

PRESS RELEASE

Istrabenz Turizem obtains support for investments in company's development

Following a restructuring of the financial liabilities of the companies Istrabenz Turizem, d.d. and Istrabenz hoteli Portorož, d.o.o. and after obtaining the approval of the creditor banks of the company Istrabenz, d.d. with regard to the above-stated executed agreements on restructuring, the Istrabenz Turizem Group has obtained the conditions required to start a new development cycle. Namely, a constituent part of the refinancing programme are the investments in hotel development by means of which the company Istrabenz Turizem, d.d., one of the largest tourism companies in Slovenia, will manage to consolidate its international competitive position. Most likely, the investment projects will be implemented by the end of 2015.

The negotiations with the creditor banks, started in 2012, were carried on by the Istrabenz, d.d. company, which actively manages its investments in the tourism, gas and IT businesses, and provides for strategic financing on the Istrabenz Group level. Following the execution of the long-term restructuring of the financial liabilities of the Istrabenz, d.d. company, the executed agreements represent a final phase in the restructuring process of the Istrabenz, d.d. company and the Istrabenz Turizem Group and grant the companies Istrabenz, d.d. and Istrabenz Turizem, d.d. sustainable financing which unburdens the companies' cash flow and provides the Tourism Division new development opportunities.

The subject of the attained restructuring of the financial liabilities to the banks was a principal loan amount of 66.1 million euros. After the execution of the agreement, the principal was reduced to 61.2 million euros, of which 34 million euros of principal belong to the company Istrabenz hoteli Portorož, d.o.o., the owner of the Kempinski Palace Portorož hotel, and 27.2 million euros of principal belong to the company Istrabenz Turizem, d.d. The loans of the company Istrabenz Turizem, d.d. will become due at the beginning of 2023 whereas the loans of Istrabenz hoteli Portorož, d.d. will mature at the beginning of 2017.

Rudi Grbec, MSc., President of the Management Board of Istrabenz, d.d. and President of the Board of Directors of Istrabenz Turizem, d.d., commented: "It is of primary importance that in the coming years Istrabenz Turizem, d.d. not only will reduce its debt but will also have the opportunity to develop. The approval granted by the creditor banks with regard to the restructuring, namely to the extension of the repayment period of the liabilities to four years and nine and a half years, respectively, reflects a trust in the development potential of our investment in the Tourism Division. However, the basis of the executed agreements on refinancing of both tourist companies is a correct fulfilment of the liabilities to the banks and the examined and confirmed development potential of the company."

Already in 2012, a reputable international consulting company confirmed the positive growth potential of the Portorož tourist destination and expressed a positive opinion regarding the profitability and business projections of Istrabenz Turizem, d.d. In addition, it confirmed the good market position of the company's LifeClass brand and underlined the necessity of further investments. The last major investments in hotel refurbishment were performed by the company Istrabenz Turizem, d.d. ten years ago. However, a satisfying level of room occupancy has been maintained by the company owing to an efficient reorganisation of its marketing approach. The company successfully rationalised several types of costs whereas the structure and the maturity of financial sources prevented it from implementing the required investments.

Marino Antolovič, Chief Executive Officer of Istrabenz Turizem, d.d., explained: "During the crisis management performed in the past five years, we managed to stabilise the business operations and provide the conditions for further growth and return on assets. We have set a credible development strategy, adapted to new trends on the market. The owners and the banks have supported this strategy and by approving the restructuring of the financial liabilities, they enabled us to start a new development cycle."

Since the end of 2009, the Istrabenz Turizem Group has decreased its debt by 19.6 million euros and repaid 18.1 million euros of interest. After the execution of the agreements on the restructuring of its liabilities, the remaining debt of the Istrabenz Turizem Group amounts to 68.2 million euros.

The restructuring of the financial liabilities of the holding company Istrabenz, d.d. which was executed between the company and its creditor banks at the end of February has also been based on new financing conditions which anticipate repayment of the remaining debt in the amount of 158.9 million euros in two tranches (namely in Tranche A totalling 92.9 million euros in five years and the remaining part of the debt, or Tranche B, in ten years). The restructuring has been based on the anticipated growth in the value of investments, calculated in relation to the previous and the planned development of business operations in the sphere of company's crucial investments. In 2013, the Istrabenz, d.d. company operates with negative equity which mainly is a consequence of the adjustment of the value of company's long-term investments to present circumstances in the financial and capital market.

Since the end of 2009, the Istrabenz d.d. company repaid 276.5 million euros of its liabilities to its creditor banks (or 63.5% of the initial debt), and settled 31.8 million euros of interest.

Istrabenz d.d. Holding Company

Istrabenz Turizem, d.d.