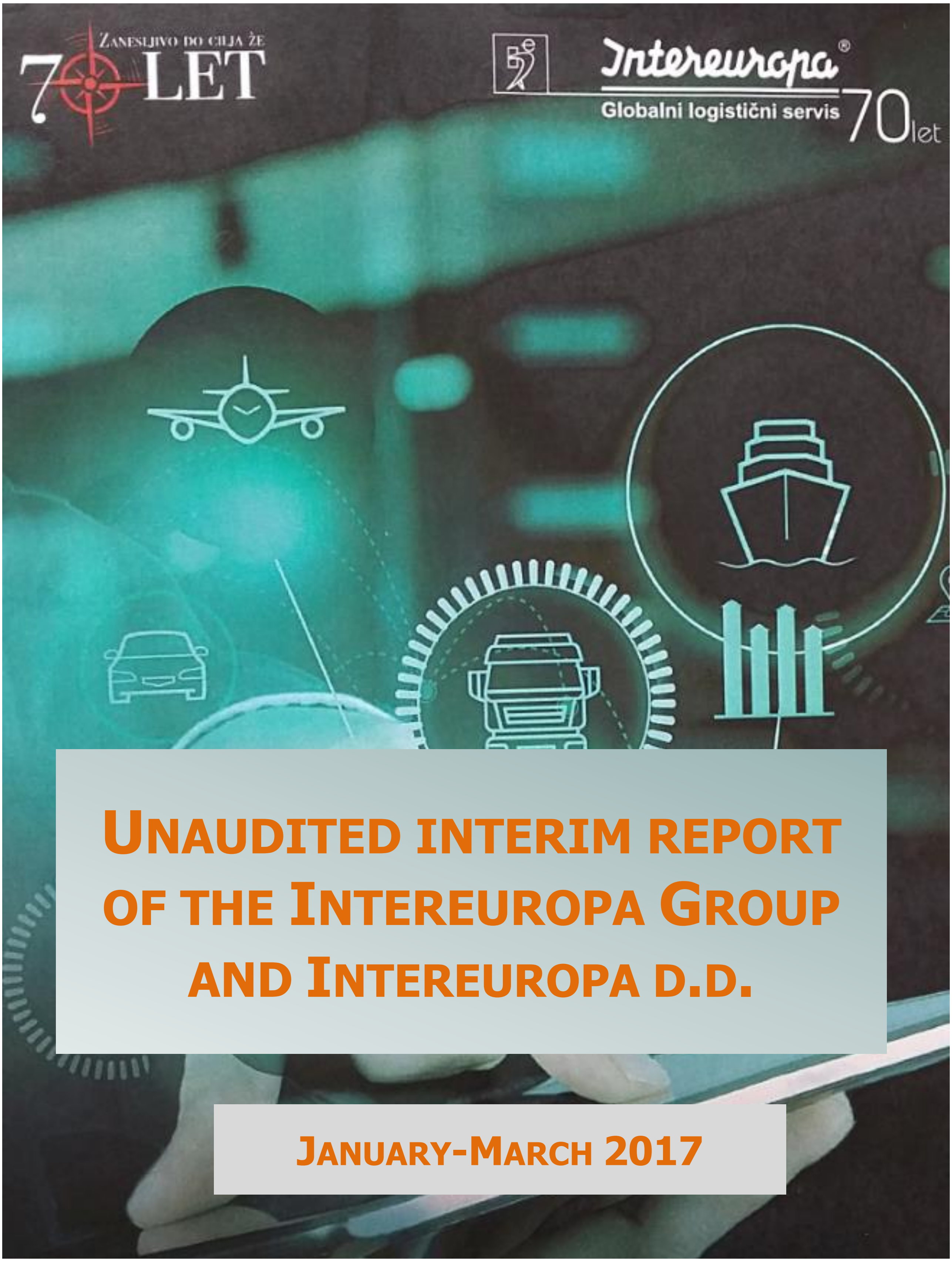

UNAUDITED INTERIM REPORT OF THE INTEREUROPA GROUP AND INTEREUROPA D.D.

JANUARY-MARCH 2017

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INTRODUCTION

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

The unaudited consolidated and non-consolidated financial statements have been prepared in accordance with the provisions of International Financial Reporting Standards (IFRS).

The Supervisory Board of Intereuropa d.d. discussed the Unaudited interim report of the Intereuropa Group and Intereuropa d.d. for the aforementioned period at its session on 24 May 2017.

The Unaudited interim report of the Intereuropa Group and Intereuropa d.d. for the Period January–March 2017 is available at the registered office of Intereuropa d.d., Vojkovo nabrežje 32, 6504 Koper and will also be published on Intereuropa d.d.'s website at www.intereuropa.si on 24 May 2017.

KEY PERFORMANCE HIGHLIGHTS

Favourable economic trends continue in Europe in 2017, which has the positive effect of continuing growth in demand for logistics services. The tense political situation and the resulting unstable economic environment in Ukraine, Macedonia and Bosnia and Herzegovina hinder growth on the aforementioned markets, which is reflected in part in the operations of the Group (Ukraine and Bosnia and Herzegovina). Nevertheless, we exceeded the sales results recorded during the same period last year in the intercontinental transport and logistics solutions business segments. The highest growth in the intercontinental transport business segment is recorded by sea freight and air freight products. Last year's results were exceeded in the logistics solutions business segment, primarily on account of the increased turnover of goods and new transactions in warehouses in Slovenia. We operated at the level recorded during the same period last year in the land transport business segment, as major pressures to reduce margins persist in 2017. We have partially offset that trend through growth in the physical volume of transactions. Leading to a further deterioration in the results of the land transport segment are the previously mentioned unstable political and economic conditions in Ukraine, which more than halved the turnover of the subsidiary in that country relative to the previous year. We have also recorded declining sales at subsidiaries in Slovenia, Bosnia and Herzegovina and Albania.

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

	INTEREUROPA GROUP			INTEREUROPA D.D.		
in EUR thousand	Jan–Mar 2017	Jan–Mar 2016	Index 17/16	Jan–Mar 2017	Jan–Mar 2016	Index 17/16
Sales revenue	35,416	33,666	105	24,939	23,111	108
EBITDA	3,409	3,336	102	2,480	2,356	105
Operating profit (EBIT)	1,714	1,676	102	1,473	1,361	108
Net profit or loss	886	697	127	956	931	103
EBITDA margin (in %)	9.6	9.9	97	9.9	10.2	98
EBIT margin (in %)	4.8	5.0	97	5.9	5.9	100
Sales revenue per employee/month	8.953	8.237	109	14.241	12.775	111
Value added per employee/month	2.436	2.332	104	3.672	3.453	106
	31. 03. 2017	31 Dec 2016	Index 17/16	31. 03. 2017	31 Dec 2016	Index 17/16
Assets	257,432	255,730	101	191,513	190,731	100
Equity	139,850	138,185*	101	88,103	87,118	101
Net financial debt	73,107	73,489	99	73,528	74,412	99
Number of employees	1,388	1,374	101	602	621	97
				Jan–Mar 2017	Jan–Dec 2016	Index 17/16
Number of shares at the end of period				27,488,803	27,488,803	100
Earnings per share (in EUR)				0.03	-0.13	-
Closing price at the end of period (in EUR)				1.70	1.18	144
Book value per share at the end of period (in EUR)				3.21	3.17	101
Closing price/Book value per share				0.53	0.37	142
P/E				14.2	-9.1	-

*Adjusted; for more information see the Introductory notes section on page 34.
* EBITDA: earnings before interest, taxes, depreciation and amortisation, and revaluation operating expenses for intangible assets, and property, plant and equipment.
Net financial debt: financial liabilities – loans granted and deposits – cash.
P/E: Closing price at the end of period / annualised earnings per share.

Intensive activities linked to the reorganisation of operations continued during the first quarter of this year. Those activities are primarily aimed at improving the effectiveness of sales and optimising execution. We also give special attention to supplier management in order to improve transportation terms. Activities continued in 2017 to introduce an integrated IT solution to support the Group's business processes.

The Intereuropa Group generated **EUR 35.4 million in sales revenue** in the period January–March 2017, an increase of 5% on the same period in 2016. **Operating profit** amounted to **EUR 1.7 million**, up 2% on the result achieved in 2016. The Group's **operating profit from ordinary operations** amounted to **EUR 1.0 million.** Corporate income tax (including deferred taxes) amounted to EUR 0.15 million and reduced the profit from ordinary operations. The Intereuropa Group thus ended the reporting period with a **net profit of EUR 0.9 million.**

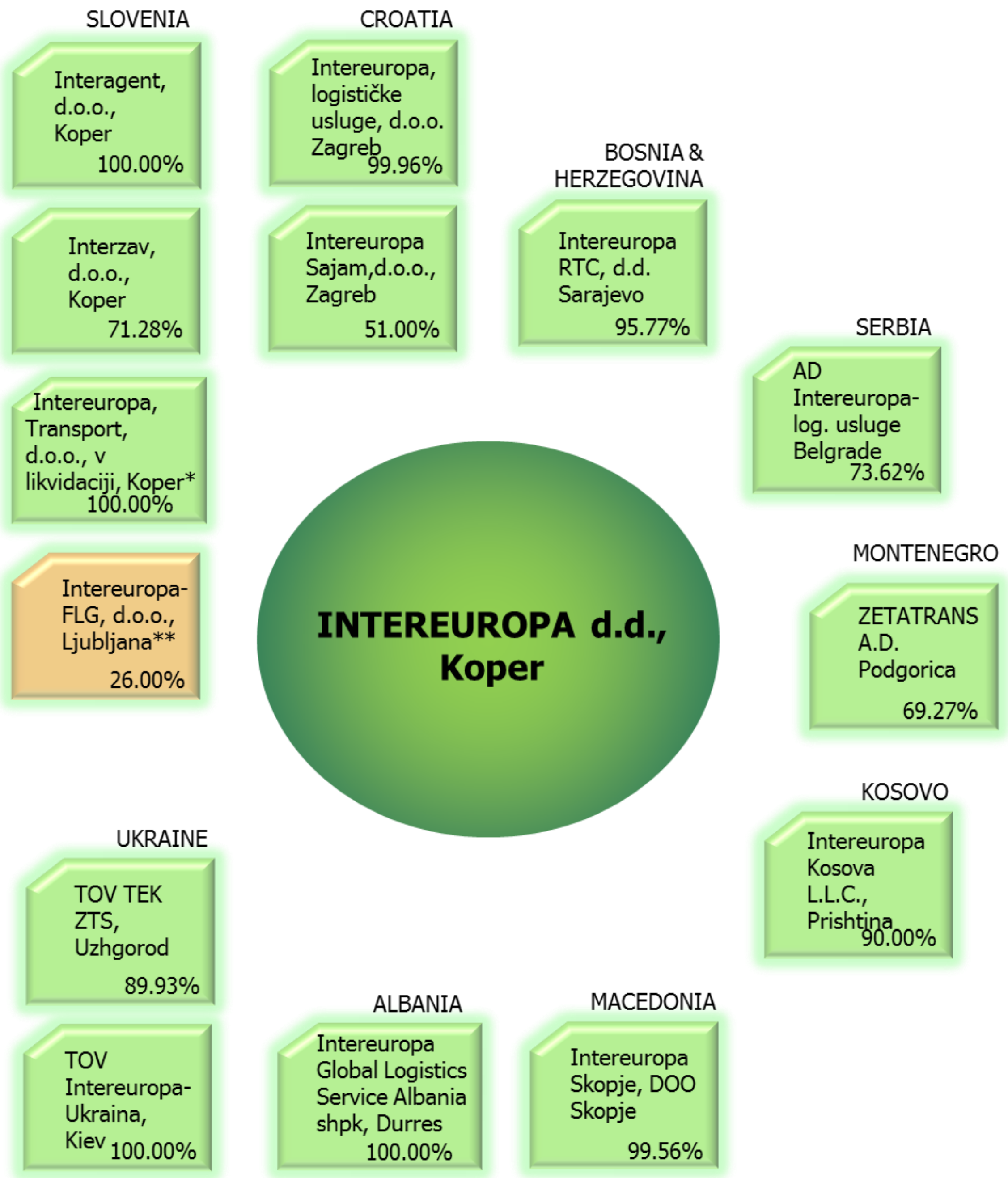
The parent company Intereuropa d.d., Koper generated **EUR 24.9 million in sales revenue** in the period January–March 2017, an increase of 8% on the sales results recorded during the same period in 2016. **Operating profit** was up by 1% to stand at **EUR 1.5 million.** The Company's **operating profit from ordinary operations** amounted to **EUR 1.1 million.** Corporate income tax (including deferred taxes) amounted to EUR 0.15 million and reduced the profit from ordinary operations. Intereuropa d.d. ended the reporting period with a **net profit of EUR 1.0 million.**

GENERAL INFORMATION REGARDING THE GROUP

Parent company	Intereuropa, Globalni logistični servis, delniška družba
Abbreviated name	Intereuropa d.d.
Country of the parent company	Slovenia
Registered office of the parent company	Vojkovo nabrežje 32, 6000 Koper
Registration no.	5001684
Tax no.	56405006
Entry in the companies register	Registered with the Koper District Court, entry no. 1/00212/00
Share capital	EUR 27,488,803
Number of shares issued and paid up	27,488,803 no-par-value shares, of which 16,830,838 are ordinary shares (IEKG) and 10,657,965 are preference shares (IEKN)
Share listing	IEKG shares are listed on the prime market of the Ljubljana Stock Exchange, CEESEG.
Management Board	Ernest Gortan, MSc, President of the Management Board Tatjana Vošinek Pucer, MSc, Deputy President of the Management Board Marko Cegnar, MBA, member of the Management Board
Chairman of the Supervisory Board	Klemen Boštjančič

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

Intereuropa Group	
Number of employees	1,388 employees
Vehicle fleet	107 group-owned trucks, trailers and other commercial vehicles
Total warehousing area	232,445 m^2 of own warehouse space
Total land area	1,660,000 m^2 of land area
Membership in international organisations	FIATA, IATA, FONASBA, BIMCO, GS1, WCA, FETA, HCL
Quality certificates	ISO 9001:2008 certificate ○ Intereuropa d.d., Koper ○ Intereuropa, logističke usluge d.o.o., Zagreb ○ Intereuropa RTC d.d., Sarajevo
Own branch network	Slovenia, Croatia, Montenegro, Bosnia and Herzegovina, Serbia, Kosovo, Macedonia, Albania and Ukraine



* Intereuropa Transport d.o.o., Koper has been in liquidation proceedeings since 17 January 2012.
** On 3 February 2017 company Intereuropa FLG, d.o.o., Ljubljana changed its name to Rail Cargo Logistics d.o.o., Ljubljana.

Parent company
Subsidiary
Associate
% Ownership share of the Parent company

Figure1: Intereuropa Group as at 31 March 2017

STRATEGIC POLICIES

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

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

Values
Integrity. We respect the highest ethical principles and best business practices. We operate in full compliance with applicable legislation, guidelines, recommendations and the Company's internal regulations.
Excellence. Our services are geared towards the superior satisfaction of every customer's needs for logistics services, and are based on our advanced logistics know-how.
Adaptability and flexibility. Our services are prompt and tailored to our customers' needs. We achieve this by applying innovative approaches and ensuring a lean organisation.
Responsibility. We are distinguished by a high level of responsibility for the obligations we undertake, the agreements we conclude, and the social and natural environments in which we live.
Teamwork and a respectful approach to employees. The quality of our services is the result of the work of individuals and top-notch expert teams. We value the diverse knowledge, experiences and views of our employees.

The pursuit of our corporate vision relies on a strategy comprising four key pillars: logistics-centred product development, customer management, geographical coverage and effective Group governance.

The Group's strategic policies derive from the four pillars of our developmental and operational strategy:
→ the consolidation and strengthening of our position as the leading market provider of comprehensive logistics solutions in the countries of the former Yugoslavia;
→ the optimisation of business processes with the help of innovative IT solutions;
→ the development of the culture of an innovative organisation, susceptible to change, and centred around motivated employees and effective teamwork; and
→ the maintenance of financial stability through divestment, deleveraging and the effective management of working capital.

Strategic objectives for 2019

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

BUSINESS PLAN 2017

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

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

Key objective:

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

Other objectives:

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

Key financial objectives:

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

SIGNIFICANT EVENTS

IN THE PERIOD JANUARY–MARCH 2017

January

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

February

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

March

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

EVENTS AFTER THE REPORTING PERIOD

April

→ Intereuropa d.d. was the main sponsor of the Slovenian Logistics Congress held in Portorož on 5 and 6 April.

→ On 10 April Intereuropa began using leased storage capacities in the Šenčur industrial zone, measuring approximately 1,500 m^2, for the needs of a new logistics project.

→ On 12 April the Supervisory Board of Intereuropa d.d. appointed Marko Rems to serve as member of the Management Board. In his function on the Management Board, Mr Rems will be responsible for the area of finance. The four-year term of office of the appointed member of Intereuropa d.d.'s Management Board begins on 5 July 2017.

→ At its session held on 20 April, Intereuropa d.d.'s Supervisory Board adopted the audited annual report of the Intereuropa Group for the 2016 financial year, together with the independent auditor's report.

→ Based on the relevant agreement, Tatjana Vošinek Pucer, MSc's employment with the Company was terminated early on 30 April 2017.

INFORMATION REGARDING BUSINESS RESULTS

1. OPERATIONS OF THE INTEREUROPA GROUP

1.1 Sales results

ECONOMIC TRENDS

Analysts of the International Monetary Funds (IMF) are expecting the global economic growth recorded in 2016 to continue over the next two years. That growth is forecast at 3.5% in 2017 and at 3.6% in 2018.
According to the forecasts of international institutions, euro area economic growth is expected to fluctuate at around 1.6% in the period 2017–2019, and will continue to be driven primarily by growth in private consumption in the context of improving conditions on the labour market. The recovery in investments is also expected to continue, while growth in exports is expected to begin strengthening.
Stimulated by foreign and domestic demand, favourable trends in economic activity have continued in Slovenia in 2017. Growth in exports and manufacturing output has continued in the context of strengthening foreign demand and a continuing favourable competitive position. Positive developments on the labour market have led to the strengthening of private consumption and contributed significantly to growth in revenues in the retail and services sectors, in connection with leisure time activities. Revenue growth has also continued in other marketable services, except construction, primarily due to the low level of government investments. Short-term outlooks for economic activity and employment remain favourable, as sentiment indicators continue to improve. Favourable outlooks are seen in the improved forecasts of international institutions for economic growth in Slovenia's most important trading partners.

The recovery of the Croatian economy, which has grown for four consecutive quarters, continued during the first quarter of 2017. A decrease in the tax burden, a strong tourism sector and falling unemployment will accelerate domestic consumption. A reduction in the corporate income tax rate and resources from EU funds are also expected to stimulate investments in fixed assets. Growth in the Serbian economy slowed slightly during the early months of 2017 relative to the previous year. Domestic demand is expected to rise in the next quarter, primarily on account of recently adopted structural reforms and fiscal consolidation. The Montenegrin economy also remained stable at the beginning of 2017, and is driven primarily by infrastructure construction projects and investments in key economic sectors. Intensive efforts are being made in Bosnia and Herzegovina to accelerate the introduction of key reforms, after the IMF warned that a programme of loans valued at more than EUR 550 million was in danger of being cancelled if reforms are not completed in a timely manner. The protracted political crisis and unstable economic environment continue to have a significant impact on the Macedonian economy. This in turn deters investments and hinders the introduction of crucial reforms. IMF approved USD 100 million in loans to Kosovo, while significant progress was made in shifting expenditure to capital investments in the aforementioned country. The budget for 2017 envisages an improving business climate, which will attract investments, and reduce unemployment and public debt. The increase in exports during the first quarter of 2017 points to the recovery of the Albanian economy, which could be jeopardised by June's approaching elections. Having a negative impact on the Ukraine's already modest economic recovery is the government's decision to impose an economic blockade on the eastern part of the country, with the aim of cutting off essential links, including the transport of coal and other industrial goods. Economic growth forecasts are not optimistic due to the expected reduction in industrial production and exports.

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

Countries	GDP growth, in %		Inflation, in %		Growth in merchandise imports, in %		Growth in merchandise exports, in %	
	2017	2018	2017	2018	2017	2018	2017	2018
EU	**2.0**	**1.8**	**1.7**	**1.8**	**4.0***	**4.0***	**3.8***	**3.8***
Slovenia	3.6	3.2	2.1	1.9	6.8	5.7	6.1	5.1
Croatia	2.9	2.6	0.8	1.2	7.2	6.2	7.6	7.5
Bosnia and Herzegovina	3.0	3.5	1.9	2.1	4.9	4.6	3.1	4.3
Serbia	3.0	3.5	2.6	3.0	6.6	6.6	10.1	8.1
Kosovo	3.5	3.6	1.0	1.8	1.0	4.2	3.6	0.7
Montenegro	3.3	3.4	1.5	1.4	7.4	9.0	5.7	2.0
Macedonia	3.2	3.4	1.5	1.9	9.6	8.0	11.7	9.8
Albania	3.7	4.1	2.6	3.0	3.8	1.7	4.8	5.6
Ukraine	2.0	3.2	10.0	7.0	3.4	4.2	3.0	6.7

* Data for the euro area.

Sources:
World Economic Outlook, IMF, April 2017;
IMAD, Slovenian Economic Mirror No 2/2017, April 2017;
IMAD, Spring forecast of economic trends, March 2017; and
Focus Economics, April 2017.

SALES REVENUE

The Intereuropa Group generated **EUR 35.4 million in sales revenue** in the period January–March 2017, an increase of 5% relative to the same period in 2016. Results similar to the preceding comparative period were achieved in the land transport business segment, while we exceeded results in the intercontinental transport and logistics solutions business segments. Standing out most was growth in sales of road, sea and air freight products.

In the land transport segment, which accounts for 52% of the Group's sales, we generated sales revenue of EUR 18.3 million, which matched the results achieved in the same period in 2016. The highest proportion of sales is generated by the parent company in Slovenia, where sales were up by 5%. Sales revenue from road transport products, which account for 52% of sales in the land transport segment, was up by 14%. The largest lag was recorded at the Ukrainian company TOV TEK ZTS, Uzhhorod, where normal operations are hindered by unrest.

Sales revenue in the intercontinental transport segment totalled EUR 10.7 million during the first quarter of 2017, an increase of 16% relative to the same period in 2016. The highest growth was recorded by sea and air freight products, primarily due to the positive development of certain transactions in the conventional sea freight segment and in chartered cargo transactions in Serbia and Slovenia.
We generated EUR 4.8 million in sales revenue in the logistics services segment in the period January–March 2017, an improvement of 4% on the sales revenue generated in the same period in 2016. The highest proportion of sales (69%) is generated by the parent company in Slovenia, where sales revenue was up by 7%.

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

	Business segment	Jan–Mar 2017	Structure	Index 2017/plan	Index 2017/2016
1	Land transport	18,276	52%	98	100
2	Logistics solutions	4,777	13%	99	104
3	Intercontinental transport	10,734	30%	113	116
4	Other services	1,629	5%	103	104
	TOTAL SALES REVENUE	**35,416**	**100%**	**102**	**105**

The majority of Group companies improved their sales results relative to the same period in 2016. The results generated by companies in Bosnia and Herzegovina and Albania were somewhat below the results generated during the same period last year, while the Ukrainian company's results were below expectations due to the previously mentioned reasons.

Table 4: Sales revenue of the Intereuropa Group by country (with respect to a company's head office), in EUR thousand

	Geographical area (according to company's head office)	Jan–Mar 2017	Structure	Index 2017/plan	Index 2017/2016
1	Slovenia	24,358	69%	102	108
2	Croatia	4,880	14%	98	100
3	Serbia	1,589	4%	158	168
4	Bosnia and Herzegovina	1,411	4%	92	98
5	Montenegro	1,239	3%	113	116
6	Ukraine	793	2%	86	46
7	Kosovo	632	2%	99	113
8	Macedonia	431	1%	129	150
9	Albania	83	0%	79	85
	TOTAL SALES REVENUE	**35,416**	**100%**	**102**	**105**
1	EU countries	29,238	83%	101	106
2	Non-EU countries	6,178	17%	110	101

During the period January–March 2017, companies in Slovenia together generated slightly more than two thirds of the Group's sales revenue, and improved their sales results by 8% solely on account of growth in sales at the parent company. The highest growth in sales was recorded at the companies in Serbia and Macedonia.

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

	Geographical area (according to customer's head office)	Jan–Mar 2017	Structure	Index 2017/2016
1	Slovenia	14,578	41%	110
2	Croatia	4,126	12%	101
3	Austria	2,351	7%	110
4	Germany	1,496	4%	100
5	Bosnia and Herzegovina	1,273	4%	90
6	Ukraine	173	0%	14
7	Other countries	11,421	32%	114
7a	Other EU countries	5,299	15%	115
7b	Rest of the world	6,121	17%	114
	TOTAL	**35,416**	**100%**	**105**

The largest proportion of sales revenue (41%) was generated by sales to Slovenian customers, followed by 25% from sales to customers from the other countries of the former Yugoslavia. The remaining 34% of the Group's sales revenue was generated by sales to customers with head offices in other countries.

LAND TRANSPORT

We generated sales revenue of EUR 18.2 million through land transport services during the first quarter of 2017, with that amount representing 52% of the total sales revenue of the Intereuropa Group. The highest proportion or 61% of sales revenue from land transport was generated by the parent company in Slovenia.

Sales revenue was at the level recorded during the same period in 2016. The parent company in Slovenia, which generates the highest proportion of total revenues from land transport, recorded a 5% increase in sales revenue relative to the same period in 2016. The most significant lag was recorded at the Ukrainian company, where the negative trend in operations from the second half of 2016 continued. That company recorded a 54% drop in sales revenue relative to the first quarter of 2016. Other subsidiaries outside of Slovenia, with the exception of minor lags at the subsidiaries in Bosnia and Herzegovina and Albania, exceeded the results achieved in 2016.
A breakdown of sales revenue by product shows that sales revenue from domestic transport and road transport products exceeded the results achieved during the same period last year. This was not the case in the groupage and customs clearance services segments, while the sharpest decline was recorded in the railway freight segment.

We lagged behind planned sales targets by 2%, the most significant shortfall in absolute terms being recorded in Slovenia and attributed to the road transport and railway freight segments. The following companies also lagged behind sales targets: Intereuropa, logističke usluge d.o.o., Zagreb (groupage services), Intereuropa RTC d.d., Sarajevo (domestic transport and customs clearance services), TOV TEK ZTS, Uzhhorod (railway freight services) and Intereuropa Albania (road transport services). Other companies exceeded their sales targets: AD Intereuropa logističke usluge, Belgrade (groupage and customs clearance services), Zetatrans A.D., Podgorica (groupage, road transport and customs clearance services), Intereuropa Kosovo L.L.C., Prishtina (road transport services) and Intereuropa Skopje DOO, Skopje (road transport services).

During the first quarter of 2017, Slovenia was witness to growth in the physical volume of processed orders for groupage (+12%), road transport (+14%) and customs clearance services (+7%). The increase in sales revenue tracked the increase in the number of orders, but not to the same extent. The exception was customs clearance services, where a certain amount of the decline in sales revenue was the result of amendments to tax legislation governing merchandise imports from third countries (non-EU member states), which entered into force on 1 July 2016.

Road transport:

→ Road transport accounts for the largest proportion (27%) of total sales revenue among the services provided by the Intereuropa Group, and also accounts for 52% of all land transport services.
→ Sales revenue was up by 14% relative to the first quarter of 2016, while planned sales were exceeded by 2%.

- → The most significant increase in sales revenue in absolute terms was recorded in Slovenia, where revenues were up 11% primarily due to a 14% increase in the number of orders. Actual sales, nevertheless, lagged behind planned sales by 3%.
- → The subsidiary Intereuropa, logističke usluge d.o.o., Zagreb, which upgraded its vehicle fleet during the second half of 2016, generated similar sales revenue during the first quarter of 2017 as it did during the same period in 2016.
- → The companies in Macedonia, Kosovo, Montenegro, Bosnia and Herzegovina and Ukraine exceeded both last year's results and planned targets for the first quarter of this year.
- → The company in Serbia failed to achieve planned operating revenues.
- → The largest relative lag was recorded in Albania, where revenues were down due to the loss of a key customer.
- → Increasing demand for transport services has been seen on the market, while pressures on prices have continued on the market, resulting in a protracted period of declining sales margins. We are trying to address the aforementioned issue through the active management of direct costs.

Groupage:

- → Sales revenue in the groupage segment was down by 1% and lagged behind planned sales by 9% in the period January–March 2017. The most significant lag was recorded in Croatia.
- → More than three quarters of the Group's total revenues from groupage services were generated in Slovenia. The number of orders processed rose by 12% relative to the same period last year, while sales revenue was up by 4% on last year's results.
- → Intereuropa established cooperation with a new partner in Italy in February. France is also covered through the same partner.
- → The results achieved by the Croatian subsidiary were down 14% on the results achieved in 2016, and down 33% on planned results. The company introduced the WexVS IT solution in March in the groupage and domestic transport segment, which resulted in changes to the disclosure of revenues by product.
- → The Macedonian subsidiary exceeded both last year's results (by 38%) and its planned targets (by 32%).
- → Sales revenue was up and set targets were also exceeded by the subsidiaries in Bosnia and Herzegovina and Albania, as a result of increased quantities of transported goods.
- → The company in Serbia exceeded its planned targets, but results were down on those generated last year.
- → A decline in sales revenue and a failure to meet planned targets were recorded in Macedonia and Kosovo.
- → The WexVS IT solution was introduced at the Croatian subsidiary in March for groupage services.

Customs clearance services:

- → Sales revenue was down 2% on the results achieved in the period January–March 2016. A decline in operating revenues was recorded in Slovenia, Bosnia and Herzegovina and Macedonia in the customs clearance services segment.
- → Slovenia, where 35% of all sales revenue from customs clearance services was generated, recorded a decrease of 12%. Actual sales were 5% lower than planned.
- → Amendments to tax legislation governing merchandise imports from third countries (non-EU member states) entered into effect on 1 July 2016. This resulted in a certain decrease in revenues for Intereuropa d.d., which was reflected in part in lower sales revenue relative to last year.

- → Sales revenue from customs clearance services rose by 3% in Croatia relative to the first quarter of 2016 and was also 1% higher than planned.
- → The subsidiaries in Serbia and Montenegro recorded growth in operating revenues relative to the first quarter of 2016 and exceeded planned values.

Domestic transport:

- → Sales revenue was up 4% relative to the first quarter of 2016, which was in line with plans. Growth was recorded in Slovenia, Croatia and Montenegro, while a decline was seen in Serbia and Bosnia and Herzegovina.
- → The largest proportion of revenues from the sale of domestic transport services was generated by the subsidiary in Croatia (59%), followed by the company in Slovenia (24%), the subsidiary in Bosnia and Herzegovina (12%), and the subsidiaries in Serbia (4%) and Montenegro (1%).
- → Sales revenue was up by 10% in Croatia and exceeded the planned target by 1%.
- → Sales revenue in Slovenia was at the level achieved in 2016 but was 9% higher than planned.
- → The number of shipments was up by 2% in Slovenia during the first quarter, while the total weight of shipments was up by 21%.
- → Processes and the organisational structure are currently being reviewed in Slovenia with the aim of continuing the optimisation of sales and operational activities.
- → The WexVS IT solution was introduced in Croatia at the beginning of March.

Railway freight:

- → The results recorded in the railway freight segment were 25% lower than planned during the period January–March 2017 and were 54% lower than the results achieved in 2016.
- → The main factor in the results generated in this segment were developments at the subsidiary TOV TEK ZTS in Uzhhorod, where sales revenue was down sharply as early as the first half of 2016. Our Ukrainian subsidiary generated 63% of the total sales revenue in the railway freight segment.
- → The results generated by the parent company in Slovenia were down 36% on the results achieved in 2016 and 32% below set targets. This was due to changes to transport routes (transition from railway to road transport) and changes in purchase parity at two key customers.

The unstable political and economic conditions in Ukraine once again had a negative impact on the results of the land transport segment during the period January–March 2017. The revenues of the subsidiary in the aforementioned country only account for 4% of total sales revenue from land transport services, compared with several years ago when it accounted for 20% of the total revenues of the aforementioned business segment, primarily in the railway freight segment.

Increasing demand for transport and logistics services has been seen on the market, which has also been reflected in a higher number of orders and an increase in the physical volume of transactions. Pressure by customers to reduce logistics costs and increasingly intense competition are resulting in the slashing of margins on the market. It is very difficult to compete in international tenders, where the 'yield' is cut after every tender. This forces us to optimise operations on the one hand and to intensify market presence on the other hand, as we must fight for every shipment.

The computerisation of operations is required in order to stay in step with conditions on the logistics market. This eases the burden of administrative work on the one hand, while allowing us to meet shipment tracking needs and increasingly frequent demands from customers to meet various indicators of the quality of services rendered. We introduced a new IT solution in the groupage and domestic transport segments in Croatia in March 2017. Preparatory activities are also underway for the introduction of that IT solution at other Group companies. The solution facilitates improved control over the provision of services which, in combination with the enhanced traceability of shipments, will further raise the quality of our services.

We will also continue activities in 2017 aimed at ensuring cost efficiency and the optimisation of operations on the one hand, and with activities aimed at increasing sales on the other. We are also committed to maintaining the high quality of our services at all times, as this is a prerequisite for market success.

LOGISTICS SOLUTIONS

The logistics solutions segment generated EUR 4.8 million in sales revenue during the period January–March 2017 or 14% of the Group's total sales. We thus recorded 4% growth in sales relative to the same period in 2016, but lagged behind planned targets by 1%.

The results achieved during the same period in 2016 were exceeded by 7% in Slovenia, which as our key market accounts for 69% of sales of logistics solution services. Planned targets were achieved, primarily on account of the increased turnover of goods and new transactions at Filiala Celje.

Actual sales results exceeded planned targets in Croatia (by 3%), Montenegro (by 1%) and Kosovo (by 3%). We lagged behind set targets in other countries: in Serbia by 9%, in Bosnia and Herzegovina by 10% and in Macedonia by 5%.

Numerous activities were carried out, particularly at companies in Slovenia and Croatia, to utilise warehouse capacities and secure new transactions with higher value added. We also continued improvements to business processes with the aim of optimising and launching a new integrated IT solution that supports warehouse processes.

Storage services:

→ We generated EUR 4.5 million in revenues from the sale of storage services in the period January-March 2017, which translates to 13% of the Group's sales and 94% of sales revenue from the logistics solutions segment. We recorded a 4% increase in sales relative to the same period last year, but lagged behind planned targets by 2%.

→ Sales growth of 6% was achieved in Slovenia relative to the same period last year, while actual sales lagged behind planned sales by 1%. We achieved 7% growth in sales in Croatia relative to the same period last year, but lagged behind planned sales by 1%. Sales in Serbia were down 7% on the same period last year and lagged behind planned sales by 9%. Sales were down 3% in Montenegro relative to the same period last year, but exceeded planned sales by 1%. Sales in Bosnia and Herzegovina were down 8% relative to the same period last year and lagged behind planned sales by 10%. Sales in Macedonia were down 4% on the same period in 2016 and lagged behind planned sales by 5%. Sales in Kosovo were up 44% relative to the same period last year, but lagged behind planned targets by 15%.

Distribution services:

→ We generated sales revenue of EUR 0.3 million from distribution services in the period January–March 2017, which represents around 1% of the Intereuropa Group's total sales.

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

→ the development of partnerships and enhanced cooperation with current customers;
→ the securing of new logistics projects, primarily aimed at filling free storage capacities in Slovenia and Croatia;
→ the optimisation of processes and the continued introduction of IT support for logistics solutions requirements in Slovenia and Croatia; and
→ preparations for two major logistics projects (in Slovenia and Croatia).

INTERCONTINENTAL TRANSPORT

Net sales revenue in the intercontinental transport segment totalled EUR 10.7 million during the first quarter of 2017. Planned targets for the aforementioned segment were exceeded by 13%, most notably in the air freight segment where the planned target was exceeded by 97%. Planned net sales revenue was also exceeded significantly in the traditional sea-freight transport segment, where we achieved 50% growth in revenues relative to the first quarter of last year, while planned sales targets were exceeded by 41%.

During the first quarter, we encountered monthly fluctuations in sea freight rates, which remain very high relative to last year's average rates. The high sea freight rates are the result of a lack of space in the container freight segment on both the import and export sides. A lack of cargo space was also encountered in the organisation of air freight.

Sea freight:

→ The sea freight segment (including shipping agency services) generated sales revenue of EUR 8.1 million during the first quarter of this year. Planned sales targets were thus exceeded by 7%.
→ Among sea freight products, conventional sea freight generated the highest sales, reaching EUR 4.3 million in the first quarter and exceeding sales targets by 41%. This year has seen an increase in export transactions for the steel industry. There has also been an increase in the transport of liquid cargo for our regular customers.
→ The container transport segment generated sale revenue of EUR 3.5 million, which lagged behind planned sales targets. We operated below the planned level primarily at the beginning of this year, when we recorded fewer export transactions for the steel industry. Revenues from the land transport of containers were also down somewhat due to shorter transport routes. By March, we had already exceeded planned sales targets.
→ The RO-RO transport segment generated revenues of EUR 175 thousand, which was below planned sales. That lag was linked to a delay in export transactions involving specialised vehicles via the Port of Koper for markets in the Mediterranean, dating back to the beginning of the year. We exceeded planned sales results at the end of the quarter and expect that trend to continue in the second quarter.
→ Sale revenue in the shipping agency segment on the key Slovenian market exceeded planned values by 1%. The subsidiary in Albania operated below the planned level due to the postponement of transactions to the second quarter. We provided shipping agency services to the planned number of ships during the first quarter. Activities are continuing to secure the representation of a container shipping company.

→ Forecasts for all sea freight services are positive for the second quarter of 2017, which was also evident from operations in March. We therefore expect to achieve planned sales revenue in the second quarter and for the period as a whole.

Car logistics:

→ We recorded EUR 1.1 million in sales revenue in the car logistics segment during the first quarter of the year, an increase of 4% relative to last year's results. At the same time, 97% of planned sales were achieved. Growth in revenues relative to the previous year was linked to an increase in the number of cars processed through the Port of Koper and our own car terminals.

→ We achieved 14% growth in the number of vehicles handled during the first quarter. That growth was associated with the development of operations for Daimler-Mercedes vehicles, and with some traditional customers that increased the number of vehicles on the markets of Slovenia and SE Europe.

→ We recorded growth in the number of vehicles stored at our car terminals in Slovenia and Serbia, which in the context of the favourable turnover of goods contributed significantly to the level of sales revenue during the first quarter.

→ We continued with commercial activities during the first months of 2017 in connection with potential new customers, with whom we could begin doing business this year. We therefore assess that we will achieve planned sales revenue for 2017. We are also expecting an increase in the number of vehicles processed relative to 2016.

Air freight:

→ The air freight segment operated better than expected and exceeded targets set for the first three months of this year. We generated revenues of EUR 1.5 million, representing 97% of the planned amount. Planned sales revenue was exceeded on the majority of markets where the Group operates, except in Bosnia and Herzegovina and Kosovo.

→ Slovenia and Serbia remain the Group's key markets. We recorded growth and exceeded planned targets on both markets. Planned sales revenue was exceeded significantly on the Serbian market on account of the organisation of charter cargo flights through airports in Serbia.

→ We continued to serve as GSA (General Sales Agent) for the Turkish carrier Pegasus Airlines on the Serbian market. The objective remains to secure similar cooperation on the other markets where the Group operates.

→ We expect a similar positive trend in air freight transactions during the second quarter at all Group companies, as that period is traditionally a peak season for the aforementioned segment. Through enhanced sales activities, we are expecting to exceed the previous year's sales results at the end of the first half of this year.

1.2 Financial result of operations

Table 6: Financial results of the Intereuropa Group for the period January–March 2017, in EUR thousand

Item/Indicator	Jan–Mar 2017	Jan–Mar Plan 2017	Jan–Mar 2016	Index 2017/plan	Index 2017/2016
Sales revenue	35,416	34,573	33,666	102	105
EBITDA*	3,409	3,133	3,336	109	102
Operating profit or loss	1,714	1,442	1,676	119	102
Profit or loss from financing activities	-679	-469	-943	-	-
Net profit or loss	886	901	697	98	127
EBIT margin (in %)	4.8%	4.2%	5.0%	116	97
Sales revenue per employee/month	8.953	8.292	8.237	108	109
Value added per employee/month	2.436	2.272	2.332	107	104

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

Item/Indicator	31. 03. 2017	31 December 2016	Index 2017/2016
Total assets	257,432	255,730	101
Equity	139,850	138,185*	101
Net financial debt**	73,107	73,489	99
Current assets/current liabilities	1.32	1.29	102

*Adjusted; for more information see the Introductory notes section on page 34.
** Financial liabilities – loans granted and deposits – cash.

Operating profit or loss and EBITDA

→ Having exceeded planned sales by 2%, the Group exceeded planned operating profit by 19% in the period January–March 2017 and EBIT margin[1] by 16%. Contributing most to the aforementioned results were other operating revenues and lower labour costs.

Profit or loss from financing activities

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

Net profit or loss

→ Profit from ordinary operations, which exceeded the planned result by 7%, was reduced by current income tax and deferred taxes in the total amount of EUR 150 thousand. Due to the latter, net profit of EUR 0.9 million was 2% lower than planned.

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

Structure of the statement of financial position

→ The current ratio amounted to 1.32 and was up minimally relative to the previous period, the main factor being an increase in trade receivables. The ratio of equity to total assets was up 0.3 percentage points and currently stands 54.3%.

1.3 Investments in fixed assets

The Intereuropa Group invested EUR 284 thousand in fixed assets in the first quarter of 2017. Of that amount, EUR 198 thousand was invested in real estate and EUR 86 thousand in equipment and intangible assets. A total of 5% of the annual investment plan was thus achieved.

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

Company	Real estate		Plant and equipment, and intangible assets		TOTAL INVESTMENTS (		% of annual turnover
	Jan-Mar 2017	Plan 2017	Jan-Mar 2017	Plan 2017	Jan-Mar 2017	Plan 2017	
Intereuropa d.d.	144	1,749	50	1,890	194	3,639	5
Subsidiaries	54	378	36	1,841	90	2,219	4
TOTAL INVESTMENTS	**198**	**2,127**	**86**	**3,731**	**284**	**5,858**	**5**

Intereuropa d.d. invested EUR 194 thousand in property, plant and equipment and intangible assets, while other Group companies invested EUR 90 thousand in fixed assets. There were no extensive investments during the most recent period, the most significant being the purchase of land in Vrtojba (in the amount of EUR 103 thousand) and the partial arrangement of 1,200 m^2 of storage space in Belgrade (in the amount of EUR 51 thousand).
Invested funds were earmarked for:
→ buildings and the associated fittings/equipment (EUR 261 thousand);
→ the purchase of motor vehicles (EUR 11 thousand); and
→ computer hardware and software (EUR 11 thousand).

1.4 Risk management

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

The Intereuropa Group upgraded its risk management system in 2016. It expanded the criteria regarding risk exposure to a four-level assessment, and updated the criteria for assessing risk levels, which serve as the basis for implementing and monitoring measures, taking into account the acceptability of a particular risk. While updating the list of risks, we identified 32 risks at the Group level and classified them to the following three categories:
→ financial risks,
→ business risks, and
→ operational risks.

The Group conducts the majority of its business on the Slovenian market, where political and economic conditions are favourable and stable, while the same cannot be said of the markets in Macedonia, Bosnia and Herzegovina, Ukraine, and this year Croatia, as well. Despite the fact that the aforementioned countries are a potential source of instability in the future, we assess that the risks to which the Group's operations are exposed have not risen significantly. No new risks were identified during the quarterly review, nor have risk levels increased.

While reviewing financial risks, we recorded an increase in trade payables relative to the end of the previous year as the result of seasonal fluctuations and an increase in the number of days receivables outstanding, particularly at the parent company. Nevertheless, all financial risk indicators in the risk register were unchanged relative to the end of the previous year.

We are most exposed to business risks in the area of land transport. Significant risks in this area remain the risk of an increase in direct costs associated with suppliers (the most important categories being the costs of fuel and tolls), the risk of a decrease in selling prices and the risk of the loss of customs terminal status at certain subsidiaries.
The risks associated with increasing supplier costs due increasing fuel prices are successfully managed using so-called 'fuel clauses' in agreements with customers, through which changes in fuel prices and thus changes in direct costs are passed through to selling prices. In order to manage selling prices and thus prevent a drop in sales margins, we successfully passed on the increase in tolls costs incurred by transporters (increases in Slovenia and Austria) to the three largest road transport customers in February 2017. We have further improved the management of direct transport costs by including transporters from Romania amongst 'internal' suppliers. We are also planning to exert greater influence over suppliers by centralising certain purchasing functions.
To mitigate the risk of the loss of customs terminal status at three subsidiaries, we are implementing measures aimed at good communication with the competent institutions, while at the same time fulfilling previously made commitments.

Operational risks include strategic risks, risks associated with information and communication technology, HR-related risks, risks associated with legislation and legal proceedings, risks associated with the management and protection of assets, risks associated with environmental protection and risks associated with providing high-quality services. The highest exposure to risks associated with information and communication technology is seen in the operational risk category. The risk of IT system unavailability (downtime) and the risk of the excessively slow development of IT projects are highlighted here. We mention the first because an ever increasing number of dislocated business transactions are carried out exclusively via central server capacities in Koper. This risk is mitigated by establishing security mechanisms to minimise the probability of risks arising. In accordance with plans, we began analysing technological possibilities during the first quarter for the launch of a project aimed at a disaster recovery plan, data security and the introduction of a backup location. In order to enhance staffing and mitigate other risks, we are in the process of hiring new personnel at the parent company and the subsidiary in Croatia. We also carried out employee training in accordance with needs.

Special attention is also given to the risks associated with the achievement of established strategic objectives (in the scope of strategic risks), which require continuous effective corporate governance, and to the risks associated with lawsuits received (in connection with risks associated with legislation and legal proceedings), which primarily require numerous preventive measures such as the training of operational personnel, and the legal department's involvement in the drafting of agreements and when disagreements arise. Both risks remain unchanged relative to the previous period. In order to improve the management of risks associated with fraud and other criminal acts, a corporate integrity office was appointed at the end of last year. That person is responsible for coordinating activities in the establishment of various elements of corporate integrity and for raising employee awareness.

Generally speaking, conditions on the market are favourable, and we believe that there is no threat to the achievement of strategic objectives. We assess, however, that economic conditions have deteriorated in Bosnia and Herzegovina, Croatia, Macedonia and Ukraine, in the latter two primarily on account of unstable political conditions, which could lead to a contraction in the scope of operations on those markets. However, given that only a minor portion of the Group's turnover is generated on those markets, the situation there will not lead to an increase in risks associated with the achievement of established strategic objectives. We are expecting economic conditions to deteriorate in Croatia, the Group's second largest market, due to problems in the operations of Agrokor. We assess, however, that the negative impact on the operations of Intereuropa's subsidiaries in Croatia will be minimal.

We assess that we prudently manage identified risks through adopted measures and the implementation of activities, and we expect to successfully mitigate exposure to certain risks in the future.

1.5 Human resource management

CHANGE IN NUMBER OF EMPLOYEES

The total number of employees at the Group level was up by 14 in the period January–March 2017 relative to the end of 2016, to stand at 1,388 as at 31 March 2017.

→ The Group hired 41 new employees during the aforementioned period, primarily due to the increased scope of work (25), the replacement of employees (8), newly secured transactions (4) and other reasons (4).
→ The largest increase in the number of employees was recorded at the subsidiary in Serbia, where 19 clerks were hired, while two employees were hired at the subsidiaries in Croatia and Bosnia and Herzegovina.
→ A total of 27 employees left the Group during the first quarter.
→ The number of employees was down in Slovenia (by five) and at the subsidiary in Montenegro (by four).
→ An additional 12% of the workforce or 169 employees were hired through HR agencies and student work services as at 31 March 2017.

Table 8: Number of employees in the Intereuropa Group by country as at 31 March 2017

	31 Mar 2017	31 Dec 2016	Difference 2017–2016	Index 2017/2016
Slovenia	616	621	-5	99
Croatia	296	294	2	101
Bosnia and Herzegovina	124	122	2	102
Serbia	121	102	19	119
Macedonia	33	33	0	100
Kosovo	43	43	0	100
Montenegro	116	120	-4	97
Albania	2	2	0	100
Ukraine	37	37	0	100
TOTAL	**1,388**	**1,374**	**14**	**101**

DEVELOPMENT, EDUCATION AND TRAINING

The number of functional training hours was up sharply during the first quarter relative to the same period last year. A total of 4,426 hours were earmarked for the acquisition of new knowledge (compared with 1,391 hours in the period January–March 2016), equivalent to EUR 23 thousand of the EUR 28 thousand planned for the aforementioned period. Nearly half of all training hours (2,178) were accounted for by the subsidiary Intereuropa, logističke usluge d.o.o., Zagreb where comprehensive internal training was carried out in the area of IT support for business processes (WexVS).

→ The largest proportion of training at the Group level was accounted for by the area of logistics (58%) and knowledge from the area of occupational safety and health (19%). The proportions accounted for by other topics were as follows: sales (9%), other specific technical knowledge from the areas of finances, taxes, real estate management, etc. (7%), management (5%) and foreign languages (2%).
→ The following employee training topics were predominant at Slovenian Group companies:
  - logistics (490 hours), of which the majority of employee training related to railway lines (448 hours);
  - sales (238 hours), where the majority of training was accounted for by presentations of IT applications for customer management (222 hours);
  - management and communication skills (236 hours);
  - other specific technical knowledge (184 hours); and
  - occupational health and safety training (82 hours).
→ At other subsidiaries (excluding Croatia) employee training included occupational health and safety (566 hours), as well as sales (160 hours), logistics (136 hours), and foreign languages and other associated activities (64 hours).
→ Employees received an average of three hours of training at the Group level during the first quarter, while employees at Slovenian Group companies received an average of two hours of training. Employees at the Croatian subsidiary received an average of eight hours of training, while employees at subsidiaries abroad received an average of four hours of training.
→ Internal lecturers conducted 48% of training at the Group level during the reporting period, including training in the areas of IT support for business processes (WexVS in Croatia), and occupational health and safety training at the Slovenian and Croatian Group companies.

On the basis of a tender, Intereuropa d.d. was selected again to participate in the implementation of a competence centre project in the area of logistics (LOGINS), for which it will have the opportunity to receive EUR 35 thousand for employee training over the next two years.

HEALTHCARE

Healthcare and fire safety

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

At the Group level, 68 employees were referred for preventive, preliminary, specific-purpose and periodic medical examinations, while 42 employees were referred at Slovenian Group companies.

- → A total of 73 training programmes were conducted at the Group level, with 44 training programmes conducted at Slovenian Group companies.
- → A total of six employees were injured in the workplace at the Group level, while that number was four at Slovenian Group companies.
- → A total of 425 pieces of various work equipment at Group level and 377 pieces at Slovenian Group companies were examined and tested.
- → Special attention was given to ensuring the management of fire risks and to fire-preventive measures.
- → We carried out periodic inspections of facilities, and active and passive fire-fighting equipment (fire extinguishers and hydrants, fire detectors, domed smoke and heat vents, automatic fire-proof doors, etc.).
- → We set up a new computer program for managing records regarding machinery, work equipment and active fire-fighting equipment.

1.6 Overall quality of operations

Three out of a total of 12 companies within the Intereuropa Group are certified in accordance with the ISO 9001:2008 standard. A total of 74.5% of all employees work at these certified companies (Intereuropa d.d., Koper, Intereuropa, logističke usluge d.o.o., Zagreb and Intereuropa RTC d.d., Sarajevo).
The first quarter of the year was characterised by an external assessment of Intereuropa d.d.'s quality management system.

Maintenance of the ISO 9001:2008 Quality Management System

- → An annual report on the quality management system was drawn up for 2016 and triggered measures to improve that system.
- → The parent company issued a new sixth edition of the Quality Management System Manual of Intereuropa d.d.

Internal verification of the quality of services

- → No internal assessments of processes were carried out at Intereuropa d.d.

Quality control through quality indicators

The number of complaints rose by 16%, while the value of those complaints tripled. The primary reason for the increase in complaints lies in one major complaint in the area of customs clearance.

Table 9: Complaints, claims for compensation and the recognised value of complaints at Intereuropa d.d. for the period January–March 2017

Number of complaints	Index Jan–Mar 17/16	Number of claims for compensation	Value in EUR thousand	Index Jan-Mar 17/16	Recognised value in EUR thousand	Index Jan-Mar 17/16
99	116	69	139.5	377	23.7	316

External audit of the quality of services by the certification authority

The results of the external assessment at Intereuropa in 2017 were as follows:

→ **Intereuropa d.d.** – the assessment was the twentieth of its kind, and was carried out in the following organisational units:
  - IE d.d. – President of the Management Board, management of Forwarding and Logistics, the Full Container Load (FCL) Unit, Finance Sector, Logistics Solutions Development Department, the Vrtojba PO and the Dravograd BU.

In their report, three assessors found that operations were in line with the requirements of the ISO 9001 standard. They did not identify any incidents of non-compliance. However, a total of 8 recommendations for improvements were issued.

Recommendations, broken down in terms of content, relate to the following:
- infrastructure and process equipment – four recommendations,
- document management – three recommendations,
- work environment – one recommendation, and
- other – one recommendation.

2. OPERATIONS OF INTEREUROPA d.d.

2.1 Financial result of operations

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

Item/Indicator	Jan–Mar 2017	Jan–Mar Plan 2017	Jan–Mar 2016	Index 2017/plan	Index 2017/2016
Sales revenue	24,939	24,633	23,111	101	108
Land transport	11,135	11,520	10,652	97	105
Logistics solutions	3,296	3,302	3,094	100	107
Intercontinental transport	9,381	8,706	8,264	108	114
Other services	1,127	1,105	1,101	102	102
EBITDA*	2,480	2,235	2,356	111	105
Operating profit or loss	1,473	1,239	1,361	119	108
Profit or loss from financing activities	-364	-298	-430	-	-
Net profit or loss	956	942	931	102	103
EBIT margin (in %)	5.9%	5.0%	5.9%	117	100
Sales revenue per employee/month	14.241	13.411	12.775	106	111
Value added per employee/month	3.672	3.384	3.453	109	106

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

Item/Indicator	31. 03. 2017	31 December 2016	Index 2017/2016
Total assets	191,513	190,731	100
Equity	88,103	87,118	101
Net financial debt*	73,528	74,412	99
Current assets/current liabilities	1.19	1.16	103

* Financial liabilities – loans granted and deposits – cash.

Operating profit or loss and EBITDA

→ The Company exceeded planned sales targets, as well as operating profit and EBITDA. At 17%, the EBIT margin likewise exceeded the planned figure. Other operating revenues contributed significantly to the exceeding of planned operating profit, EBITDA and the EBIT margin, while lower labour costs (due to the lower number of employees than planned) also contributed to a lesser extent.

Profit or loss from financing activities

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

Net profit or loss

→ Profit from ordinary operations, which exceeded the planned result by 18%, was reduced by current income tax and deferred taxes in the total amount of EUR 150 thousand. Net profit for the period was EUR 1.0 million and exceeded planned net profit by 2%.

Structure of the statement of financial position

→ The current ratio amounted to 1.19 and was up minimally relative to the previous period, the main factor being an increase in trade receivables. The ratio of equity to total assets was up 0.3 percentage points and currently stands 46.0%.

2.2 IEKG shares and ownership structure

KEY DATA REGARDING IEKG SHARES

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

	Jan–Mar 2017	Jan–Dec 2016
Number of shares*	27,488,803	27,488,803
Number of preference IEKN shares*	10,657,965	10,657,965
Number of ordinary IEKG shares*	16,830,838	16,830,838
of which treasury shares*	18,135	18,135
Book value per share in EUR*	3.21	3.17
Earnings per share (EPS) in EUR	0.03	-0.13
Market capitalisation in EUR thousand*	28,562	19,860
Volume in EUR thousand	1,125	783
Closing price at the end of period in EUR	1.70	1.18
Weighted average price in EUR	1.68	1.08
Highest price in EUR	2.00	1.36
Lowest price in EUR	1.17	0.50
P/E	14.2	-9.1
Capital yield	43.8%	122.6%

* As at the last day of the period.
Book value = equity / (number of all shares – number of treasury shares).
Market capitalisation = closing price at the end of period * number of shares listed on the stock exchange.
Earnings per share = net profit / (number of all shares – number of treasury shares).
P/E = closing price at the end of period / earnings per share on an annual basis.
Capital yield = growth in share price during the period.

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

TRADING IN SHARES

Trading in IEKG shares during the first months of 2017 was considerably more encouraging than a year earlier. The growth in share trading noted during the final months of 2016 continued, with turnover 38 times higher than the turnover recorded during the first quarter of 2016, while last year's total turnover was exceeded already during the first quarter of this year. The market value of IEKG shares fluctuated between EUR 1.17 and EUR 2.00 per share. Movement in the share price was positive, with growth in turnover and the share price standing out in February. The share price stood at EUR 1.70 at the end of March. IEKG shares were up 43.8% over the three months of the year, while the Ljubljana Stock Exchange's SBITOP index recorded an 8.0% increase. The market capitalisation of IEKG shares amounted to EUR 28.6 million at the end of March, accounting for 0.5% of the market capitalisation of all shares on the Ljubljana Stock Exchange.

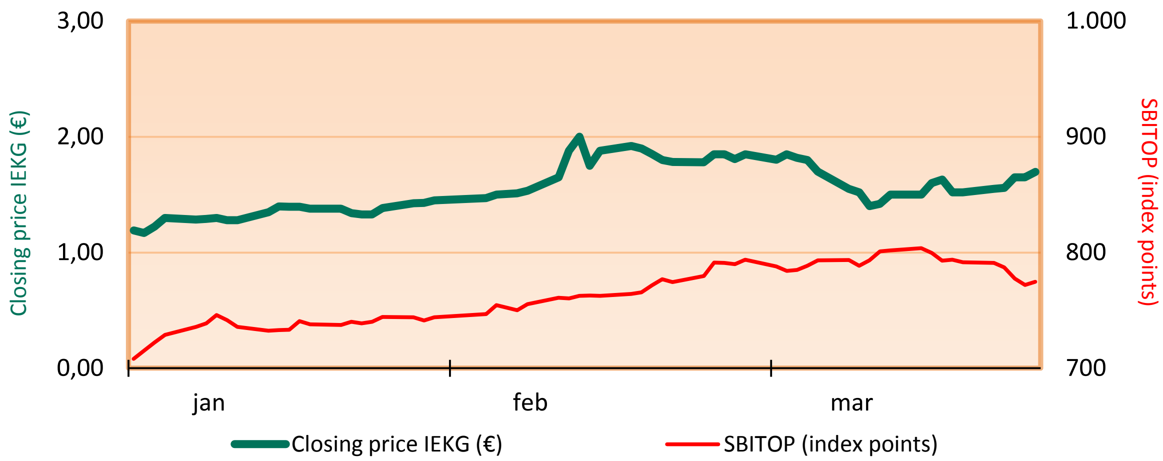


Figure2: Changes to the closing price of Intereuropa d.d.'s shares and the SBITOP index in the period January–March 2017

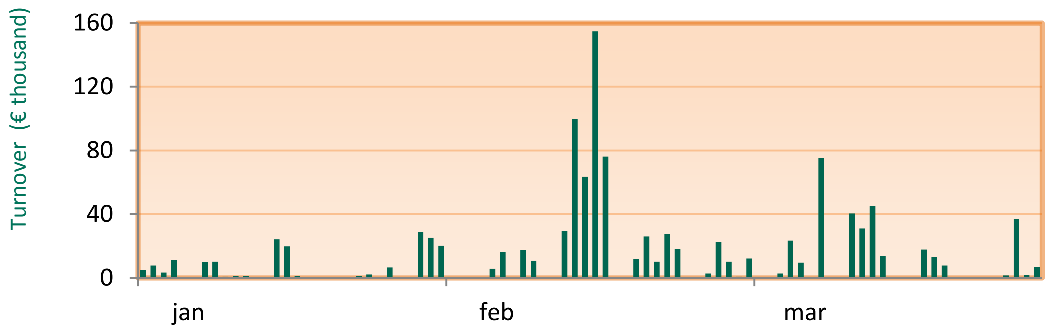


Figure3: Turnover in IEKG shares in the period January–March 2017

OWNERSHIP STRUCTURE

There were no significant changes in the Company's ownership structure during the first quarter of 2017. The only change in the top ten shareholders was the result of the merger of KBS d.d. with Nova KBM d.d., resulting in the transfer of all of the former's obligations and rights to Nova KBM d.d. on 3 January 2017. In addition to 1,185,292 preference shares (IEKN), Nova KBM d.d. thus became the owner of an additional 2,850,752 ordinary shares (IEKG), bringing its total participating interest in the capital of Intereuropa d.d. to 14.7%.
Due to the aforementioned merger, the participating interests held by the top ten shareholders rose by 1.7 percentage points relative to the end of 2016 to stand at 83.6% at the end of the reporting period.
Banka Koper was renamed Banka Intesa Sanpaolo d.d. on 16 January 2017.
There were no major changes amongst other shareholders.

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

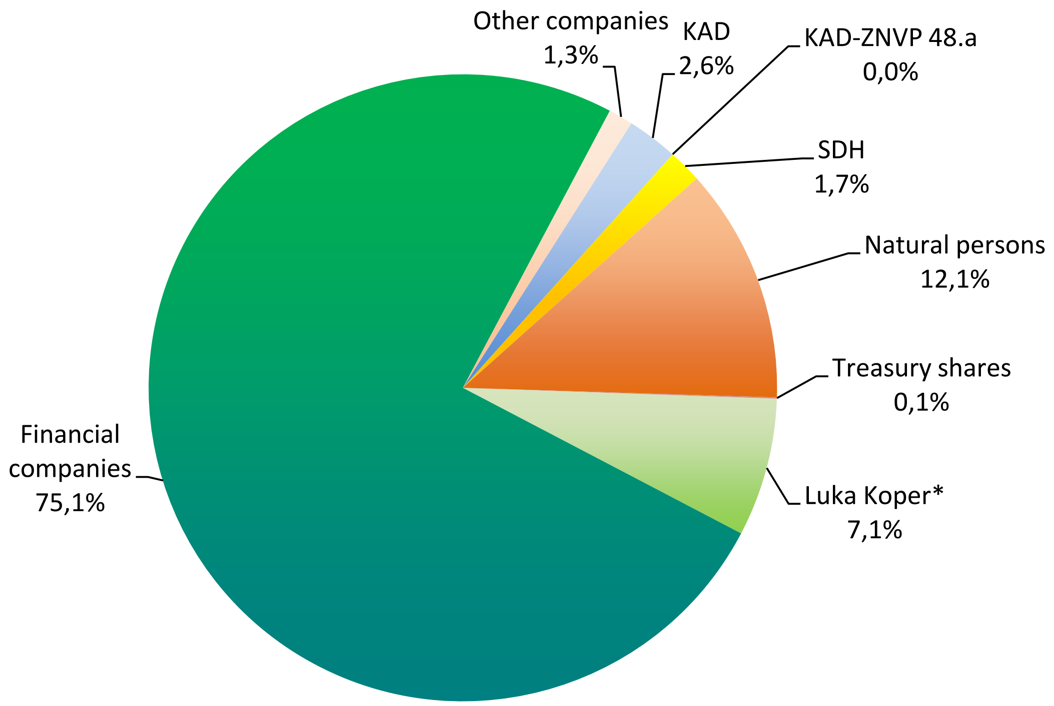
	Shareholder	31. 03. 2017 number of shares	31. 03. 2017 participating interest (in %)	31 December 2016 number of shares	31 December 2016 participating interest (in %)	Index 17 /16
1.	SID banka d.d.	4,942,072	18.0	4,942,072	18.0	100
2.	NLB d.d.	4,770,601	17.4	4,770,601	17.4	100
3.	Nova KBM d.d.*	4036044	14.7	1,185,292	4.3	341
4.	Gorenjska banka d.d., Kranj	3,068,990	11.2	3,068,990	11.2	100
5.	SKB d.d.	2,254,980	8.2	2,254,980	8.2	100
6.	Luka Koper d.d.	1,344,783	4.9	1,344,783	4.9	100
7.	Banka Intesa Sanpaolo d.d.	753,703	2.7	753,703	2.7	100
8.	Kapitalska družba d.d.	719,797	2.6	719,797	2.6	100
9.	Luka Koper INPO d.o.o.	615,730	2.2	615,730	2.2	100
10.	SDH d.d.	474,926	1.7	474,926	1.7	100

*The merger of KBS d.d. with Nova KBM d.d., resulting in the transfer of all of the former's obligations and rights to Nova KBM d.d. on 3 January 2017, Nova KBM d.d. thus became the owner of an additional 2,850,752 ordinary shares (IEKG).

There were 4,221 shareholders entered in the register of shareholders at the end of March 2017, a decrease of 4% on the end of 2016.

A total of 115 shares were collected on a special account of Kapitalska družba d.d., which in accordance with Article 48a of the Book-Entry Securities Act (Official Gazette of the Republic of Slovenia, No. 5/17) is intended for securities waived by their holders and/or securities held by the Republic of Slovenia. Kapitalska družba may not exercise the voting rights attached to those securities, which are thus disclosed in the special category 'KAD-ZNVP 48a' (Figure 3).

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



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

Figure4: Ownership structure of Intereuropa d.d. as at 31 March 2017

SHAREHOLDINGS OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Members of the Management Board did not hold any shares of Intereuropa d.d. as at 31 March 2017. The shareholdings of Supervisory Board members are presented in the table below.

Table 13: Number of shares held by Supervisory Board members as at 31 March 2017

Supervisory Board	No. of shares	Participating interest (in %)
Nevija Pečar, Deputy Chairwoman	4,185	0.053
Maša Čertalič, MSc, member	99	0.001

TREASURY SHARES

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

DIVIDEND POLICY

The Company did not pay dividends between 2009 and 2016.

NOTIFICATION OF SHAREHOLDERS

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

The following channels are used to communicate with shareholders:

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

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

ACCOUNTING REPORT

INTRODUCTORY NOTES

The Unaudited financial statements of the Intereuropa Group and Intereuropa d.d. has been compiled on the basis of the financial statements of the Intereuropa Group and its parent company Intereuropa d.d. for the period January–March 2017, i.e. as at the reporting date of 31 March 2017.

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

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

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

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

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

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

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

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

in EUR thousand

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

Reclassification of items in the financial statements of the Intereuropa Group

The following reclassifications of comparable data were made in the income statement:
- items that were disclosed under "write-downs" (EUR 1,867 thousand) were reclassified to the following two items: amortisation (EUR 1,659 thousand), while other items (revaluation operating expenses for intangible assets and property, plant and equipment and expenses from impairments and write-offs of receivables) were disclosed under "other operating expenses" (EUR 208 thousand) for a more appropriate presentation in the statement; and

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

The following reclassifications of comparable data were made in the income statement:
- items that were disclosed under "write-downs" (EUR 1,054 thousand) were reclassified to the following two items: amortisation (EUR 996 thousand), while other items (revaluation operating expenses for intangible assets and property, plant and equipment and expenses from impairments and write-offs of receivables) were disclosed under "other operating expenses" (EUR 58 thousand) for a more appropriate presentation in the statement;

STATEMENT OF THE MEMBERS OF THE MANAGEMENT BOARD

The Management Board of Intereuropa d.d. declare that according to the best of their knowledge, the financial reports of the Company Intereuropa, Global Logistics Service Ltd. Co., and of the Intereuropa Group have been compiled in accordance with the IAS 34 and need to be read in connection with the audited annual financial statements compiled for the financial year ended as at 31 December 2016. The financial report presents a true and fair view of the assets and liabilities, of the financial position and of the profit or loss statement of the Company Intereuropa, Global Logistics Service Ltd., and of other Group members included in the consolidation. The business report includes a fair view of the information on the material transactions with related parties and has been drawn up in accordance with the relevant accounting standard.

INTEREUROPA d.d.
The Management Board

Koper, 16 May 2017

Ernest Gortan, MSc.,
President of the Management Board

Gortan

Marko Cegnar, MBA,
Member of the Management Board

3. FINANCIAL STATEMENTS OF THE INTEREUROPA GROUP

3.1 Basic financial statements of the Intereuropa Group

CONSOLIDATED INCOME STATEMENT OF THE INTEREUROPA GROUP

for the period 1 January 2017 to 31 March 2017

in EUR thousand	January–March 2017	January–March 2016
Sales revenue	**35,416**	**33,666**
Other operating revenues	263	249
Costs of goods, materials and services	-25,314	-23,634
Labour costs	-6,228	-6,196
Amortisation/depreciation	-1,694	-1,659
Other operating expenses	-729	-751
Operating profit or loss	**1,714**	**1,676**
Finance income	52	81
Finance costs	-731	-1,024
Profit or loss from financing activities	**-679**	**-943**
Investment result recognised according to the equity method	4	11
Profit or loss from ordinary operations	**1,039**	**744**
Corporate income tax (including deferred taxes)	-153	-47
Net profit or loss for the accounting period	**886**	**697**
Net profit or loss pertaining to controlling interests	795	648
Net profit or loss pertaining to non-controlling interests	91	49

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE INTEREUROPA GROUP

for the period 1 January 2017 to 31 March 2017

in EUR thousand	January–March 2017	January–March 2016
Net profit or loss for the accounting period	**886**	**697**
Other comprehensive Income	**820**	**702**
Items that will be reclassified to profit or loss	**820**	**697**
Change in the fair value of available-for-sale financial assets	36	4
Change in deferred taxes in the revaluation surplus for available-for-sale financial assets	-7	-1
Foreign currency translation differences	791	694
Items that will not be reclassified to profit or loss	**0**	**5**
Other changes in retained earnings	0	5
Total comprehensive income	**1,706**	**1,399**
Total comprehensive income pertaining to controlling interests	1,613	1,373
Total comprehensive income pertaining to non-controlling interests	93	26

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE INTEREUROPA GROUP

as at 31 MARCH 2017

in EUR thousand	31 March 2017	31 December 2016 (adjusted)*
ASSETS		
Property, plant and equipment	190,617	191,173
Investment property	9,787	9,840
Intangible assets	5,358	5,486
Other non-current assets	43	49
Non-current operating receivables	0	0
Deferred tax assets	11,290	11,392
Long-term loans granted and deposits	49	30
Investment in joint venture	106	102
Other non-current financial assets	558	542
TOTAL NON-CURRENT ASSETS	**217,808**	**218,614**
Available-for-sale assets	0	323
Inventories	140	134
Short-term loans granted and deposits	2,171	2,124
Current operating receivables	32,150	28,804
Current receivables from corporate income tax	134	60
Other current assets	671	377
Cash and cash equivalents	4,358	5,294
TOTAL CURRENT ASSETS	**39,624**	**37,116**
TOTAL ASSETS	**257,432**	**255,730**
EQUITY		
Equity pertaining to controlling interests	**130,847**	**129,235**
Share capital	27,489	27,489
Share premium account	18,455	18,455
Profit reserves	5,277	5,277
Fair value reserves	50,602	50,573
Foreign currency translation differences	-6,697	-7,486
Net profit or loss brought forward	34,926	33,686
Net profit or loss	795	1,241
Equity pertaining to non-controlling interests	**9,003**	**8,950**
TOTAL EQUITY	**139,850**	**138,185**
LIABILITIES		
Provisions	1,845	1,847
Non-current deferred income	106	104
Non-current financial liabilities	73,407	74,736
Non-current operating liabilities	330	329
Deferred tax liabilities	11,840	11,836
TOTAL NON-CURRENT LIABILITIES	**87,528**	**88,852**
Current financial liabilities	6,278	6,201
Current operating liabilities	23,067	21,885
Current corporate income tax liabilities	702	602
Current deferred income	7	5
TOTAL CURRENT LIABILITIES	**30,054**	**28,693**
TOTAL LIABILITIES	**117,582**	**117,545**
TOTAL EQUITY AND LIABILITIES	**257,432**	**255,730**

* Adjustments are disclosed in the point: Introductory notes.

CONSOLIDATED STATEMENT OF CASH FLOWS OF THE INTEREUROPA GROUP

for the period 1 JANUARY 2017 to 31 MARCH 2017

in EUR thousand	January–March 2017	January–March 2016
Cash flows from operating activities		
Net profit or loss for the accounting period	**886**	**697**
Adjustments for:		
- amortisation and depreciation	1,694	1,660
- gains on the sale of property, plant and equipment and investment property	-32	-16
- impairments and write-offs of receivables and inventories	187	206
- finance income	-52	-81
- recognised result for joint venture according to the equity method	-4	-11
- finance costs	731	1,024
- corporate income tax (including deferred taxes)	153	47
Operating profit before changes in net working capital and taxes	**3,564**	**3,525**
Changes in net working capital and provisions		
Changes in receivables	-3,494	-1,710
Changes in inventories	-6	9
Changes in other current assets	-294	-226
Changes in operating liabilities	1,742	-944
Changes in provisions	-8	-9
Changes in non-current deferred income	2	0
Corporate income tax	-55	12
Net cash flow from operating activities	**1,451**	**657**
Cash flows from investing activities		
Interest received	46	77
Inflows from the sale of property, plant and equipment	330	16
Inflows from long-term deposits placed	30	0
Net cash flow from short-term loans granted	-36	0
Net cash flow from short-term deposits placed	-14	-72
Inflows from the sale of other financial assets	4	0
Outflows for the acquisition of property, plant and equipment	-732	-360
Outflows for the acquisition of intangible assets	-39	-40
Outflows for long-term deposits placed	-50	-10
Net cash flow from investing activities	**-461**	**-389**
Cash flows from financing activities		
Net cash flow from short-term loans and finance leases	55	28
Interest paid	-600	-753
Outflows for the repayment of long-term loans and finance leases	-1,349	-1,261
Dividends paid	-13	-39
Net cash flow from financing activities	**-1,907**	**-2,025**
Opening balance of cash and cash equivalents	**5,294**	**11,107**
Exchange rate differences relating to cash	-19	-21
Net cash flow for the period from ordinary operations	**-917**	**-1,758**
Closing balance of cash and cash equivalents	**4,358**	**9,329**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE INTEREUROPA GROUP

for the period 1 January 2017 to 31 March 2017

in EUR thousand	Share capital	Share premium account	PROFIT RESERVES: Legal reserves	PROFIT RESERVES: Reserves for treasury shares	PROFIT RESERVES: Treasury shares (as deduction item)	PROFIT RESERVES: Reserves under the articles of association	PROFIT RESERVES: Other reserves	Fair value reserves	Foreign currency translation differences	RETAINED EARNINGS: Net profit or loss brought forward	RETAINED EARNINGS: Net profit or loss for the accounting period	Equity pertaining to controlling interests	Equity pertaining to non-controlling interests	Total equity
Reported as at 1 January 2017	**27,489**	**18,455**	**4,653**	**180**	**-180**	**15**	**609**	**50,575**	**-7,486**	**33,686**	**1,500**	**129,496**	**9,066**	**138,562**
Correction of error.*	0	0	0	0	0	0	0	-2	0	0	-259	-261	-116	-377
Reported as at 31 December 2016 after correction of error	**27,489**	**18,455**	**4,653**	**180**	**-180**	**15**	**609**	**50,573**	**-7,486**	**33,686**	**1,241**	**129,235**	**8,950**	**138,185**
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**29**	**789**	**0**	**795**	**1,613**	**93**	**1,706**
Net profit or loss for the financial year	0	0	0	0	0	0	0	0	0	0	795	795	91	886
Other comprehensive income	0	0	0	0	0	0	0	29	789	0	0	818	2	820
Transactions with owners														
Transfer of net profit or loss from the previous year to net profit or loss brought forward	0	0	0	0	0	0	0	0	0	1,241	-1,241	0	0	0
Dividends and shares in profit	0	0	0	0	0	0	0	0	0	0	0	0	-40	-40
Other changes	0	0	0	0	0	0	0	0	0	-1	0	-1	0	-1
Closing balance as at 31 March 2017	**27,489**	**18,455**	**4,653**	**180**	**-180**	**15**	**609**	**50,602**	**-6,697**	**34,926**	**795**	**130,847**	**9,003**	**139,850**

* Adjustments are disclosed in the point: Introductory notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE INTEREUROPA GROUP

for the period 1 January 2016 to 31 March 2016

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			Net profit or loss brought forward	Net profit or loss for the accounting period			
Opening balance as at 1 January 2016	**27,489**	**18,455**	**4,691**	**180**	**-180**	**338**	**64,089**	**-7,902**	**31,962**	**-168**	**138,954**	**9,220**	**148,174**
Total comprehensive income	**0**	**0**	**0**	**0**	**0**	**0**	**3**	**717**	**5**	**648**	**1,373**	**26**	**1,399**
Net profit or loss for the financial year	0	0	0	0	0	0	0	0	0	648	648	49	697
Other comprehensive income	0	0	0	0	0	0	3	717	5	0	725	-23	702
Transactions with owners											0		0
Transfer of net profit or loss from the previous year to net profit or loss brought forward	0	0	0	0	0	0	0	0	-168	168	0	0	0
Payment of dividends and profit participation	0	0	0	0	0	0	0	0	0	0	0	-38	-38
Closing balance as at 31 March 2016	**27,489**	**18,455**	**4,691**	**180**	**-180**	**338**	**64,092**	**-7,185**	**31,799**	**648**	**140,327**	**9,208**	**149,535**

3.2 Notes to the financial statements of the Intereuropa Group

A) NOTES TO THE CONSOLIDATED INCOME STATEMENT

Sales revenue amounted to EUR 35,416 thousand. The Group generated EUR 263 thousand in **other operating revenues** that are mainly accounted for by revenues from the reversal of adjustments and write-offs of receivables (EUR 132 thousand).

Costs of goods, materials and services

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

in EUR thousand	January–March 2017	January–March 2016
Historical cost of goods and materials sold and cost of materials used	1,112	1,080
Costs of services	24,203	22,554
direct costs	21,690	20,185
costs of telecommunication services	107	112
maintenance costs	544	567
insurance premiums	210	191
training and education costs	22	12
other costs of services	1,629	1,486
Total	**25,314**	**23,634**

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

Labour costs

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

in EUR thousand	January–March 2017	January–March 2016
Costs of wages and salaries	4,621	4,662
Social security costs	1,010	955
Other labour costs:	597	578
annual leave allowance	13	2
transportation and meal allowances	510	535
other labour costs	74	41
Total	**6,228**	**6,196**

Amortisation

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

in EUR thousand	January–March 2017	January–March 2016
Amortisation of intangible assets	129	125
Depreciation of property, plant and equipment and investment property	1,565	1,535
Total	**1,694**	**1,660**

Other operating expenses

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

in EUR thousand	January–March 2017	January–March 2016
Building land use fee and similar expenses	377	283
Expenses from impairments and write-offs of property, plant and equipment	1	0
Expenses from value adjustments (impairments) and write-offs of receivables	187	206
Expenses from value adjustments (impairments) and write-offs of inventories	0	2
Costs of creation of provisions	14	5
Other operating expenses	150	255
Total	**729**	**751**

Effect of finance income and costs on profit or loss

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

in EUR thousand	January–March 2017	January–March 2016
Interest income	52	73
Revenues from the reversal of impairments of loans and bills of exchange	0	9
Total finance income	**52**	**82**
Interest expense	-580	-745
Expenses from the disposal of financial assets	-16	0
Finance costs from impairments and write-offs of financial assets	-2	-2
Net exchange rate differences	-132	-278
Total finance costs	**-731**	**-1,024**
Profit or loss from financing activities	**-679**	**-943**

The Group generated a **profit from ordinary operations** of EUR 1,039 thousand, which was reduced by the effect of current and deferred taxes in the negative amount of EUR 153 thousand.

The Group generated a **net profit** of EUR 886 thousand during the reported period. Of that amount, EUR 795 thousand pertains to **controlling** interests, while EUR 91 thousand pertains to **non-controlling** interests.

B) NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

Table 20: Property, plant and equipment of the Intereuropa Group as at 31 March 2017

in EUR thousand	31 March 2017	31 December 2016
Land and buildings	183,866	184,154
a) Land	88,334	87,988
b) Buildings	95,532	96,166
Other plant and equipment	6,380	6,599
Property, plant and equipment in acquisition	371	420
Total	**190,617**	**191,173**

Intangible assets

Table 21: Intangible assets of the Intereuropa Group as at 31 March 2017

in EUR thousand	31 March 2017	31 December 2016
Long-term property rights	777	726
Goodwill	1,275	1,275
Other intangible assets	3,054	3,090
Intangible assets under construction	251	394
Total	**5,358**	**5,486**

Loans granted and deposits

Table 22: Loans granted and deposits of the Intereuropa Group as at 31 March 2017

in EUR thousand	31 March 2017	31 December 2016
Long-term loans granted and deposits	**49**	**30**
- Loans granted	5	6
- Deposits	44	24
Short-term loans granted and deposits	**2,171**	**2,124**
- Loans granted and bills of exchange	111	78
- Deposits	2,060	2,046
Total	**2,220**	**2,153**

Other financial assets in the amount of EUR 558 thousand comprise available-for-sale financial assets.

Current operating receivables

Table 23: Current operating receivables of the Intereuropa Group as at 31 March 2017

in EUR thousand	31 March 2017	31. 12.2016
Current trade receivables	30,248	26,618
Current operating receivables from others	1,902	2,186
Total	**32,150**	**28,804**

Other current assets amounting to EUR 671 thousand comprise current deferred costs.

Equity

The Group's equity amounted to EUR 139,850 thousand and represented 54% of total equity and liabilities.

Provisions

Table 24: Provisions of the Intereuropa Group as at 31 March 2017

in EUR thousand	31 March 2017	31 December 2016
Provisions for severance pay at retirement and jubilee benefits	1,275	1,285
Provisions for lawsuits	570	563
Total	**1,845**	**1,847**

Non-current financial liabilities comprise loans and finance leases and amounted to EUR 73,407 thousand.

Current financial liabilities

Table 25: Current financial liabilities of the Intereuropa Group as at 31 March 2017

in EUR thousand	31 March 2017	31 December 2016
Short-term loans and finance leases received	5,407	5,358
Liabilities for dividends and other shares in profit	871	843
Total	**6,278**	**6,201**

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

Current operating liabilities

Table 26: Current operating liabilities of the Intereuropa Group as at 31 March 2017

in EUR thousand	31 March 2017	31 December 2016
Current trade payables	18,705	18,050
Current operating liabilities based on advances	544	525
Other current operating liabilities	3,817	3,310
Total	**23,067**	**21,885**

Contingent liabilities

Table 27: Contingent liabilities of the Intereuropa Group as at 31 March 2017

in EUR thousand	31 March 2017	31 December 2016
From bank guarantees and guarantees given to others	18,576	18,967
From lawsuits	1,355	1,614
To D.S.U., družba za svetovanje in upravljanje, d.o.o.	250	250
Other contingent liabilities	105	105
Total	**20,286**	**20,936**

FAIR VALUE OF FINANCIAL INSTRUMENTS

With respect to the calculation of their fair value, financial instruments are categorised to three levels:
- **Level 1** includes the unadjusted price quoted on an active market on the date of measurement;
- **Level 2** includes inputs other than the quoted prices included in Level 1 that can be directly or indirectly monitored for assets or liabilities; and
- **Level 3** includes unmonitored inputs for an asset or liability.

Table 28: Fair value hierarchy in the Intereuropa Group as at 31 March 2017

in EUR thousand	31 March 2017			
Fair value hierarchy	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	497	0	61	558
in EUR thousand	31 December 2016			
Fair value hierarchy	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	462	0	80	542

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

TRANSACTIONS BETWEEN RELATED PARTIES

Table 29: Transactions between related parties

Revenues from the sale of services in EUR thousand	January–March 2017	January–March 2016
Associate and joint venture	189	153

Costs of services in EUR thousand	January–March 2017	January–March 2016
Associate and joint venture	1,382	929

Balance of operating receivables in EUR thousand	31 March 2017	31 December 2016
Associate and joint venture	158	130

Balance of operating liabilities in EUR thousand	31 March 2017	31 December 2016
Associate and joint venture	454	504

INFORMATION BY BUSINESS SEGMENT FOR THE PERIOD JANUARY–MARCH 2017

Table 30: Geographical business segments of the Intereuropa Group in the period January–March 2017

	Slovenia		Croatia		Bosnia and Herzegovina		Serbia		Montenegro	
in EUR thousand	Jan-Mar 2017	Jan-Mar 2016	Jan-Mar 2017	Jan-Mar 2016	Jan-Mar 2017	Jan-Mar 2016	Jan-Mar 2017	Jan-Mar 2016	Jan-Mar 2017	Jan-Mar 2016
Revenues from external customers	24,310	22,622	4,880	4,892	1,411	1,442	1,589	946	1,239	1,068
Revenues from transactions with other segments	779	748	142	122	98	84	159	138	15	21
Total revenues	25,088	23,371	5,022	5,013	1,509	1,527	1,748	1,084	1,254	1,089
Depreciation and amortisation	1,008	997	413	386	89	87	47	48	108	113
Operating profit or loss	1,482	1,433	-119	-59	-12	4	163	133	139	86
Interest income	49	73	6	1	0	0	1	1	6	12
Interest expense	528	694	14	12	2	3	16	19	0	0
Profit or loss from ordinary operations	1,106	995	-142	-74	-15	1	140	100	145	98
Revenues from investments valued according to the equity method	0	0	0	0	0	0	0	0	0	0
Corporate income tax	155	12	3	2	0	0	17	15	-28	13
Assets	193,123	227,523	58,844	59,251	17,192	17,342	9,738	9,675	21,452	22,097
Non-current assets	165,787	190,238	53,127	53,566	15,561	15,807	8,458	8,428	17,717	17,989
Operating liabilities	17,652	19,263	2,990	3,238	1,279	1,298	814	829	604	598
Financial liabilities	76,706	94,412	1,423	1,929	197	253	1,099	1,454	397	400
Investments according to the equity method	39	75	0	0	0	0	0	0	0	0

	Ukraine		Others		Total		Adjustments (including eliminations)*		Group	
in EUR thousand	Jan-Mar 2017	Jan-Mar 2016	Jan-Mar 2017	Jan-Mar 2016	Jan-Mar 2017	Jan-Mar 2016	Jan-Mar 2017	Jan-Mar 2016	Jan-Mar 2017	Jan-Mar 2016
Revenues from external customers	793	1,715	1,146	948	35,368	33,633	48	34	35,416	33,666
Revenues from transactions with other segments	0	1	265	156	1,458	1,271	-1,458	-1,271	0	0
Total revenues	793	1,716	1,412	1,103	36,826	34,903	-1,410	-1,237	35,416	33,666
Depreciation and amortisation	12	13	17	17	1,694	1,660	0	0	1,694	1,660
Operating profit or loss	5	34	57	44	1,714	1,676	0	0	1,714	1,676
Interest income	0	1	0	0	62	88	-11	-15	52	73
Interest expense	30	30	0	0	590	759	-11	-15	580	745
Profit or loss from ordinary operations	-61	-215	57	44	1,231	949	-192	-204	1,039	744
Revenues from investments valued according to the equity method	0	0	0	0	0	0	4	11	4	11
Corporate income tax	0	0	7	5	153	47	0	0	153	47
Assets	1,775	1,891	3,169	2,971	305,293	340,750	-47,861	-49,135	257,432	291,615
Non-current assets	1,165	1,192	1,069	1,104	262,883	288,324	-45,075	-46,483	217,809	241,840
Operating liabilities	821	838	676	611	24,836	26,677	-1,439	-1,358	23,397	25,318
Financial liabilities	1,232	1,258	0	0	81,054	99,706	-1,369	-2,795	79,685	96,911
Investments in joint venture according to equity method	0	0	0	0	39	75	67	70	106	145

* All adjustments are subject to consolidation procedures.

Table 31: Sales revenue of the Intereuropa Group by business segment in the period January-March 2017

EUR thousand	Jan–Mar 2017	Jan–Mar 2016	Jan–Mar 2017	Jan–Mar 2016	Jan–Mar 2017	Jan–Mar 2016	Jan–Mar 2017	Jan–Mar 2016	Jan–Mar 2017	Jan–Mar 2016
	Land transport		Logistics solutions		Intercontinental transport		Other services		Intereuropa Group	
Sales revenue	18,276	18,222	4,777	4,599	10,734	9,274	1,629	1,570	35,416	33,666

EVENTS AFTER THE REPORTING PERIOD

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

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

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

INCOME STATEMENT OF INTEREUROPA D.D.

for the period 1 January 2017 to 31 March 2017

in EUR thousand	January–March 2017	January–March 2016
Sales revenue	**24,939**	**23,111**
Other operating revenues	141	84
Costs of goods, materials and services	-18,302	-16,603
Labour costs	-3,951	-3,891
Amortisation/depreciation	-1,007	-996
Other operating expenses	-348	-345
Operating profit or loss	**1,473**	**1,361**
Finance income	185	268
Finance costs	-550	-698
Profit or loss from financing activities	**-364**	**-430**
Profit or loss from ordinary operations	**1,109**	**931**
Corporate income tax (including deferred taxes)	-152	0
Net profit or loss for the accounting period	**956**	**931**
Basic and diluted earnings per ordinary share (in EUR)	0.03	0.03

STATEMENT OF COMPREHENSIVE INCOME OF INTEREUROPA D.D.

for the period 1 January 2017 to 31 March 2017

in EUR thousand	January–March 2017	January–March 2016
Net profit or loss for the accounting period	**956**	**931**
Other comprehensive Income	**28**	**3**
Items that will be reclassified to profit or loss	**28**	**3**
Change in the fair value of available-for-sale financial assets	35	4
Change in deferred taxes in the revaluation surplus for available-for-sale financial assets	-7	-1
Items that will not be reclassified to profit or loss	**0**	**0**
Total comprehensive income	**984**	**934**

STATEMENT OF FINANCIAL POSITION OF INTEREUROPA D.D.

as at 31 MARCH 2017

in EUR thousand	31 March 2017	31 December 2016
ASSETS		
Property, plant and equipment	96,163	96,812
Investment property	8,857	8,903
Intangible assets	3,843	3,962
Other non-current assets	43	49
Deferred tax assets	11,058	11,160
Long-term loans granted and deposits	30	10
Other non-current financial assets	45,770	45,739
TOTAL NON-CURRENT ASSETS	**165,764**	**166,635**
Available-for-sale assets	0	323
Inventories	8	8
Short-term loans granted and deposits	1,339	1,343
Other current financial assets	250	250
Current operating receivables	22,115	20,290
Current receivables from corporate income tax	94	0
Other current assets	250	60
Cash and cash equivalents	1,693	1,822
TOTAL CURRENT ASSETS	**25,749**	**24,096**
TOTAL ASSETS	**191,513**	**190,731**
EQUITY		
Share capital	27,489	27,489
Share premium account	18,455	18,455
Profit reserves	2,749	2,749
Fair value reserves	34,957	34,929
Net profit or loss brought forward	3,496	3,496
Net profit or loss	956	0
TOTAL EQUITY	**88,102**	**87,118**
LIABILITIES		
Provisions	1,066	1,078
Non-current deferred income	107	103
Non-current financial liabilities	72,134	73,175
Non-current operating liabilities	306	306
Deferred tax liabilities	8,200	8,193
TOTAL NON-CURRENT LIABILITIES	**81,813**	**82,855**
Current financial liabilities	4,456	4,412
Current operating liabilities	16,503	15,849
Current corporate income tax liabilities	639	497
TOTAL CURRENT LIABILITIES	**21,598**	**20,758**
TOTAL LIABILITIES	**103,411**	**103,613**
TOTAL EQUITY AND LIABILITIES	**191,513**	**190,731**

STATEMENT OF CASH FLOWS OF INTEREUROPA D.D.

for the period 1 January 2017 to 31 March 2017

in EUR thousand	January–March 2017	January–March 2016
Cash flows from operating activities		
Net profit or loss for the accounting period	**956**	**931**
Adjustments for:		
- amortisation and depreciation	1,007	996
- gains on the sale of property, plant and equipment	-16	-2
- impairments and write-offs of receivables	73	58
- finance income	-185	-268
- finance costs	550	698
- corporate income tax (including deferred taxes)	152	0
Operating profit before changes in net working capital and taxes	**2,536**	**2,413**
Changes in net working capital and provisions		
Changes in receivables	-1,907	-774
Changes in inventories	0	2
Changes in other current assets	-191	-59
Changes in operating liabilities	1,240	-448
Changes in provisions	-11	-11
Changes in non-current deferred income	3	3
Income tax paid	0	0
Net cash flow from operating activities	**1,670**	**1,126**
Cash flows from investing activities		
Interest received	78	80
Dividends received and shares in profit	0	30
Inflows from the sale of property, plant and equipment, and assets held for sale	314	1
Inflows from long-term loans granted	10	0
Inflows from long-term deposits placed	30	0
Inflows from the sale of other non-current financial assets	2	0
Net cash flow from short-term loans granted	-27	9
Net cash flow from short-term deposits placed	20	18
Outflows for the acquisition of property, plant and equipment, and investment property	-578	-526
Outflows for the acquisition of intangible assets	-39	-29
Outflows for long-term deposits placed	-50	-10
Outflows for increase in capital of subsidiaries	-15	0
Net cash flow from investing activities	**-255**	**-427**
Cash flows from financing activities		
Interest paid	-547	-701
Outflows for the repayment of long-term loans	-997	-938
Net cash flow from financing activities	**-1,544**	**-1,639**
Opening balance of cash and cash equivalents	**1,822**	**8,169**
Net cash flow for the period	**-129**	**-940**
Closing balance of cash and cash equivalents	**1,693**	**7,229**

STATEMENT OF CHANGES IN EQUITY OF INTEREUROPA d.d.

for the period 1 January 2017 to 31 March 2017

in EUR thousand	Share capital	Share premium account	PROFIT RESERVES			Fair value reserves	RETAINED EARNINGS		Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares (as deduction item)		Net profit or loss brought forward	Net profit or loss	
Opening balance as at 1 January 2017	**27,489**	**18,455**	**2,749**	**180**	**-180**	**34,929**	**3,496**	**0**	**87,118**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**28**	**0**	**956**	**984**
Net profit or loss	0	0	0	0	0	0	0	956	956
Other comprehensive income	0	0	0	0	0	28	0	0	28
Closing balance as at 31 March 2017	**27,489**	**18,455**	**2,749**	**180**	**-180**	**34,957**	**3,496**	**956**	**88,102**

STATEMENT OF CHANGES IN EQUITY OF INTEREUROPA d.d.

for the period 1 January 2016 to 31 March 2016

in EUR thousand	Share capital	Share premium account	PROFIT RESERVES			Fair value reserves	RETAINED EARNINGS		Total equity
			Legal reserves	Reserves for treasury shares	Treasury shares (as deduction item)		Net profit or loss brought forward	Net profit or loss	
Opening balance as at 1 January 2016	**27,489**	**18,455**	**2,749**	**180**	**-180**	**48,659**	**89**	**535**	**97,976**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**3**	**0**	**931**	**934**
Net profit or loss	0	0	0	0	0	0	0	931	931
Other comprehensive income	0	0	0	0	0	3	0	0	3
Transactions with owners									
Transfer of net profit or loss from the previous year to net profit or loss brought forward	0	0	0	0	0	0	535	-535	0
Closing balance as at 31 March 2016	**27,489**	**18,455**	**2,749**	**180**	**-180**	**48,662**	**624**	**931**	**98,910**

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

A) NOTES TO INCOME STATEMENT

Sales revenue

Table 32: Sales revenue of Intereuropa d.d. by business segment in the period January-March 2017

EUR thousand	Jan–Mar 2017	Jan–Mar 2016	Jan–Mar 2017	Jan–Mar 2016	Jan–Mar 2017	Jan–Mar 2016	Jan–Mar 2017	Jan–Mar 2016	Jan–Mar 2017	Jan–Mar 2016
	Land transport		Logistics solutions		Intercontinental transport		Other services		Intereuropa d.d.	
Sales revenue	11,135	10,652	3,296	3,094	9,381	8,264	1,127	1,101	24,939	23,111

Other operating revenues (EUR 141 thousand) comprise gains on the sale of property, plant and equipment (EUR 16 thousand), revenues from the reversal of value adjustments and write-offs of receivables (EUR 56 thousand), revenues from state aid for the co-financing of projects and revenues from the employment of disabled persons above the prescribed quota (EUR 17 thousand) and other revenues (EUR 52 thousand).

Costs of goods, materials and services

Table 33: Costs of goods, materials and services of Intereuropa d.d. in the period January–March 2017

in EUR thousand	January–March 2017	January–March 2016
Historical cost of goods and materials sold and cost of materials used	485	485
Cost of services in the Group	525	454
Cost of services (excluding the Group):	17,292	15,664
direct costs	15,841	14,344
costs of telecommunication services	40	42
maintenance costs	365	390
insurance premiums	139	121
training and education costs	17	10
other costs of services	892	758
Total	**18,302**	**16,603**

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

Labour costs

Table 34: Labour costs of Intereuropa d.d. in the period January–March 2017

in EUR thousand	January–March 2017	January–March 2016
Costs of wages and salaries	2,883	2,904
Pension insurance costs	399	343
Other social security costs	210	210
Other labour costs:	459	433
transportation and meal allowances	409	416
other labour costs	51	17
Total	**3,951**	**3,891**

Amortisation

Table 35: Amortisation and depreciation of Intereuropa d.d. in the period January–March 2017

in EUR thousand	January–March 2017	January–March 2016
Depreciation of property, plant and equipment and investment property	887	878
Amortisation of intangible assets	120	118
Total	**1,007**	**996**

Other operating expenses

Table 36: Other operating expenses of Intereuropa d.d. in the period January–March 2017

in EUR thousand	January–March 2017	January–March 2016
Building land use fee and similar expenses	254	263
Expenses from impairments and write-offs of property, plant and equipment	1	0
Expenses from value adjustments (impairments) and write-offs of receivables	73	58
Other operating expenses	21	24
Total	**348**	**345**

Effect of finance income and costs on profit or loss

Table 37: Effect of finance income and costs on the profit or loss of Intereuropa d.d. in the period January–March 2017

in EUR thousand	January–March 2017	January–March 2016
Interest income from Group companies	11	15
Interest income from others	38	58
Income from dividends and other shares in profit from Group companies	137	188
Revenues from the reversal of impairments of loans and bills of exchange	0	9
Total finance income	**185**	**268**
Interest expense and other borrowing expenses	-528	-694
Expenses from impairments of other financial assets	-2	-2
Expenses from the disposal of financial assets	-16	0
Net exchange rate differences	-3	-2
Total finance costs	**-550**	**-698**
Profit or loss from financing activities	**-364**	**-430**

The **profit or loss from ordinary operations** in the amount of EUR 1,109 thousand was the result of operating profit in the amount of EUR 1,473 thousand and a loss from financing activities in the amount of EUR 364 thousand.

Net profit or loss therefore totalled EUR 956 thousand.

B) NOTES TO STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

Table 38: Property, plant and equipment of Intereuropa d.d. as at 31 March 2017

in EUR thousand	31 March 2017	31 December 2016
Land and buildings	92,275	92,787
a) Land	50,497	50,394
b) Buildings	41,778	42,394
Other plant and equipment	3,708	3,777
Property, plant and equipment in acquisition	180	247
Total	**96,163**	**96,812**

Intangible assets

Table 39: Intangible assets of Intereuropa d.d. as at 31 March 2017

in EUR thousand	31 March 2017	31 December 2016
Long-term property rights	545	569
Other intangible assets	3,048	3,083
Intangible assets under construction	251	311
Total	**3,843**	**3,962**

Loans granted and deposits

Table 40: Loans granted and deposits of Intereuropa d.d. as at 31 March 2017

in EUR thousand	31 March 2017	31 December 2016
Long-term loans granted	**30**	**10**
- to subsidiaries	0	0
- deposits	30	10
Short-term loans granted and deposits	**1,339**	**1,343**
- to subsidiaries	1,283	1,293
- bills of exchange	27	0
- deposits	30	50
Total	**1,369**	**1,353**

Other non-current financial assets

Table 41: Other non-current financial assets of Intereuropa d.d. as at 31 March 2017

in EUR thousand	31 March 2017	31 December 2016
Non-current investments in shares and participating interests in subsidiaries	45,184	45,169
Non-current investments in participating interest in joint venture	39	39
Other non-current financial assets	547	531
Total	**45,770**	**45,739**

Current operating receivables

Table 42: Current operating receivables of Intereuropa d.d. as at 31 March 2017

in EUR thousand	31 March 2017	31 December 2016
Current operating receivables from Group companies	572	577
Current operating receivables from Group companies for interest	226	216
Current trade receivables (excluding the Group)	20,605	18,551
Current operating receivables from others	607	945
Total	**22,115**	**20,290**

Other current assets amounting to EUR 250 thousand comprise current deferred costs.

Equity

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

Provisions

Table 43: Provisions of Intereuropa d.d. as at 31 March 2017.

in EUR thousand	31 March 2017	31 December 2016
Provisions for severance pay at retirement and jubilee benefits	981	993
Provisions for lawsuits	85	85
Total	**1,066**	**1,078**

The full amount of **non-current financial liabilities** (EUR 72,134 thousand) relates to long-term loans received.

Current financial liabilities amounted to EUR 4,456 thousand and comprise the current portion of long-term loans (EUR 4,030 thousand) and liabilities for preferred dividends (EUR 426 thousand).

Current operating liabilities

Table 44: Current operating liabilities of Intereuropa d.d. as at 31 March 2017

in EUR thousand	31 March 2017	31 December 2016
Current operating liabilities to Group companies	358	358
Current trade payables	13,515	13,344
Current operating liabilities based on advances	96	59
Other current operating liabilities	2,534	2,087
Total	**16,503**	**15,849**

Contingent liabilities

Table 45: Contingent liabilities of Intereuropa d.d. as at 31 March 2017

in EUR thousand	31 March 2017	31 December 2016
From bank guarantees and guarantees given to Group companies	1,504	1,786
From bank guarantees and guarantees given to others	10,155	10,155
From lawsuits	27	299
To D.S.U., družba za svetovanje in upravljanje, d.o.o.	250	250
Total	**11,936**	**12,490**

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value hierarchy of financial instruments

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

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

Table 46: Fair value hierarchy at Intereuropa d.d. as at 31 March 2017

in EUR thousand	31 March 2017			
Fair value hierarchy	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	486	0	61	547
in EUR thousand	31 December 2016			
Fair value hierarchy	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	451	0	80	531

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

TRANSACTIONS BETWEEN RELATED PARTIES

Table 47: Transactions between related parties

Revenues from the sale of services in EUR thousand	January–March 2017	January–March 2016
Subsidiaries	796	740
Associate and joint venture	189	153

Costs of services in EUR thousand	January–March 2017	January–March 2016
Subsidiaries	525	454
Associate and joint venture	1,382	929

Interest income in EUR thousand	January–March 2017	January–March 2016
Subsidiaries	11	15

Income from participating interests in EUR thousand	January–March 2017	January–March 2016
Subsidiaries	137	188

Balance of operating receivables in EUR thousand	31 March 2017	31 December 2016
Subsidiaries	904	794
Associate and joint venture	158	130

Balance of operating liabilities in EUR thousand	31 March 2017	31 December 2016
Subsidiaries	358	358
Associate and joint venture	450	500

Loans granted in EUR thousand	31 March 2017	31 December 2016
Subsidiaries	1,283	1,293

Receivables for profit participation in EUR thousand	31 March 2017	31 December 2016
Subsidiaries	106	0

EVENTS AFTER THE REPORTING PERIOD

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

IN BRIEF ...

Favourable economic trends continue in Europe in 2017, which has the positive effect of continuing growth in demand for logistics services and thus the operations of Group companies. The Intereuropa Group achieved 5% growth in the first quarter of 2017 relative to 2016 and generated **EUR 35.4 million in sales revenue**.

The highest growth in turnover was recorded in the intercontinental transport business segment, where sales results were up 16% one the same period in 2016. Contributing most to that overall growth was growth in sea and air transport services. Sales results in the logistics solutions business segment were up 4% primarily on account of the increased turnover of goods and new transactions in major warehouses in Slovenia that represent the bulk of operations in this business segment. Sales revenue in the land transport segment was at the level recorded during the comparable period, despite an increase in physical indicators. In addition to pressure to reduce selling prices, the results of the aforementioned segment were heavily influenced by a drop in sales at the Ukrainian subsidiary, which was the result of the continuation of the extremely tense political situation and adverse economic conditions in the aforementioned country. The subsidiaries in Slovenia, Bosnia and Herzegovina and Albania also recorded a drop in sales relative to the same period last year.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) were up by 2% relative to the same period the previous year to stand at **EUR 3.4 million**. **Operating profit (EBIT)** amounted to **EUR 1.7 million**, an increase of 2%. We were unable to improve the EBIT margin, which is a primarily a reflection of the extraordinarily pressures on selling prices, rising purchase prices in the land and sea transport segments, and a lack of cargo space for the sea transport of containers and air transport.

The **loss from financing activities** of **EUR 0.7 million** was primarily the result of net interest expense and negative exchange rate difference. **Net financial debt** amounted to **EUR 73.1 million** at the end of March 2017.

The Group's **operating profit from ordinary operations** amounted to **EUR 1.0 million.** Corporate income tax (including deferred taxes) amounted to EUR 0.15 million and reduced the profit from ordinary operations. The Intereuropa Group thus ended the reporting period with a **net profit of EUR 0.9 million.**

Intereuropa is celebrating its 70th anniversary this year. During that time, we have weathered numerous storms that have had a significant impact on operations, including storms that have threatened the company’s very existence. Growth in key performance indicators in recent periods confirms the appropriateness of Intereuropa’s outlined strategy and provides the impetus to achieve established objectives.