



General Manager Tomislav Čeh, m.p.

Ljubljana, August 2016

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## 1. COMPANY DATA

Corporate name:	UNION HOTELI d.d.
Headquarters:	Ljubljana
Headquarters address:	Miklošičeva cesta 1, 1000 LJUBLJANA
Size:	Large company
Code of activity (according to Standard Classification):	I55.10 – Hotels and similar accommodation
Activity:	Hotels and food and beverage
Form of incorporation:	Delniška družba d.d. (public limited company)
Registration number:	5001153000
Tax number:	SI79834264
Established in:	1905 and on 11 November 1997 as a public limited company
Company registration:	On 11 November 1997, the Company was entered into the business register with the Ljubljana District Court, registration form No 1/ 03932 /00, SRG 97/00812
Share capital:	€7,485,695.10 (district court decision on entering the change, dated 19 April 2012)
Number of shares:	1,793,869 par value shares (decree by KDD d.d., dated 9 May 2012); the shares are traded on the Entry Market of the Ljubljana Stock Exchange under the symbol GHUG
Company bodies:	Management Board – General Manager Supervisory Board General Assembly
General Manager:	Tomislav Čeh
Supervisory Board Chairman:	Primož Raktelj
Number of employees:	30 July 2016: 241, from working hours: 214.9
Company owners with a 20% or larger stake:	ACH, d.d. Ljubljana – 75.35% stake in the Company UNION HOTELI d.d.
Subsidiary:	IP Central d.o.o. (the UNION HOTELI d.d. Company holds a 100% stake in the IP Central d.o.o. Subsidiary)

## **2. PRELIMINARY STATEMENTS**

In accordance with the valid legislation and based on the rules and regulations of the Ljubljana Stock Exchange d.d., as well as recommendations to public limited companies as regards their reporting, the UNION HOTELI d.d. Company hereby publishes its Unaudited Half-year Report for the UNION HOTELI d.d. Company and Union Hoteli Group for the first half of 2016.

The interim condensed financial statements for the period that ended on 30 June 2016 have been drafted in accordance with IAS 34 – Interim Financial Reporting and need to be read in conjunction with the annual financial statements, drafted for the fiscal year that ended on 31 December 2015. The interim financial statements have been investigated by Ernst & Young d.o.o. auditing firm; they were not audited.

The Supervisory Board of the UNION HOTELI d.d. Company discussed the Unaudited Half-year Report for the UNION HOTELI d.d. Company and Union Hoteli Group for the first half of 2016 at its session on 1 September 2016.

The Company has published the half-year report on the electronic information board of the Ljubljana Stock Exchange (SEOnet) and on the <http://www.union-hotels.eu/> website, where it will remain for a period of 10 years after the date of publication.

The company informs shareholders, employees and the interested public on all the important events for the Company at the website of the Ljubljana Stock Exchange, its own website or in other ways, if required by law or regulations.

## **3. STATEMENT BY THE GENERAL MANAGER**

Mr Tomislav Čeh, General Manager of the UNION HOTELI d.d. Company, in my capacity as the person responsible for drafting the Unaudited Half-year Report for the UNION HOTELI d.d. Company and Union Hoteli Group for the period between January and June 2016, hereby state that to the best of my knowledge:

- The summary of the financial report is composed entirely in accordance with the appropriate financial reporting framework and provides an honest and fair overview of assets and liabilities, the financial situation and the statement of profit and loss of the parent company and the subsidiary included in the consolidation as a whole
- The interim report contains an honest and fair overview of information from Article 113(6) (significant transactions with associated entities) of the Financial Instruments Market Act

The undersigned Mr Tomislav Čeh, General Manager of the UNION HOTELI d.d. Company, have been informed of and have agreed to the contents of the constituent parts of this Unaudited Half-year Report for the UNION HOTELI d.d. Company and Union Hoteli Group for the January – June 2016 period and thus with the entire half-year report.

Glavni direktor:  
Tomislav Čeh



## **4. INTERIM REPORT**

### **4.1. General Overview of Business Operations and Financial Situation of the Union Hoteli Group, the Controlling UNION HOTELI d.d. Company and the IP CENTRAL d.o.o. Subsidiary in the Period Between 1 January 2016 and 30 June 2016**

In 2016, the Union Hoteli Group consists of the controlling UNION HOTELI d.d. Company, Miklošičeva cesta 1, Ljubljana and the IP Central d.o.o. Subsidiary, a company for the disabled, Miklošičeva cesta 9, Ljubljana. Union Hoteli entered 2016 with four hotels (Grand hotel Union, Grand hotel Union Business, Hotel Lev and Central Hotel) and 574 rooms. The potential market cap of Union Hoteli among those Ljubljana hotels, for which statistics are managed by the Tourism Board (TIC), stands at 25.3%, while the average realised market share in the first half of 2016 stood at 25.1%.

The hotels in the Union Hoteli Group continuously strive to improve and increase the quality of their accommodation. 2015 was marked by renovations, which improved the quality of rooms and spaces as well as comfort for our business and holiday guests. All the hotels in the Union Hoteli Group were upgraded in terms of facilities and refreshed in terms of contents, while the completed maintenance and minor investments have left them in a good shape. This has also been reflected in overwhelmingly positive questionnaire responses and comments on booking websites and shown by an increase of the occupancy rate.

We set up a new organisational structure, boosting the efficiency of work processes. We introduced new world-class standard software on 1 December 2015 in the hotel and food and beverage sections.

Union hotels provide a comprehensive service: rooms, congress facilities, correct information, top-quality dining, a wine bar, café, excellent services in their immediate vicinity and events that assure a unique local experience. The guests are increasingly looking for local experiences on the highest level and we and the city of Ljubljana aim to provide them. We want to retain our leading spot among Ljubljana's hotels by developing our competitive advantages (hotel locations in the city centre with congress-conference capacities, superbly qualified team and high quality of services). Some competing hotels in Ljubljana have recently become parts of renowned global hotel chains, while Ljubljana is gearing up for new hotels as well. The Intercontinental hotel on Bavarski dvor has already begun construction, so we must be prepared by the time the competition arrives.

To enrich the experience of our guests and increase their comfort, we continue to modernise our hotel and food and beverage capacities and add new contents and products to the banquet section. We moreover improved the level of our culinary services, as well as raised the quality and diversity of breakfasts. We also upgraded the level of service in our business hotel by introducing the "concierge", which allows us to tailor our efforts to individual guests and provide additional services.

Our intense marketing activities brought results, we are facilitating sales in order to bring new guests, agencies and events to Ljubljana. We have seen an increase in the number of guests and thus overnight stays and profits are on the rise. The Union Hoteli Group operated in line with plans in the first half of 2016 and improved on the results achieved in the same period in 2015. We continue to focus on optimising our operations and improving our cost-effectiveness.

In accordance with the hospitality and openness, a trademark of Slovenians, all our interaction aims towards genuine kindness and spreading the moments that count on the business and personal side. Our mission is to share the excellence of continuous improvements, professionalism, comfort and warmth and thus create and spread pleasant experience throughout the world!

#### **Union Hoteli Group**

In the first half of 2016, the Union Hoteli Group operated in line with plans and improved its results compared to the same period in 2015. The hotels in the Group achieved an average occupancy rate of 61.2% in the period between 1 January 2016 and 30 June 2016, a 3.1 percentage point increase over the same period in 2015. The Grand Hotel Union and Grand Hotel Union Business (hereinafter: the GHU hotels) recorded a 63.9% occupancy rate in the first half of 2016, followed by Central Hotel

(62.5%) and Hotel Lev (55.5%). The Union Hoteli Group recorded a total of 86,665 overnight stays in H1 2016, a 4.3% increase year-on-year.

The competing hotels in Ljubljana with a 3 to 5 stars rating had an average occupancy rate between 51% and 82% in the first half of 2016. The average occupancy rate for all Ljubljana hotels in the first six months of the year stood at 61.9%, 3.4 percentage points more than the average occupancy in H1 2015.

We managed to attain a higher average price per occupied room (without breakfast) in H1 2016 over H1 2015 for the GHU hotels and Central Hotel, while our RevPar increased in all of the hotels compared to H1 2015.

In the first half of 2016, the Union Hoteli Group realized net sales revenues in the amount of €8,334,167 (a €0.57 million (7.3%) increase over H1 2015).

The operating expenses of the Union Hoteli Group in H1 2016 meanwhile stood at €7,830,930, which represents a 4.1% increase over H1 2015.

The Union Hoteli Group's earnings before interest, taxes, depreciation, and amortization (EBITDA, calculated according to IBON methodology) in the first half of 2016 stood at €1,805,501, which represents a 15.8% increase year-on-year.

The consolidated profit of the Union Hoteli Group in H1 2016 meanwhile amounted to €480,934, an 88.7% increase over the same period in 2015.

The total assets of the Union Hoteli Group amounted to €43,348,233 on 30 June 2016, which represents a 1.2% increase over the start of the year. The assets are mainly kept in long-term assets (90.0%) with the remaining 10.0% in short-term assets. The capital of the Union Hoteli Group stood at €32,149,168, with the share of capital in funds at 74.2%. The financial debt of the Union Hoteli Group amounted to €6,830,226 on 30 June 2016.

The Union Hoteli Group had 245.6 employees (from working hours) in H1 2016, with 280 workers employed by the Group at the end of June 2016.

## **UNION HOTELI d.d.**

In the first half of 2016, the UNION HOTELI d.d. Company realized net sales revenues to the amount of €7,632,347 (a €0.47 million (6.6%) increase over H1 2015).

The operating expenses of the UNION HOTELI d.d. Company in H1 2016 meanwhile stood at €7,041,685, which represents a 4.3% increase over H1 2015.

The UNION HOTELI d.d. Company's earnings before interest, taxes, depreciation, and amortization (EBITDA, calculated according to IBON methodology) in the first half of 2016 stood at €1,701,981, which represents a 13.7% increase year-on-year.

In the period between 1 January 2016 and 30 June 2016 the Company posted a profit to the amount of €486,260, which is 54.7% more than in the same period in 2015.

On June 30 2016, the total assets of the UNION HOTELI d.d. Company amounted to €44,012,493, which represents a 1.0% increase over the start of the year. The assets are mainly kept in long-term assets (89.7%) with the remaining 10.3% in short-term assets.

Investments in intangible and tangible assets amounted to €0.34 million in Q1 2016.

The UNION HOTELI d.d. Company had a capital of €33,131,969 on 30 June 2016, while the share of capital in funds stood at 75.3%.

The 29<sup>th</sup> Annual General Meeting (AGM) of the UNION HOTELI d.d. Company, which took place on 30 June 2016, adopted a decision to allocate a part of the distributable profit in the amount of

€304,957.73 for payment of dividends to shareholders with a gross value of €0.17 per ordinary share. The dividends have been paid out in accordance with the AGM's decision after 30 June 2016.

The UNION HOTELI d.d. Company's financial debt amounted to €6,830,226 on 30 June 2016. The Company drew the last tranche of a long-term loan acquired in 2015 and took out two short-term loans in the total amount of €500,000 in order to ensure short-term liquidity. The Company continued to pay off all of its maturing liabilities stemming from financial liabilities towards banks and leasing companies.

The UNION HOTELI d.d. Company had 214.9 employees (from working hours) in H1 2016, with 241 workers employed in the Company at the end of June 2016.

### **IP Central d.o.o. Subsidiary**

In the first half of 2016, the IP Central d.o.o. Subsidiary realized net sales revenues to the amount of €840,923 (€61,000 (6.6%) more than in H1 2015).

The operating expenses of the IP Central d.o.o. Subsidiary in H1 2016 meanwhile stood at €932,642, which represents a 1.9% decrease over H1 2015.

The IP Central d.o.o. Subsidiary's earnings before interest, taxes, depreciation, and amortization (EBITDA, calculated according to IBON methodology) in the first half of 2016 stood at €99,519, which represents a 67.9% increase year-on-year.

The net profit and loss of the IP Central d.o.o. Subsidiary was negative in H1 2016 (a loss of €9,620), a substantially lower loss than the one recorded in the net profit and loss in H1 2015 which stood at €63,747.

The total assets of the IP Central d.o.o. Subsidiary stood at €4,110,180 on 30 June 2016. The assets are mainly kept in long-term assets (87.9%) while the remaining 12.1% are in short-term assets. The capital of the IP Central d.o.o. Subsidiary stood at €522,765. The IP Central d.o.o. Subsidiary's financial debt amounted to €3,154,292 on 30 June 2016.

The IP Central d.o.o. Subsidiary had 30.7 employees (from working hours) in H1 2016, with 39 workers working for the Subsidiary at the end of June 2016.

## **4.2. Major Business Events in the January-June 2016 Period**

- Participation and presentation of the Union Hoteli Group at major sales and marketing events abroad
- Presenting the destination and Union Hotels at various markets as part of our sponsorship of Slovenia's Olympic team and active cooperation with the National Olympic Committee
- Grand Hotel Union hosted several important delegations
- We signed a substantial number of sales deals
- We launched cooperation with farms as part of our F&B section
- We informed the Supervisory Board with the proposal to renovate the pool on the 8<sup>th</sup> floor of GHU Business (ongoing) and received the Board's approval for the proposed investment in the GHU Business parking lot
- We renovated the entrances (removal of doors) and completed the project to renovate the parking lot system
- The 29<sup>th</sup> AGM of the UNION HOTELI d.d. Company took place on 30 June 2016. The AGM adopted the decision to pay out dividends to the tune of €0.17 gross per ordinary share and granted a discharge to the Management and Supervisory Boards for their activities in 2015. The AGM appointed Ernst & Young d.o.o. auditing firm to audit the financial statements for the 2016 financial year, adopted a clean copy of the Articles of Association of the UNION HOTELI d.d. Company, including the submitted changes and amendments, and the clean copy of the Rules of Procedure for Annual General Assembly Procedures, including the submitted changes and amendments.

### 4.3. Ownership Structure and Shares

The share capital of the UNION HOTELI d.d. Company amounted to €7,485,695.10 on 30 June 2016 and was spread over 1,793,869 par value shares. The shares are listed on the Ljubljana Stock Exchange with the symbol GHUG. They are traded on the Entry Market.

The UNION HOTELI d.d. Company's share register included 708 shareholders on 30 June 2016.

The biggest shareholders own the following amount of shares and % of ownership:

	Owner	No. of shares	%	No. of shareholders
1	ACH, d.d., Ljubljana	1,351,729	75.35%	1
2	KAPITALSKA DRUŽBA, D.D.	336,421	18.75%	1
3	SOCIETE GENERALE - SPLITSKA BANKA d.d.	3,372	0.19%	1
4	GREGORIČ FEDOR	2,386	0.13%	1
5	STOJANOVSKI DAME	2,331	0.13%	1
6	VALENTIČ BOJAN	2,055	0.11%	1
7	DBS d.d.	1,861	0.10%	1
8	KLEMENČIČ ANICA	1,572	0.09%	1
9	LIPOVŠEK BOGDAN	1,233	0.07%	1
10	ZALAR EMIL	1,150	0.06%	1
11	ČERNEKA KRISTJAN	1,104	0.06%	1
12	OKORN ANDREJ	1,002	0.06%	1
13	Other legal entities	5,443	0.30%	13
14	Other natural persons	82,255	4.59%	683
	<b>TOTAL</b>	<b>1,793,869</b>	<b>100.00%</b>	<b>708</b>

The market price of the GHUG share at the Ljubljana Stock Exchange – Entry Market stood at €12.0 on 30 June 2016, while the bookkeeping value of the UNION HOTELI d.d. Company's share on the same date amounted to €18.5.

### 4.4. Transactions with Associated Entities

The UNION HOTELI d.d. Company is part of the ACH group. In H1 2016, the associated companies of the UNION HOTELI d.d. Company included the parent ACH, d.d. Ljubljana Company (the ACH, d.d. Ljubljana Company holds a 75.35% stake in UNION HOTELI d.d.), the IP Central d.o.o. Subsidiary (the UNION HOTELI d.d. Company holds a 100% stake in the IP Central d.o.o. Subsidiary) and companies in the ACH group. The controlling company, which holds the majority stake in the ACH, d.d. Ljubljana Company, is the Protej d.o.o. Company.

Transactions amongst associated companies are carried out under market conditions. In February 2016, the UNION HOTELI d.d. Company authorised a €150,000 short-term loan to the IP Central d.o.o. subsidiary, utilising the interest rate that is used for associated companies. There were no other events related to transactions between associated entities that would change the Company's financial situation or results from the end of the last reporting period.

### 4.5. Management and Supervisory Boards

- There were no changes to the **Management Board** of the UNION HOTELI d.d. Company between 1 January 2016 and the date of publication of the report.
- There were no changes to the **Supervisory Board** of the UNION HOTELI d.d. Company between 1 January 2016 and the date of publication of the report. The Supervisory Board of the UNION HOTELI d.d. Company consisted of the following members on the date of publication of this report:
  1. Primož Raktelj – chairman
  2. Tadeja Čelar – deputy chairperson



3. Peter Krivc – member
  4. Gregor Jenko – member
  5. Tjaša Gorjup – member
  6. Miran Erjavec – member
- **The Supervisory Board's Auditing Committee** consisted of the following members on the date of publication of this report:
1. Tadeja Čelar – president
  2. Gregor Jenko – member
  3. Ingrid Zadel – external member

#### 4.6. Risk Management

UNION HOTELI d.d. and IP CENTRAL d.o.o. companies pay close attention to risk management, including determining, measuring, managing and monitoring of risks that the companies are or could be exposed to in the course of their operations.

**The main strategic risks for the Company that could result in a failure to meet the goals are:**

- Potential drastic drop in the price of rooms sold on foreign markets and in the tourist destination Ljubljana; an increase in accommodation capacity in Ljubljana, a trend towards organising smaller events at companies themselves, and an increase in the number of facilities providing such capacities. Due to the impact of recession on the Slovenian tourist economy, price vulnerability is still rather high and average prices have not yet returned to the desired level.
- There exists a risk that already scheduled and confirmed events get cancelled and that the number of business guests drops (worsening of the economic situation on several of our key markets – Italy, Spain ... and an unfavourable security situation in Europe).
- Insufficient number of air links with Slovenia, which hinders our availability to get international events, especially overseas ones. Should Slovenia's flag carrier Adria Airways cease to operate, it would greatly impact the tourist sector. City hotels that depend on foreign guests would be under grave threat. A negative impact would also hit the mobility and the attractiveness of Slovenia as a tourist destination.
- Risks connected to the long-term financial investment into IP Central d.o.o. Subsidiary: By carrying out the project "New Business Strategy for IP Central d.o.o. – a Disabled-Friendly Hotel", we have minimised the risk regarding maintaining the status of a disability company for IP Central d.o.o.

Exposure to **financial risks** brings with it a possibility of change to the fair market value of items exposed to risks (impairment of assets, strengthening of debt) that have a direct influence on the Company's cash flow and its statement of profit and loss. This is why managing them is essential in order to succeed, develop and, last but not least, maintain any company's existence.

Financial risks have been quelled through stable operations, good credit standing and other activities. Activities have been carried out in the business, financial and investment sectors.

The financial sector is mainly concerned with managing the following risks.

- Credit risks
- Liquidity risks,
- Interest risks
- Tax risks

Risk management is closely connected to risk assessment. Based on the assessment of exposure, financial market instruments are activated to limit or eliminate such exposure within the frame of the existing statement of the financial position. Different risks require different approaches.

The management guarantees that both companies employ due commercial-financial sector diligence in carrying out operations and strive to maintain both short- and long-term solvency. In 2016, the sources of funds sufficed for the scope and type of operations that the companies carry out and the risks they are exposed to in carrying them out (**capital adequacy**). The main aim of the financial function of both companies is to create value for the owners, increase the expected operating cash flows, boost the profitability of investments and manage financial risks. The management regularly monitors and checks whether the companies are achieving capital adequacy. The UNION HOTELI d.d. and IP CENTRAL d.o.o. companies have maintained liquidity, solvency and capital adequacy in H1 2016.

The manner of managing financial risks according to type is detailed below:

### **Credit risks**

Credit risks (risk to incur loss due to breach of liabilities of the debtor towards the Company) are managed by continuous monitoring of enforceability of the claims, compliance of the claims to liabilities according to dates due and timely acquisition of appropriate forms of insurance to protect claims. We continue to monitor the credit rating of our business partners and the average duration of binding receivables to the purchasers.

### **Liquidity risks**

Liquidity risks are risks to incur a loss due to short-term financial insolvency. To manage liquidity risks, we must efficiently coordinate the flow of cash and goods. Liquidity risks are measured and managed through cash flow monitoring and drafting of monthly liquidity plans for the forthcoming 3-month period.

Short-term solvency risks are present in UNION HOTELI d.d. Company, despite its effective management of cash and cash equivalents (cash flow planning) and agreed and renewable short-term credit lines (limit). In order to guarantee short-term liquidity, the management of the UNION HOTELI d.d. Company took out two short-term loans in 2016 and extended its short-term limit.

Long-term solvency risks exist upon the maturity of existing loans. The Management Board carried out all the necessary measures to ensure short- and long-term liquidity. In order to refinance past loans and secure the means for ongoing investments in 2015, the Company acquired a 4-year loan on 3 April 2015, thereby minimising the risks to its long-term solvency.

### **Market risks**

Market risks are risks to incur losses due to changes in the price of merchandise, currency exchange rates or financial instruments or changes to interest rates. Exposure to inflationary risk is low, as sale prices follow the changes in input costs. Currency risks from business income are low as the majority of hotel guests pay in euros.

### **Interest risks**

Interest risk management is considered as very important due to our credit activities. Interest rate risks stem from the possibility of interest rate hikes for loans received and depend on the changes to the Euribor interest rate on the banking market. The structure, manner and forms of borrowing are decided upon in accordance with the exposure to interest rate risks and the expected shifts of the reference Euribor interest rate in the future. Due to its solid credit rating, the Company gets favourable interest rates with banks.

### **Tax risks**

A major tax risk to which the Company is exposed to as a member of the ACH, d.d. Group, are transfer prices between associated entities. Mitigating that risk can be achieved by strictly adhering to the agreed mutual business contracts, which contain appropriate argumentation regarding the setting of price policies.

Due to frequent tax legislation changes and connected increases in tax risks, we consult with our tax advisors correspondingly. Maintaining correct records is paramount in the area of taxes.

### **Operating risks**

Operating risks are risks to incur loss, connected with legal risks due to unsuitability or incorrect implementation of internal procedures, other inappropriate actions by individuals who are part of the inner business circle of the Company, inappropriate or incorrect functioning of systems that exist within the inner business circle of the Company or outside events and actions. Operating risks are mitigated through regular maintenance and recognition of risks within the environment and within the Company and through timely response and adoption of measures to address the changing circumstances. In accordance with the importance of the risks, we check their causes, ascertain, assess and classify the risks as well as adopt measures in accordance with each individual risk.

#### **1. Operating risks due to unsuitability or incorrect implementation of internal procedures**

Operating risks that originate from the design, implementation and monitoring of operating processes are present.

Risks, connected to human resources management are mitigated by continuous care for health and safety at work and by improving working conditions.

Risks, connected to operating processes: Professional inspections of all operating business processes in the Union Hoteli Group continue to be carried out as part of an ongoing push to optimise hotel and F&B services and related costs. The purpose and aim of these is to discover potential deficiencies and point to ways to improve operating business processes and the quality of hotel and F&B services. Measures to adequately address the findings are adopted immediately and quickly show their positive results, as reflected by customer ratings as well as the functioning of individual organisational units within the group.

Risks related to dependability of suppliers have been reduced through unified purchase lines. We concluded new price- and delivery-wise more favourable contracts with the majority of the suppliers (all materials, foodstuffs, beverages, laundry, energy, insurance, safety, other services, agency commissions, transport, marketing, maintenance, bank expenses etc.).

We mitigate risks of non-performance by the other party through credit rating information and guarantees for prepayments and quality execution of activities.

We also mitigate risks regarding the competitiveness of services by focusing on new markets and buyers and by using innovative market approaches. The UNION HOTELI d.d. and IP CENTRAL d.o.o. companies follow the policy of ensuring a high quality of services. Our aim is to provide the guests with quality and diverse services, in both the hotel and F&B sectors. We are trying to increase the scope of various services in the congress sector as well, so as to satisfy even the most demanding business guests.

#### **2. Operating risks due to other incorrect actions by persons who belong in the inner business circle of companies**

Property and property-related risks are offloaded to insurance companies. In order for the companies to mitigate such risks, the UNION HOTELI d.d. and IP CENTRAL d.o.o. companies concluded insurance contracts for risks that could negatively impact their property and employees. The companies have concluded property insurance, fire insurance, responsibility insurance and insurance against forged means of payment. The companies did not have earthquake insurance in 2015. On 1 January 2016 the Company overhauled its insurance policy and concluded appropriate insurance contracts, including earthquake insurance. The risk of destruction or reduction in the value of assets are low, since all assets are adequately insured.

#### **3. Operating risks due to unsuitable or defective systems in the internal functioning of the companies**

Risks connected to information technology are reduced by continuous improvements and upgrades of both hardware and software, which guarantees information and communication support services that ensure safety, stability and reliability of operational processes. This is why the following tasks in the area of information technology are key priorities: Introduction of a new information system for hotel and F&B operations, carrying out activities from the area of providing services to carry out conference events and congresses, ensuring information support to hotel guests and employees, measures connected with ensuring the safety and stability of electronic communication and the communication network, archiving of business documentation, which is being kept at three different locations in the world, as well as a stable and reliable business-information system.

**REVAMPING INFORMATION SERVICES:** Based on ascertained requirements to improve the hotel and F&B services and because some of the existing IT solutions could not accommodate the necessary changes to the operational processes, we replaced some of the technological solutions in order to facilitate a faster and more efficient course of regular business operations, decrease the amount of manual data input and thus greatly contribute to the quality of services and the competitiveness of the Union Hoteli Group.

#### 4. Operating risks due to outside events or actions

We reduce the risks of changes from the local environment that could affect business operations by boosting cooperation within our locality. We try to preserve the environment.

We moreover manage operating risks by employing a law firm. All our major legal agreements, contracts and business events are checked by attorneys before being signed and processed by the Company.

In order to prevent blackouts, we have installed a generator that allows for uninterrupted power supply.

### 4.7. Future Expectations and Plans

We set ambitious goals in the Union Hoteli Group for 2016. The Union Hoteli Group operated according to plan in H1 2016. Union hotels are again becoming the engine of development of the local hotel market and the motor of life in the capital. We continue writing new chapters every day in place where tradition goes hand in hand with trends and a personal approach, thus upgrading the hotel experience of our guests in every way possible. We fulfil our vision through continuous improvement to services and upgrades to our range of services and by organising various social events.

Company management will continue to exert efforts to acquire deals, optimise operations, achieve cost effectiveness, improve guest satisfaction and consequently maximize revenues, margins and profitability of the Company and Group.

Ljubljana continues to be a desired destination and one that visitors like to return to. Apart from the growth in the number of visitors, continuously upgraded services and transformed city centre with limited access for motor vehicles, we attribute this fact also to presentations on foreign markets and being part of international organisations.

2016 is not among the most spectacular years for Ljubljana congress tourism. Even though the forecasts for the city, especially regarding large congress-type events, are not too optimistic, we do have a larger number of confirmed events within the Union Hoteli Group, which gives us reasons to be optimistic as regards reaching our planned results for 2016. Apart from the large number of already confirmed international events, the Union Hoteli Group will be aided in us reaching its goals by our information system, which allows us to treat our guests in an even more personalised manner.

## 5. INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT

### 5.1. Interim Condensed Financial Statements of the Union Hoteli Group

#### 5.1.1. Interim condensed consolidated statement of profit and loss for the period that ended on 30 June 2016

		In EUR		
	Item	H1/2016 Unaudited	H1/2015 Unaudited	Index 16/15
1.	Net income from sales	8,334,167	7,768,497	107
a)	Net income from sales on the domestic market	8,334,167	7,768,497	107
2.	Manufacturing costs of goods sold (including depreciation), or purchase value of merchandise sold	5,974,873	5,595,942	107
3.	Gross profit from sales	2,359,294	2,172,555	109
4.	Selling expenses (including depreciation)	618,085	587,308	105
5.	Administrative costs (including depreciation)	1,237,972	1,338,845	92
a)	Administrative costs	1,185,644	1,256,714	94
b)	Revaluated operating expenses for intangible assets and tangible fixed assets	0	2,086	0
c)	Revaluated operating expenses for current assets	52,328	80,045	65
6.	Other operating income (including revaluation operating income)	153,703	182,143	84
7.	Financial income from stakes	0	0	
8.	Financial income from issued loans	493	1,804	27
a)	Financial income from loans, issued to companies in the Group	0	0	
b)	Financial income from loans, issued to others	493	1,804	27
9.	Financial income from trade receivables	3,685	9,972	37
a)	Financial income from trade receivables from others	3,685	9,972	37
10.	Financial expenses for investment impairment and write-offs	624	0	
11.	Financial expenses from financial liabilities	77,492	119,515	65
a)	Financial expenses from bank loans	60,777	98,026	62
b)	Financial expenses from other financial liabilities	16,715	21,489	78
12.	Financial expenses from operating liabilities	2,473	1,504	164
a)	Financial expenses from trade payables and bills of exchange	1,298	469	277
b)	Financial expenses from other operating liabilities	1,175	1,035	114
13.	Profit and loss before tax	580,529	319,302	182
14.	Tax on profits	99,595	64,390	155
15.	<b>Net profit and loss for the period</b>	<b>480,934</b>	<b>254,912</b>	<b>189</b>
	- Profit of the companies in the Group	480,934	254,912	189
	- Profit of minority shareholders	0	0	
	Weighed average of the number of shares	1,793,869	1,793,869	100
	<b>Net profit and loss of the Union Hoteli Group per share</b>	<b>0.27</b>	<b>0.14</b>	<b>189</b>

#### 5.1.2. Interim condensed consolidated statement of other comprehensive income for the period that ended on 30 June 2016

		In EUR		
ITEM		H1/2016 Unaudited	H1/2015 Unaudited	Index 16/15
<b>Net profit and loss for the period</b>		<b>480,934</b>	<b>254,912</b>	<b>189</b>
<b>Total other comprehensive income which might be acknowledged in a future profit and loss statement.</b>		<b>0</b>	<b>0</b>	
<b>Total other comprehensive income, which will not be acknowledged in the future profit and loss statement.</b>		<b>0</b>	<b>0</b>	
<b>Total comprehensive income for the period</b>		<b>480,934</b>	<b>254,912</b>	<b>189</b>
- Total comprehensive income of the companies in the Group		480,934	254,912	189
- Total comprehensive income of minority shareholders		0	0	

### 5.1.3. Interim condensed consolidated statement of financial position as at 30 June 2016

		In EUR		
Item		30 June 2016 Unaudited	31 December 2015 Audited	Index 16/15
<b>A.</b>	<b>Non-current assets</b>	<b>38,995,505</b>	<b>39,727,623</b>	<b>98</b>
I.	Intangible assets and long-term deferrals	17,538	23,076	76
II.	Tangible fixed assets	35,119,471	35,799,486	98
III.	Investment immovable properties	3,669,532	3,715,333	99
IV.	Long-term financial investments	104,630	105,394	99
V.	Long-term operating receivables	0	0	
VI.	Deferred tax receivables	84,334	84,334	100
<b>B.</b>	<b>Short-term assets</b>	<b>4,352,728</b>	<b>3,106,322</b>	<b>140</b>
I.	Assets (groups for disposal) to be sold	0	0	
II.	Stocks	310,861	295,708	105
III.	Short-term financial investments	569	264	216
IV.	Short-term operating receivables	1,842,951	1,425,156	129
V.	Cash and cash equivalents	1,230,809	1,152,937	107
VI.	Short-term deferrals	967,538	232,257	417
	<b>TOTAL ASSETS</b>	<b>43,348,233</b>	<b>42,833,945</b>	<b>101</b>
<b>A.</b>	<b>Capital</b>	<b>32,149,168</b>	<b>31,973,191</b>	<b>101</b>
	<b>Minority shareholder stake</b>	<b>0</b>	<b>0</b>	
I.	Share capital	7,485,695	7,485,695	100
II.	Capital reserves	14,572,118	14,572,118	100
III.	Profit reserves	5,088,711	5,088,711	100
IV.	Revaluation surplus	-16,093	-16,093	100
V.	Grouping adjustments to capital	0	0	
VI.	Retained net profit and loss	4,537,803	3,493,200	130
VII.	Net profit and loss for the fiscal year	480,934	1,349,560	36
<b>B.</b>	<b>Provisions and long-term accruals</b>	<b>1,320,190</b>	<b>1,408,390</b>	<b>94</b>
<b>C.</b>	<b>Long-term liabilities</b>	<b>4,427,981</b>	<b>5,201,565</b>	<b>85</b>
I.	Long-term financial liabilities	4,390,679	5,166,600	85
II.	Long-term operating liabilities	37,302	34,965	107
III.	Deferred tax liabilities	0	0	
<b>D.</b>	<b>Short-term liabilities</b>	<b>5,450,894</b>	<b>4,250,799</b>	<b>128</b>
I.	Liabilities, included in disposal groups	0	0	
II.	Short-term financial liabilities	2,439,547	1,943,229	126
III.	Short-term operating liabilities	2,543,116	2,047,085	124
IV.	Short-term accruals	468,231	260,485	180
	<b>TOTAL SHORT-TERM AND LONG-TERM LIABILITIES</b>	<b>9,878,875</b>	<b>9,452,364</b>	<b>105</b>
	<b>TOTAL LIABILITIES TO FUNDS</b>	<b>43,348,233</b>	<b>42,833,945</b>	<b>101</b>

**5.1.4. Interim condensed consolidated statement of changes in equity****Interim condensed consolidated statement of changes in equity for the period that ended on 30 June 2016**

									In EUR
		Share capital	Capital reserves	Profit reserves		Revaluation surplus	Retained net profit and loss	Net profit and loss for the fiscal year	Total CAPITAL
		Share capital		Legal reserves	Other profit reserves		Retained net profit and loss	Net profit for the period	TOTAL CAPITAL
A.1.	Situation at the end of the previous fiscal period, 31 December 2015	7,485,695	14,572,118	759,669	4,329,042	-16,093	3,493,200	1,349,560	31,973,191
a)	Retrospective restatements								0
b)	Retrospective adjustments								0
A.2.	Situation at the start of the fiscal period, 1 January 2016	7,485,695	14,572,118	759,669	4,329,042	-16,093	3,493,200	1,349,560	31,973,191
B.1.	Changes to ownership capital – transactions with owners						-304,958		-304,958
a)	Payment of dividends according to AGM decision						-304,958		-304,958
B.2.	Total comprehensive income for the period							480,934	480,934
a)	Net profit and loss for the period							480,934	480,934
B.3.	Changes to capital						1,349,560	-1,349,560	0
a)	Distribution of the remainder of net profit and loss for the period to other capital components						1,349,560	-1,349,560	0
C.	Situation at the end of the fiscal period, 30 June 2016 - Unaudited	7,485,695	14,572,118	759,669	4,329,042	-16,093	4,537,803	480,934	32,149,168

**Interim condensed consolidated statement of changes in equity for the period that ended on 30 June 2015**

								In EUR	
		Share capital	Capital reserves	Profit reserves		Revaluation surplus	Retained net profit and loss	Net profit and loss for the fiscal year	Total CAPITAL
		Share capital		Legal reserves	Other profit reserves		Retained net profit and loss	Net profit for the period	TOTAL CAPITAL
A.1.	Situation at the end of the previous fiscal period, 31 December 2014	7,485,695	14,572,118	759,669	4,329,042	-11,172	3,953,913	131,263	31,220,528
a)	Retrospective restatements								0
b)	Retrospective adjustments								0
A.2.	Situation at the start of the fiscal period, 1 January 2015	7,485,695	14,572,118	759,669	4,329,042	-11,172	3,953,913	131,263	31,220,528
B.1.	Changes to ownership capital – transactions with owners						-591,976		-591,976
a)	Payment of dividends according to AGM decision						-591,976		-591,976
B.2.	Total comprehensive income for the period							254,912	254,912
a)	Net profit and loss for the period							254,912	254,912
B.3.	Changes to capital						131,263	-131,263	0
a)	Distribution of the remainder of net profit and loss for the period to other capital components						131,263	-131,263	0
C.	Situation at the end of the fiscal period, 30 June 2015 - Unaudited	7,485,695	14,572,118	759,669	4,329,042	-11,172	3,493,200	254,912	30,883,464

### 5.1.5. Interim condensed consolidated statement of cash flows for the period that ended on 30 June 2016

In EUR

Item	Between 1 January 2016 and 30 June 2016, unaudited	Between 1 January 2015 and 30 June 2015, unaudited
<b>A. OPERATING CASH FLOWS</b>		
<b>Items of profit and loss statement</b>	<b>480,934</b>	<b>254,912</b>
Profit before tax	580,529	319,302
Tax on profits	-99,595	-64,390
<b>Adjustments to the profit and loss account</b>		
Net financing costs	66,167	111,290
Profit and loss when disposing of financial assets earmarked for sale	624	0
Outcome in sales of tangible assets	0	479
Adjustment to the value of intangible assets	5,539	5,759
Adjustment to the value of immoveable investment property	48,016	48,008
Adjustment to the value of tangible fixed assets	1,038,675	991,485
Adjustment to the value of stocks and claims	29,144	70,790
Forming and disbanding rezervations and deferred income	10,584	109,000
<b>Profit from regular activities prior to changes in working capital</b>	<b>1,679,683</b>	<b>1,591,723</b>
Increase/Decrease in operating and other claims	-396,955	-556,242
Increase/Decrease in accrued income	-735,281	-463,292
Increase/Decrease in stock	-15,153	-53,963
Increase/Decrease in financial investments available for sale	624	0
Increase/Decrease in other financial investments	-50,347	633
Increase/Decrease in provisions	-52,706	-15,509
Increase/Decrease of government grants	-35,494	-83,681
Increase/Decrease of operating and other debt	302,780	409,966
Increase/Decrease of liabilities from income tax	-111,707	-83,385
Increase/Decrease in deferred income	207,747	-24,967
<b>Operating cash flows</b>	<b>793,191</b>	<b>721,283</b>
Income from interest	728	8,716
Interest expenditure	-77,492	-119,515
<b>Net cash inflow from operations and net cash outflow from operations</b>	<b>716,427</b>	<b>610,484</b>
<b>B. INVESTMENT CASH FLOWS</b>		
<b>Income from investments</b>	<b>123</b>	<b>6,658</b>
Income from disposal of tangible fixed assets	0	1,611
Income from returned loans and advances from other parties	123	5,047
<b>Expenses from investments</b>	<b>-360,876</b>	<b>-93,649</b>
Expenses for acquisition of intangible assets	0	-938
Expenses for acquisition of investment immovable property	-2,215	0
Expenses for acquisition of tangible fixed assets	-358,661	-92,711
Expenses from returned loans and advances from other parties	0	
<b>Net cash used for investments and net cash generated from investing activities</b>	<b>-360,753</b>	<b>-86,991</b>
<b>C. FINANCING CASH FLOWS</b>		
<b>Financing income</b>	<b>682,000</b>	<b>6,393,000</b>
Income from increase in long-term financial liabilities	182,000	6,393,000
Income from increase in short-term financial liabilities	500,000	
<b>Financing expenses</b>	<b>-957,576</b>	<b>-7,587,173</b>
Long-term financial liability repayments	-957,576	-250,000
Short-term financial liability repayments	0	-5,598,697
Dividends and other income participation	0	-1,738,476
<b>Net cash used in financing activities and net cash generated from financing activities</b>	<b>-275,576</b>	<b>-1,194,173</b>
<b>Offset exchange differences</b>	<b>-2,226</b>	<b>-2,048</b>
<b>D. FLOW OF CASH AND CASH EQUIVALENTS</b>		
<b>At the start of the year</b>	<b>1,152,937</b>	<b>1,717,916</b>
<b>Increase/Decrease of cash and cash equivalents</b>	<b>77,872</b>	<b>-672,728</b>
<b>At the end of the period (30 June)</b>	<b>1,230,809</b>	<b>1,045,188</b>

### 5.2. Explanatory Notes to the Interim Condensed Consolidated Financial Statements of the Union Hoteli d.d. Group



**Explanation 1: Information about the Union Hoteli Group**

In 2016, the Union Hoteli Group consists of the parent company UNION HOTELI d.d., Miklošičeva cesta 1, Ljubljana and the subsidiary IP Central d.o.o., Miklošičeva cesta 9, Ljubljana.

The capital of UNION HOTELI d.d. Company amounted to €33,131,969 on 30 June 2016 and its net profit in H1 2016 to €486,260.

The capital of IP Central d.o.o. Subsidiary amounted to €522,765 on 30 June 2016 and its net statement of profit and loss for H1 2016 to a loss of €9,260.

**Explanation 2: Accounting Guidelines****Basis for drafting and confirming the interim condensed consolidated financial statements of the Union Hoteli Group**

The UNION HOTELI d.d. Company, as the parent company, is obliged to draft an interim consolidated financial report. The interim consolidated financial report for the period between January and June 2016 consists of interim condensed financial statements of the Group and selected explanatory notes, which must be read in conjunction with the interim condensed financial statements. Interim condensed financial statements must moreover be read in conjunction with the annual group financial statements, drafted for the fiscal year that ended on 31 December 2015. Interim financial statements of the Group were investigated by Ernst & Young d.o.o. auditing firm and confirmed by a Management Board decision. The financial statements were not audited.

**Statement of compliance**

The interim consolidated financial report for the period between January and June 2016 has been drafted in accordance with IAS 34 – Interim Financial Reporting. The interim condensed financial statements for Union Hoteli Group do not include all the information as required by the IFRS. The selected explanatory notes are included in this report in order to explain those business events and transactions that are necessary for understanding the changes in the interim condensed financial statements of the Group in the period since the drafting of the last annual financial statements.

**Forward looking statement**

While drafting the interim financial statements for the Group, the management used assessments, beliefs and suppositions that impact the use of accounting guidelines and the posted value of assets, liabilities, income and expenses. The actual results may differ materially from these assessments. The main assessments of uncertainties and critical evaluations, drafted by the management as part of the process of carrying out the accounting guidelines and that impact the amounts in the financial statements the most, are similar to those drafted by the management while preparing the consolidated financial statements on 31 December 2015.

**Basic accounting guidelines**

The consolidated financial statements contain the financial statements of the UNION HOTELI d.d. Company and the IP Central, d.o.o. Subsidiary on the day of reporting. All mutual states and events are excluded, so that the consolidated financial statements for the reported period are completely comparable to other periods. The method of complete consolidation was used for drafting the statements.

The accounting guidelines, used in drafting the interim condensed financial statements of the Group for the period that ended on 30 June 2016, are the same as those for preparing the annual financial statements for the Group for the fiscal year that ended on 31 December 2015 with the exception of newly-adopted standards and explanations which entered into force on 1 January 2016 and are listed below. The quality characteristics of financial statements, mainly legibility, suitability, reliability and comparability, have been considered to the largest extent possible. The Union Hoteli Group did not

use any other already approved standards, explanations or amendments to standards that have not yet entered into force.

### **Newly adopted standards, explanations and amendments to standards, which the group considered while drafting the consolidated financial statements**

The type and effect of these changes are listed below. Even though the newly-adopted standards and amendments to standards entered into force in the 2016 fiscal year, they do not significantly impact the annual consolidated financial statements of the Group or its interim condensed consolidated financial statements. Listed below are the type and effect of the newly implemented standards and explanations.

#### **IFRS 14 – Regulatory Deferral Accounts**

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

#### **Amendments to IFRS 11 – Joint Arrangements: Calculating Acquisition of Interest**

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

#### **Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

#### **Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants**

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods

beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group as the Group does not have any bearer plants.

### **Amendments to IAS 27 – Equity Method in Separate Financial Statements**

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group's consolidated financial statements.

### **Annual Improvements 2012-2014 Cycle**

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

### **Amendments to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations**

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

### **Amendments to IFRS 7 Financial Instruments: Disclosures**

- (i) **Servicing contracts**  
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- (ii) **Applicability of the amendments to IFRS 7 to condensed interim financial statements**  
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

### **Amendments to IAS 19 – Employee Benefits:**

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

### **Amendments to IAS 34 – Interim Financial Reporting**

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments do not have any impact on the Group.

### **Amendments to IAS 1: Disclosure Initiative**

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated

- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

### **Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception**

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

### **Going Concern**

The Group's short-term liabilities exceeded its short-term assets by €1,098,166 on 30 June 2016. In order to refinance past loans and secure the means for ongoing investments in 2015, the UNION HOTELI d.d. Company acquired a 4-year loan on 3 March 2015, thereby minimising the risks to its long-term solvency. In order to guarantee short-term liquidity, the management of the UNION HOTELI d.d. Company took out a short-term loan and extended its short-term limit at the end of March 2016.

The management assesses as correct the use of the assumption of an operating company in drafting the consolidated financial statements for the period that ended on 30 June 2016.

### **Foreign Currency Conversion**

The consolidated financial statements are listed in euros (EUR), the functional and reporting currency of the Company. Transactions in foreign currencies are initially recognised in the functional currency and converted by using the functional currency's exchange rate on the day of the transaction. Financial assets and obligations in foreign currencies are converted by using the functional currency's exchange rate on the day of reporting. All the differences that stem from exchange rates for foreign currencies are listed in the statement of profit and loss. Non-financial assets and liabilities, measured according to their original value in a foreign currency, are exchanged by using the functional currency's exchange rate on the day of the transaction. Non-financial assets and liabilities, which are measured according to the fair value in a foreign currency, are exchanged according to the rate on the day when the fair value was determined.

### **Explanation 3: Reporting by Segments**

The Union Hoteli Group does not use segments in its interim condensed financial statements, because it deals with similar products and services (hotels and F&B) in the same economic environment (area).

### **Explanation 4: Seasonal Impact on Operations**

The Union Hoteli Group low season comes at the start of the year (January, February), which is why net sales revenues are as a rule lower in H1 compared to H2.

**Explanation 5: Net Income from Sales**

		In EUR	
NET INCOME FROM SALES	H1/2016	H1/2015	Index 16/15
Net income from sales on the domestic market - in the ACH Group	6,122	7,518	81
Net income from sales on the domestic market - others	8,008,520	7,484,888	107
Income from rents on the domestic market	319,525	276,091	116
<b>TOTAL</b>	<b>8,334,167</b>	<b>7,768,497</b>	<b>107</b>

**Explanation 6: Overview of Expenses According to Type**

		in EUR		
	Item	H1/2016	H1/2015	Index 16/15
I.	CHANGE TO VALUE OF STOCK AND UNFINISHED PRODUCTION	0	0	
II.	COST OF GOODS, MATERIAL AND SERVICES	3,343,658	3,165,958	106
1.	Purchase value of sold goods - within ACH group	0	0	
2.	Purchase value of sold goods	19,213	21,118	91
3.	Cost of material - purchase within ACH group	0	100	0
4.	Cost of material	1,411,684	1,239,218	114
5.	Cost of services within ACH group	19,932	12,521	159
6.	Cost of services	1,892,829	1,893,001	100
III.	LABOUR COSTS	3,171,441	2,942,063	108
1.	Wages and wage reimbursement	2,266,475	2,022,637	112
2.	Cost of retirement fund payments	250,646	232,009	108
3.	Cost of other social insurance payments	163,361	148,349	110
4.	Other labour costs	490,959	539,068	91
IV.	DEPRECIATION	1,092,230	1,045,252	104
1.	Depreciation of intangible assets	5,539	5,759	96
2.	Depreciation of immoveable property	793,063	780,948	102
3.	Depreciation of investment immoveable property	48,016	48,008	100
4.	Depreciation of equipment	245,612	210,537	117
V.	OTHER COSTS	223,601	368,822	61
1.	Losses due to disposal of fixed assets - in the ACH group	0	0	
2.	Losses due to disposal of fixed assets - other	0	2,086	0
3.	Adjustment to the value of operating assets	52,328	80,045	65
4.	Other provisions	0	109,000	0
5.	Other operating costs	171,273	177,691	96
VI.	OPERATING COSTS - TOTAL	7,830,930	7,522,095	104

**Explanation 7: Other Operating Income**

	in EUR		
<b>Other operating income</b>	H1/2016	H1/2015	Index 16/15
Other income, connected to operations (subsidies, grants, allowances, compensation, premium...)	130,519	171,276	76
Revaluated operating income	23,184	10,867	213
<b>TOTAL</b>	<b>153,703</b>	<b>182,143</b>	<b>84</b>

**Explanation 8: Financial Income**

	in EUR		
	H1/2016	H1/2015	Index 16/15
<b>Financial income</b>			
Financial income from loans - interest (other companies)	487	1,803	27
Financial income from trade receivables - interest (other companies)	364	6,913	5
Financial income from trade receivables - exchange rate differences (other companies)	3,327	3,060	109
<b>TOTAL</b>	<b>4,178</b>	<b>11,776</b>	<b>35</b>

**Explanation 9: Financial Expenditure**

	in EUR		
	H1/2016	H1/2015	Index 16/15
<b>Financial expenditure</b>			
Financial expenditure from loans, taken from banks - interest (other companies)	60,777	98,026	62
Financial expenditure from other financial liabilities - interest (other companies)	16,715	21,489	78
Financial expenditure from trade receivables - interest (other companies)	1,372	492	279
Financial expenditure from trade receivables - exchange rate differences (other companies)	1,101	1,012	109
Financial expenditure from impairment	624	0	
<b>TOTAL</b>	<b>80,589</b>	<b>121,019</b>	<b>67</b>

**Explanation 10: Corporate Income Tax and Deferred Tax**

The group's payable tax to the amount of €99,595 has been calculated for the UNION HOTELI d.d. Company for H1 2016. The IP Central d.o.o. Subsidiary did not post taxable profit in Q1 2016.

Deferred tax has been calculated for temporary differences from formed provisions and adjustments to the value of claims. Deferred tax receivables and liabilities are shown in the statement of financial position in the offset amount and stood at €84,334 on 3 June 2016.

**Explanation 11: Net Profit and Loss per Share and Dividends**

	in EUR		
	H1/2016	H1/2015	Index 16/15
<b>Net earnings per share</b>			
Net profit and loss for the Union Hoteli Group	480,934	254,912	189
Weighed average of the number of shares	1,793,869	1,793,869	100
<b>Net profit and loss for the Union Hoteli Group per share</b>	<b>0.27</b>	<b>0.14</b>	<b>189</b>

	in EUR		
	H1/2016	H1/2015	Index 16/15
<b>Dividends</b>			
Divided as set by the AGM	304,958	591,976	52
Dividends paid out	0	1,738,476	0
<b>Dividend per share</b>	<b>0.17</b>	<b>0.33</b>	<b>52</b>

The 29<sup>th</sup> AGM of the UNION HOTELI d.d. Company, which took place on 30 June 2016, adopted a decision to allocate a part of the UNION HOTELI d.d. Company distributable profit in the amount of €304,957.73 for dividend payments to shareholders with a gross value of €0.17 per ordinary share. The dividends have been paid out in accordance with the AGM's decision after 30 June 2016. In 2015, the UNION HOTELI d.d. Company also paid out a part of unpaid dividends from previous years apart from the 2014 dividends.

**Explanation 12: Intangible Assets and Long-term Deferrals**

The Group includes property and other rights (software, corporate image etc.) as intangible assets. The amount of intangible assets and long-term deferrals stood at €17,538 on 30 June 2016, €5,538 less than on 31 December 2015. This is the result of depreciation, calculated for H1 2016.

**Explanation 13: Tangible Fixed Assets**

		in EUR		
ITEM		30-Jun-16	31-Dec-15	Index 16/15
1.	Land and buildings	32,180,774	32,898,960	98
a)	Land and buildings	3,902,058	3,902,058	100
b)	Buildings	28,278,716	28,996,902	98
2.	Production facilities and machinery	1,989,960	2,144,041	93
3.	Other facilities and machinery	513,614	513,819	100
4.	Generated fixed assets	435,123	242,666	179
a)	Tangible fixed assets being built/construted	325,423	227,894	143
b)	Advances for acquisition of tangible fixed assets	109,700	14,772	743
<b>Tangible fixed assets</b>		<b>35,119,471</b>	<b>35,799,486</b>	<b>98</b>

Land, buildings, equipment and other tangible fixed assets represent 81% of the Company's balance sheet. The drop in the Company's tangible fixed assets in comparison to 31 December 2015 in the amount of €680,015 was mainly caused by depreciation to the tune of €1,038,675, while €358,660 was spent on new acquisitions. Part of the tangible fixed assets has been pledged as security for liabilities.

**Explanation 14: Immoveable Investment Property**

Immoveable investment property consists of real estate that is owned in order to bring rent. Income from rent and operating costs of immoveable investment property (business commercial areas and shops) are listed in Explanation 5 – Net Income from Sales. Immoveable investment property was valued at €3,669,532 on 30 June 2016. The drop in the Company's immoveable investment property in comparison to 31 December 2015 in the amount of €45,801 was mainly caused by depreciation to the tune of €48,016, while €2,215 was spent on new acquisitions. Part of the immoveable investment property has been earmarked as security for liabilities.

**Explanation 15: Long-term Financial Investments**

		in EUR						
LONG-TERM FINANCIAL INVESTMENTS	Purchase / fair / amortised value of LTFI on 31 Dec	Long-term fin. investments in companies			Adj. Value on 31 Dec	Bookkeeping value		
		Within ACH group	Associated	Other		30-Jun-16	31-Dec-15	Index 16/15
	=	+	+	+	-	=		
Investments in shares and stakes	105,080	0	0	105,080	-624	104,456	105,080	99
<b>TOTAL long-term financial investments, apart from loans</b>	<b>105,080</b>	<b>0</b>	<b>0</b>	<b>105,080</b>	<b>-624</b>	<b>104,456</b>	<b>105,080</b>	<b>99</b>
Long-term issued loans	174	0	0	174		174	314	55
<b>TOTAL long-term loans</b>	<b>174</b>	<b>0</b>	<b>0</b>	<b>174</b>	<b>0</b>	<b>174</b>	<b>314</b>	<b>55</b>
<b>TOTAL LONG-TERM FINANCIAL INVESTMENTS</b>	<b>105,254</b>	<b>0</b>	<b>0</b>	<b>105,254</b>	<b>-624</b>	<b>104,630</b>	<b>105,394</b>	<b>99</b>

**Explanation 16: Stocks**

The group's stocks were valued at €310,861 on 30 June 2016, €15,153 more than on 31 December 2015. Inventories in H1 have uncovered no larger surpluses or deficits.

**Explanation 17: Short-term Financial Investments**

							In EUR		
SHORT-TERM FINANCIAL INVESTMENTS	Purchase / fair / amortised value of STFI on 31 Dec	Short-term fin. Inv. in companies			Value adjustment due to impairment	Bookkeeping value			
		Within ACH group	Associated	Other		30-Jun-16	31-Dec-15	Index 16/15	
Claims from interest of issued loans	303	0	0	303		303	18	1,683	
TOTAL short-term financial investments, apart from loans	303	0	0	303	0	303	18	1,683	
Short-term part of long-term loans	266	0	0	266		266	246	108	
TOTAL short-term loans	266	0	0	266	0	266	246	108	
TOTAL SHORT-TERM FINANCIAL INVESTMENTS	569	0	0	569	0	569	264	216	

**Explanation 18: Short-term Operating Receivables**

						In EUR		
	Short-term operating receivables	Short-term oper. rec. to companies			Value adjustment due to impairment	Bookkeeping value		
		Within ACH group	Associated	Other		30-Jun-16	31-Dec-15	Index 16/15
SHORT-TERM OPERATIN RECEIVABLES								
Short-term receivables to buyers	1,944,590	8,521		1,936,069	-277,128	1,667,462	1,244,972	134
- already due on 31 December 2015	943,333	8,297		935,036		943,333	966,415	98
Short-term receivables, connected to fin. Income	0			0	0	0	0	0
Short-term receivables towards state institutions	83,092			83,092		83,092	153,156	54
Other short-term receivables	92,498			92,498	-101	92,397	27,028	342
TOTAL short-term receivables	2,120,180	8,521	0	2,111,659	-277,229	1,842,951	1,425,156	129

					in EUR
VALUE ADJUSTMENT OF SHORT-TERM RECEIVABLES DUE TO IMPAIRMENT	30-Jun-16	Adj to value of s-t receivables to			31-Dec-15
		Within ACH group	Associated	Other	
Situation on 1 January	241,503			241,503	293,128
Reduction of value adjustment due to payment of receivables	-23,184			-23,184	-36,780
Reduction of value adjustment due to waiving of receivables	0			0	-139,890
Creation of value adjustment in the year due to impairment	58,910			58,910	125,045
Situation 30 Jun 2016/31 Dec 2015	277,229	0	0	277,229	241,503

**Explanation 19: Cash and Cash Equivalents**

Cash and cash equivalents include cash in euros and other currencies in the cash register, on bank accounts and deposits (up to three months), and amounted to €1,230,809 on 30 June 2016, €77,872 more than their value on 31 December 2015.

**Explanation 20: Deferrals**

SHORT-TERM ACCRUED INCOME	In EUR		
	30-Jun-16	31-Dec-15	Index 16/15
Short-term deferrals	336,128	61,889	543
Short-term accruals	631,410	170,368	371
<b>TOTAL</b>	<b>967,538</b>	<b>232,257</b>	<b>417</b>

Short-term accrued income is represented by realised income for services rendered in 2016, which have not yet been completed and invoiced (reception balance). Short-term deferred expenses and costs are represented by regular deferred expenses and costs. Both items show an increase on 30 June 2016 in comparison with 31 December 2015.

**Explanation 21: Capital**

The share capital of the UNION HOTELI d.d. Company amounted to €7,485,695.10 on 30 June 2016 and was spread over 1,793,869 par value shares.



On 30 June 2016, capital reserves to the amount of €14,572,118 were composed from:

- Paid capital surplus to the amount of €1,207,236
- Other capital reserves to the amount of €13,364,882

Changes in capital for the period between 1 January 2016 and 30 June 2016 are shown in the **statement of changes in equity**.

### **Explanation 22: Provisions and Long-term Accruals**

		In EUR		
	ITEM	30-Jun-16	31-Dec-15	Index 16/15
	<b>Provisions and long-term accruals</b>	<b>1,320,190</b>	<b>1,408,390</b>	<b>94</b>
1.	Provisions for retirement and similar items	459,048	466,634	98
2.	Other provisions	140,380	185,500	76
3.	Long-term accruals	720,762	756,256	95

Provisions also include a provision regarding a lawsuit of denationalisation claimants due to their inability to use a commercial area, which is being gradually whittled down by using reserves to make settlements.

### **Explanation 23: Financial Obligations**

		In EUR				
Financial Liabilities	Debt	Part of debt due:			Debt	Index 16/15
	30-Jun-16	Within 1 year	Between 1 and 5 years	More than 5 years	31-Dec-15	
Long-term financial obligations to banks	2,750,000	0	2,750,000	0	3,318,000	83
Long-term financial obligations due to loans from banks - other companies	1,640,679		1,640,679	0	1,848,600	89
<b>Long-term financial obligations</b>	<b>4,390,679</b>	<b>0</b>	<b>4,390,679</b>	<b>0</b>	<b>5,166,600</b>	<b>85</b>
Short-term part of long-term financial obligations from financial loans - other companies	416,321	416,321			415,975	100
Short-term part of long-term financial obligations - banks	1,500,000	1,500,000			1,500,000	100
Short-term financial obligations - banks	500,000	500,000			0	
Other short-term financial obligations	23,226	23,226			27,254	85
<b>Short-term financial obligations</b>	<b>2,439,547</b>	<b>2,439,547</b>	<b>0</b>	<b>0</b>	<b>1,943,229</b>	<b>126</b>
<b>TOTAL</b>	<b>6,830,226</b>	<b>2,439,547</b>	<b>4,390,679</b>	<b>0</b>	<b>7,109,829</b>	<b>96</b>

In H1 2016, the Company drew the last tranche of a long-term loan acquired in 2015 and took out two short-term loans in the total amount of €500,000 in order to ensure short-term liquidity. The company continued to pay off all of its maturing liabilities stemming from financial liabilities towards banks and leasing companies in H1 2016.

**Explanation 24: Operating Liabilities**

	In EUR		
	30-Jun-16	31-Dec-15	Index 16/15
<b>Long-term operating liabilities</b>			
Long-term operating liabilities based on advances - other companies	37,302	34,965	107
<b>Short-term operating liabilities</b>	30/06/2016	31/12/2015	Indeks 16/15
Short-term liabilities to companies in the ACH group that act as suppliers	3,652	4,154	88
Short-term liabilities to other companies that act as suppliers	1,079,501	984,243	110
<b>Total short-term liabilities to suppliers</b>	<b>1,083,153</b>	<b>988,397</b>	<b>110</b>
Short-term liabilities for advances	319,584	199,693	160
<b>Total short-term liabilities for advances</b>	<b>319,584</b>	<b>199,693</b>	<b>160</b>
Short-term liabilities to employees	653,240	607,647	108
Short-term liabilities to the state	126,242	195,996	64
Other short-term liabilities - companies within the ACH group	229,794	0	
Other short-term liabilities - other companies	131,103	55,352	237
<b>TOTAL - other short-term liabilities</b>	<b>1,140,379</b>	<b>858,995</b>	<b>133</b>
<b>TOTAL - short-term liabilities</b>	<b>2,543,116</b>	<b>2,047,085</b>	<b>124</b>

**Explanation 25: Short-term Accruals**

	In EUR		
	30-Jun-16	31-Dec-15	Index 16/15
<b>SHORT-TERM ACCRUALS</b>			
Accrued costs or expenditure	468,231	260,485	180
Short-term deferred accruals	0	0	
<b>TOTAL</b>	<b>468,231</b>	<b>260,485</b>	<b>180</b>

**Explanation 26: Contingent Assets and Liabilities**

	In EUR		
	30-Jun-16	31-Dec-15	Index 16/15
<b>Off-balance records</b>			
Posted collateral as guarantee for liabilities (bonds)	2,054,559	2,259,281	91
Posted collateral as guarantee for liabilities (mortgages and bonds)	4,773,226	4,845,686	99
Received collateral as guarantee for claims (mortgages)	5,300	5,300	100
Received collateral as guarantee for claims (enforcement draft)	12,686	14,686	86
Goods, received for consignment	7,404	21,772	34
<b>TOTAL, off-balance records</b>	<b>6,853,175</b>	<b>7,146,725</b>	<b>96</b>

**Explanation 27: Transactions with Associated Companies**

The Union Hoteli Group is part of the ACH Group. In H1 2016, the associated companies of the UNION Hoteli Group included the parent ACH, d.d. Ljubljana company (the ACH, d.d. Ljubljana Company holds a 75.35% stake in UNION HOTELI d.d.) as well as companies in the ACH Group. The top controlling company, which holds the majority stake in ACH, d.d. Ljubljana, is the Protej d.o.o. Company, with which no transactions were carried out in H1 2016. Transactions amongst associated companies are carried out under market conditions. The transactions with the parent company and companies in the ACH Group in H1 2016 are listed below.

						In EUR
	<b>Connected parties - income H1/2016</b>					
	ACH d.d. (parent company - owner of UNION HOTELI d.d.)	AUTO COMMERCE d.o.o. (subsidiary of ACH, d.d.)	AUTO TRIGLAV d.o.o. (subsidiary of ACH, d.d.)	AC-MOBIL d.o.o. (subsidiary of ACH, d.d.)	PERFTECH d.o.o. (subsidiary of ACH, d.d.)	<b>TOTAL</b>
Net revenues from sales	786	4,979	357	0	0	6,122
<b>TOTAL</b>	<b>786</b>	<b>4,979</b>	<b>357</b>	<b>0</b>	<b>0</b>	<b>6,122</b>
						In EUR
	<b>Connected parties - expenditure H1/2016</b>					
	ACH d.d. (parent company - owner of UNION HOTELI d.d.)	AUTO COMMERCE d.o.o. (subsidiary of ACH, d.d.)	AUTO TRIGLAV d.o.o. (subsidiary of ACH, d.d.)	AC-MOBIL d.o.o. (subsidiary of ACH, d.d.)	PERFTECH d.o.o. (subsidiary of ACH, d.d.)	<b>TOTAL</b>
Cost of service	0	5,100	1,041	570	13,221	19,932
<b>TOTAL</b>	<b>0</b>	<b>5,100</b>	<b>1,041</b>	<b>570</b>	<b>13,221</b>	<b>19,932</b>
						In EUR
	<b>Connected parties - claims on 30 June 2016</b>					
	ACH d.d. (parent company - owner of UNION HOTELI d.d.)	AUTO COMMERCE d.o.o. (subsidiary of ACH, d.d.)	AUTO TRIGLAV d.o.o. (subsidiary of ACH, d.d.)	AC-MOBIL d.o.o. (subsidiary of ACH, d.d.)	PERFTECH d.o.o. (subsidiary of ACH, d.d.)	<b>TOTAL</b>
Short-term operating claims	739	7,652	130	0	0	8,521
<b>TOTAL</b>	<b>739</b>	<b>7,652</b>	<b>130</b>	<b>0</b>	<b>0</b>	<b>8,521</b>
						In EUR
	<b>Connected parties - short-term accrued income on 30 June 2016</b>					
	ACH d.d. (parent company - owner of UNION HOTELI d.d.)	AUTO COMMERCE d.o.o. (subsidiary of ACH, d.d.)	AUTO TRIGLAV d.o.o. (subsidiary of ACH, d.d.)	AC-MOBIL d.o.o. (subsidiary of ACH, d.d.)	PERFTECH d.o.o. (subsidiary of ACH, d.d.)	<b>TOTAL</b>
Short-term accrued income	0	0	0	0	2,132	2,132
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,132</b>	<b>2,132</b>
						v EUR
	<b>Connected parties - liabilities on 30 June 2016</b>					
	ACH d.d. (parent company - owner of UNION HOTELI d.d.)	AUTO COMMERCE d.o.o. (subsidiary of ACH, d.d.)	AUTO TRIGLAV d.o.o. (subsidiary of ACH, d.d.)	AC-MOBIL d.o.o. (subsidiary of ACH, d.d.)	PERFTECH d.o.o. (subsidiary of ACH, d.d.)	<b>TOTAL</b>
Short-term operating liabilities	0	2,016	0	0	1,636	3,652
Other short-term operating liabilities (dividends)	229,794					229,794
<b>TOTAL</b>	<b>229,794</b>	<b>2,016</b>	<b>0</b>	<b>0</b>	<b>1,636</b>	<b>233,446</b>
						In EUR
	<b>Connected parties - purchase of fixed assets H1/2016</b>					
	ACH d.d. (parent company - owner of UNION HOTELI d.d.)	AUTO COMMERCE d.o.o. (subsidiary of ACH, d.d.)	AUTO TRIGLAV d.o.o. (subsidiary of ACH, d.d.)	AC-MOBIL d.o.o. (subsidiary of ACH, d.d.)	PERFTECH d.o.o. (subsidiary of ACH, d.d.)	<b>TOTAL</b>
Intangible and tangible assets	0	0	0	0	2,964	2,964
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,964</b>	<b>2,964</b>

### **Explanation 28: Risk of Change to the Fair Value of Financial Instruments**

Fair value is an amount that can be used to exchange funds or settle a liability between well-informed and willing clients in an arm's length transaction. Fair value of financial instruments (short- and long-term financial investments, short- and long-term financial liabilities, short-term operating receivables, short-term operating liabilities) does not deviate substantially from their accounting value.

The Group made no investments in securities in H1 2016 and by doing so minimised the risk to the fair value of sales in that particular area.

The group divides the measuring of fair value of financial means (categorised in accordance with IAS 39) in its financial statements on the following levels:

- Level 1: Fair values originate from market prices (without their adjustments) on active securities markets
- Level 2: Fair values are directly or indirectly derived from other sources on the market, which can be monitored, except for market prices on active securities markets
- Level 3: Fair value is arrived at by valuation techniques, based on sources that cannot be monitored on the markets

In EUR	Bookkeeping value 30 June 2016	Fair value, level 1	Fair value, level 2	Fair value, level 3	Fair value, TOTAL, 30 June 2016	Bookkeeping value 31 December 2015	Fair value, level 1	Fair value, level 2	Fair value, level 3	Fair value, TOTAL, on 31 December 2015
Assets measured according to fixed value	104,456	0	0	104,456	104,456	105,080	0	0	105,080	105,080
Financial assets that can be sold	104,456	0	0	104,456	104,456	105,080	0	0	105,080	105,080
Assets, measured according to purchase value, where fair value has been disclosed	2,898,711	1,230,809	0	1,667,902	2,898,711	2,398,469	1,152,937	0	1,245,532	2,398,469
Given loans	440	0	0	440	440	560	0	0	560	560
Receivables towards purchasers	1,667,462	0	0	1,667,462	1,667,462	1,244,972	0	0	1,244,972	1,244,972
Financial assets and deposits	1,230,809	1,230,809	0	0	1,230,809	1,152,937	1,152,937	0	0	1,152,937
Liabilities, measured according to purchase value, where fair value has been disclosed	7,913,379	0	0	7,913,379	7,913,379	8,098,226	0	0	8,098,226	8,098,226
Financial liabilities	6,830,226	0	0	6,830,226	6,830,226	7,109,829	0	0	7,109,829	7,109,829
Operating liabilities to suppliers	1,083,153	0	0	1,083,153	1,083,153	988,397	0	0	988,397	988,397

### **Explanation 29: Interest Rate Risks**

#### a) Interest rate risks

Interest rate risk management is considered as very important due to our credit activities. Interest rate risks stem from the possibility of interest rate hikes for loans received and depend on the changes to the Euribor interest rate on the banking market. The structure, manner and forms of borrowing are decided upon in accordance with the exposure to interest rate risks and the expected shifts of the reference Euribor interest rate in the future. Due to its solid credit rating, the Company gets favourable interest rates with banks.

Exposure to risk of interest rate change:

in EUR	30-Jun-16	31-Dec-15
<b>Financial instruments with a fixed interest rate</b>		
Financial assets	743	250,578
Financial liabilities	0	0
<b>Financial instruments with a variable interest rate</b>		
Financial assets	0	0
Financial liabilities	6,830,226	7,109,829

### **Explanation 30: Events after the Date of the Statement of Financial Position**

No major business events that could impact the interim financial statements for H1 2016 occurred after the date of the statement of financial position (30 June 2016) and before the publication of this Half-year Report for the period between January and June 2016.

### **Explanation 31: Disclosure of Financial Indicators**

Disclosure of financial indicators	30.jun.16	31.dec.15
Adjusted EBITDA in eur (calculated for a period of 1 year)*	4.144.229	4.027.574
Net debt in eur (end of period)**	5.599.417	5.956.892
<b>LEVERAGE COEFICIENT=net debt/EBITDA</b>	<b>1,35</b>	<b>1,48</b>

\*Adjusted EBITDA differs from EBITDA calculated according to IBON for the corrections, carried out on the following items:

- Revaluated income is not included (lower EBITDA)
- Financial income is included (increased EBITDA)
- Provisions regarding a lawsuit of denationalisation claimants due to their inability to use a commercial area are not included (increased EBITDA)

ADJUSTED EBITDA on 30 June 2016: EBITDA for the period between 1 July 2015 and 30 June 2016

ADJUSTED EBITDA on 31 December 2015: EBITDA for the period between 1 January 2015 and 31 December 2016

\*\*Net debt = financial obligations – financial means

**Explanation 32: Main Operating Indicators**

<b>UNION HOTELI GROUP</b>		
<b>INDICATORS</b>	<b>30-Jun-16</b>	<b>31-Dec-15</b>
Total debt/total equity	0.29	0.29
Total debt/total capital	0.23	0.22
Receivables turnover	10.07	13.21
Assets turnover (Net income/Assets)	0.40	0.39
Current ratio (Short-term Assets/Short-term liabilities)	0.68	0.72
Quick ratio (Liquid Assets + Short-term receivables/Short-term liabilities)	0.62	0.65
Gross margin	30.05%	29.95%
Operating margin (EBIT in Net income from sales)	11.44%	10.47%
Net profit margin	8.99%	7.96%
Return on assets	3.63%	3.10%
Return on equity	5.00%	4.27%
Return on investment	4.46%	4.00%
Number of employees	280.00	274.00

\*Indicators for the period that ended on 30 June 2016, have been calculated based on data for the last 12 months (1 July 2015 – 30 June 2016).

### 5.3. Independent Auditor's Report on the Financial Statement of the Union Hoteli Group



This is a translation of the original report in Slovene language

#### REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the owners of UNION HOTELI d.d.

##### Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of group UNION HOTELI as of 30 June 2016 and the related interim condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

##### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

##### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ljubljana, 16 August 2016

  
Janez Uranič  
Director  
Ernst & Young d.o.o.  
Dunajska 111, Ljubljana

**ERNST & YOUNG**  
Revizija, poslovno  
svetovanje d.o.o., Ljubljana 1

  
Mateja Repušič  
Certified auditor

## 6. INTERIM FINANCIAL REPORT OF THE UNION HOTELI d.d. COMPANY

### 6.1. Interim Condensed Financial Statements of the UNION HOTELI d.d. Company

#### 6.1.1. Interim condensed consolidated statement of profit and loss of the UNION HOTELI d.d. Company for the period that ended on 30 June 2016

		In EUR		
	Item	H1/2016 Unaudited	H1/2015 Unaudited	Index 16/15
1.	Net income from sales	7,632,347	7,162,885	107
a)	Net income from sales on the domestic market	7,632,347	7,162,885	107
2.	Manufacturing costs of goods sold (including depreciation), or purchase value of merchandise sold	5,277,866	4,898,921	108
3.	Gross profit from sales	2,354,481	2,263,964	104
4.	Selling expenses (including depreciation)	615,706	586,977	105
5.	Administrative costs (including depreciation)	1,148,113	1,264,205	91
a)	Administrative costs	1,098,056	1,202,663	91
b)	Revaluated operating expenses for intangible assets and tangible fixed assets	0	0	
c)	Revaluated operating expenses for current assets	50,057	61,542	81
6.	Other operating income (including revaluation operating income)	45,938	50,327	91
7.	Financial income from stakes	0	0	
8.	Financial income from issued loans	25,435	27,375	93
a)	Financial income from loans, issued to companies in the Group	24,948	25,724	97
b)	Financial income from loans, issued to others	487	1,651	29
9.	Financial income from trade receivables	3,255	8,956	36
a)	Financial income from trade receivables from others	3,255	8,956	36
10.	Financial expenses for investment impairment and write-offs	624	0	
11.	Financial expenses from financial liabilities	77,492	119,515	65
a)	Financial expenses from bank loans	60,777	98,026	62
b)	Financial expenses from other financial liabilities	16,715	21,489	78
12.	Financial expenses from operating liabilities	1,319	1,162	114
a)	Financial expenses from trade payables and bills of exchange	388	311	125
b)	Financial expenses from other operating liabilities	931	851	109
13.	Profit and loss before tax	585,855	378,763	155
14.	Tax on profits	99,595	64,390	155
15.	<b>Net profit and loss for the period</b>	<b>486,260</b>	<b>314,373</b>	<b>155</b>
	Weighed average of the number of shares	1,793,869	1,793,869	100
	<b>Net profit and loss per share</b>	<b>0.27</b>	<b>0.18</b>	<b>155</b>

#### 6.1.2. Interim condensed statement of other comprehensive income of the UNION HOTELI d.d. Company for the period that ended on 30 June 2016

		In EUR		
	ITEM	H1/2016 Unaudited	H1/2015 Unaudited	Index 16/15
	<b>Net profit and loss for the period</b>	<b>486,260</b>	<b>314,373</b>	<b>155</b>
	<b>Total other comprehensive income which might be acknowledged in a future profit and loss statement</b>	<b>0</b>	<b>0</b>	
	<b>Total other comprehensive income, which will not be acknowledged in the future profit and loss statement</b>	<b>0</b>	<b>0</b>	
	<b>Total comprehensive income for the period</b>	<b>486,260</b>	<b>314,373</b>	<b>155</b>



**6.1.3. Interim condensed statement of financial position of the UNION HOTELI d.d. Company on 30 June 2016**

		In EUR		
Item		30 June 2016 Unaudited	31 December 2015 Audited	Index 16/15
<b>A.</b>	<b>Non-current assets</b>	<b>39,490,398</b>	<b>40,262,636</b>	<b>98</b>
I.	Intangible assets and long-term deferrals	17,482	23,011	76
II.	Tangible fixed assets	31,963,289	32,581,733	98
III.	Investment immovable properties	3,669,532	3,715,333	99
IV.	Long-term financial investments	3,755,761	3,858,225	97
V.	Long-term operating receivables	0	0	
VI.	Deferred tax receivables	84,334	84,334	100
<b>B.</b>	<b>Short-term assets</b>	<b>4,522,095</b>	<b>3,293,722</b>	<b>137</b>
I.	Assets (groups for disposal) to be sold	0	0	
II.	Stocks	280,801	267,933	105
III.	Short-term financial investments	553,829	401,642	138
IV.	Short-term operating receivables	1,742,218	1,287,787	135
V.	Cash and cash equivalents	985,877	1,100,091	90
VI.	Short-term deferrals	959,370	236,269	406
	<b>TOTAL ASSETS</b>	<b>44,012,493</b>	<b>43,556,358</b>	<b>101</b>
<b>A.</b>	<b>Capital</b>	<b>33,131,969</b>	<b>32,950,667</b>	<b>101</b>
I.	Share capital	7,485,695	7,485,695	100
II.	Capital reserves	14,572,118	14,572,118	100
III.	Profit reserves	5,088,711	5,088,711	100
IV.	Revaluation surplus	-21,209	-21,209	100
V.	Retained net profit and loss	5,520,394	4,486,647	123
VI.	Net profit and loss for the fiscal year	486,260	1,338,705	36
<b>B.</b>	<b>Provisions and long-term accruals</b>	<b>1,237,298</b>	<b>1,324,532</b>	<b>93</b>
<b>C.</b>	<b>Long-term liabilities</b>	<b>4,427,981</b>	<b>5,201,565</b>	<b>85</b>
I.	Long-term financial liabilities	4,390,679	5,166,600	85
II.	Long-term operating liabilities	37,302	34,965	107
III.	Deferred tax liabilities	0	0	
<b>D.</b>	<b>Short-term liabilities</b>	<b>5,215,245</b>	<b>4,079,594</b>	<b>128</b>
I.	Liabilities, included in disposal groups	0	0	
II.	Short-term financial liabilities	2,439,547	1,943,229	126
III.	Short-term operating liabilities	2,357,152	1,921,188	123
IV.	Short-term accruals	418,546	215,177	195
	<b>TOTAL SHORT-TERM AND LONG-TERM LIABILITIES</b>	<b>9,643,226</b>	<b>9,281,159</b>	<b>104</b>
	<b>TOTAL LIABILITIES TO SOURCES OF FUNDS</b>	<b>44,012,493</b>	<b>43,556,358</b>	<b>101</b>



### 6.1.4. Interim condensed statement of changes in equity of the UNION HOTELI d.d. Company

#### Interim condensed statement of changes in equity of the UNION HOTELI d.d. Company for the period that ended on 30 June 2016

In EUR												
		Share capital	Capital reserves	Profit reserves				Revaluation surplus	Retained net profit and loss	Net profit and loss for the fiscal year		Total CAPITAL
				I	II	III				IV	V	
		Share capital		Legal reserves	Provisions for own shares and stakes	Own shares and stakes (as a deduction)	Other profit reserves	Retained net profit and loss	Net profit for the period	Net loss for the period	TOTAL CAPITAL	
		I/1	II	III/1	III/2	III/3	III/5	IV	V/1	VI/1	VI/2	VII
A.1	Situation at the end of the previous fiscal period, 31 December 2015	7,485,695	14,572,118	759,669			4,329,042	-21,209	4,486,647	1,338,705		32,950,667
a)	Retrospective restatements											0
b)	Retrospective adjustments											0
A.2	Situation at the start of the fiscal period, 1 January 2016	7,485,695	14,572,118	759,669			4,329,042	-21,209	4,486,647	1,338,705		32,950,667
B.1	Changes to ownership capital – transactions with owners								-304,958			-304,958
a)	Payment of dividends according to AGM decision								-304,958			-304,958
B.2	Total comprehensive income for the period									486,260		486,260
a)	Net profit and loss for the period									486,260		486,260
B.3	Changes to capital								1,338,705	-1,338,705		0
a)	Distribution of the remainder of net profit and loss for the period to other capital components								1,338,705	-1,338,705		0
C.	Situation at the end of the fiscal period, 30 June 2016 - Unaudited	7,485,695	14,572,118	759,669			4,329,042	-21,209	5,520,394	486,260		33,131,969

#### Interim condensed statement of changes in equity of the UNION HOTELI d.d. Company for the period that ended on 30 June 2015

In EUR												
		Share capital	Capital reserves	Profit reserves				Revaluation surplus	Retained net profit and loss	Net profit and loss for the fiscal year		Total CAPITAL
				I	II	III				IV	V	
		Share capital		Legal reserves	Provisions for own shares and stakes	Own shares and stakes (as a deduction)	Other profit reserves		Retained net profit and loss	Net profit for the period	Net loss for the period	TOTAL CAPITAL
		I/1	II	III/1	III/2	III/3	III/5	IV	V/1	VI/1	VI/2	VII
A.1	Situation at the end of the previous fiscal period, 31 December 2014	7,485,695	14,572,118	759,669			4,329,042	-18,536	4,483,820	594,803		32,206,611
a)	Retrospective restatements											0
b)	Retrospective adjustments											0
A.2	Situation at the start of the fiscal period, 1 January 2015	7,485,695	14,572,118	759,669			4,329,042	-18,536	4,483,820	594,803		32,206,611
B.1	Changes to ownership capital – transactions with owners								-591,976			-591,976
a)	Payment of dividends according to AGM decision								-591,976			-591,976
B.2	Total comprehensive income for the period									314,373		314,373
a)	Net profit and loss for the period									314,373		314,373
B.3	Changes to capital								594,803	-594,803		0
a)	Distribution of the remainder of net profit and loss for the period to other capital components								594,803	-594,803		0
C.	Situation at the end of the fiscal period, 30 June 2015 - Unaudited	7,485,695	14,572,118	759,669			4,329,042	-18,536	4,486,647	314,373		31,929,008

**6.1.5. Interim condensed statement of cash flows of the UNION HOTELI d.d. Company for the period that ended on 30 June 2016**

In EUR

Item	Between 1 January 2016 and 30 June 2016, unaudited	Between 1 January 2015 and 30 June 2015, unaudited
<b>A. OPERATING CASH FLOWS</b>		
<b>Items of profit and loss statement</b>	<b>486,260</b>	<b>314,373</b>
Profit before tax	585,855	378,763
Tax on profits	-99,595	-64,390
<b>Adjustments to the profit and loss account</b>		
Neto financing costs	46,216	86,238
Profit and loss when disposing of financial assets earmarked for sale	624	
Outcome in sales of tangible assets	0	-943
Adjustment to the value of intangible assets	5,530	5,759
Adjustment to the value of immoveable investment property	48,016	48,008
Adjustment to the value of tangible fixed assets	961,778	918,249
Adjustment to the value of stocks and claims	47,075	54,546
Forming and disbanding rezervations and deferred income	5,748	109,000
<b>Profit from regular activities prior to changes in working capital</b>	<b>1,601,247</b>	<b>1,535,230</b>
Increase/Decrease in operating and other claims	-454,431	-451,083
Increase/Decrease in accrued income	-723,101	-556,534
Increase/Decrease in stock	-12,868	-49,261
Increase/Decrease in financial investments available for sale	624	0
Increase/Decrease in other financial investments	-50,347	175
Increase/Decrease in provisions	-51,787	-10,799
Increase/Decrease of government grants	-35,447	-35,441
Increase/Decrease of operating and other debt	245,050	388,876
Increase/Decrease of liabilities from income tax	-111,707	-83,385
Increase/Decrease in deferred income	203,370	-18,885
<b>Operating cash flows</b>	<b>610,603</b>	<b>718,893</b>
Income from interest	25,632	33,599
Interest expenditure	-77,492	-119,515
<b>Net cash inflow from operations and net cash outflow from operations</b>	<b>558,743</b>	<b>632,977</b>
<b>B. INVESTMENT CASH FLOWS</b>		
<b>Income from investments</b>	<b>100,195</b>	<b>104,460</b>
Income from disposal of tangible fixed assets	0	943
Income from returned loans and advances from other parties	100,195	103,517
<b>Expenses from investments</b>	<b>-495,549</b>	<b>-256,737</b>
Expenses for acquisition of intangible assets	0	-938
Expenses for acquisition of investment immovable property	-2,215	0
Expenses for acquisition of tangible fixed assets	-343,334	-55,799
Expenses from returned loans and advances from other parties	-150,000	-200,000
<b>Net cash used for investments and net cash generated from investing activities</b>	<b>-395,354</b>	<b>-152,277</b>
<b>C. FINANCING CASH FLOWS</b>		
<b>Financing income</b>	<b>682,000</b>	<b>6,393,000</b>
Income from increase in long-term financial liabilities	182,000	6,393,000
Income from increase in short-term financial liabilities	500,000	
<b>Financing expenses</b>	<b>-957,576</b>	<b>-7,587,173</b>
Long-term financial liability repayments	-957,576	-250,000
Short-term financial liability repayments	0	-5,598,697
Dividends and other income participation	0	-1,738,476
<b>Net cash used in financing activities and net cash generated from financing activities</b>	<b>-275,576</b>	<b>-1,194,173</b>
<b>Offset exchange differences</b>	<b>-2,027</b>	<b>-1,892</b>
<b>D. FLOW OF CASH AND CASH EQUIVALENTS</b>		
<b>At the start of the year</b>	<b>1,100,091</b>	<b>1,597,259</b>
<b>Increase/Decrease of cash and cash equivalents</b>	<b>-114,214</b>	<b>-715,365</b>
<b>At the end of the period (30 June)</b>	<b>985,877</b>	<b>881,894</b>

**6.2. Explanatory Notes to the Interim Condensed Financial Statements of the UNION HOTELI d.d. Company**

## **Explanation 1: Accounting Guidelines**

### **Basis for drafting and confirming the interim condensed financial statements**

The interim financial report of the UNION HOTELI d.d. Company for the period between January and June 2016, consists of the condensed financial statements and selected explanatory notes, which must be read in conjunction with the condensed financial statements. Interim condensed financial statements must moreover be read in conjunction with the annual financial statements, drafted for the fiscal year that ended on 31 December 2015. Interim financial statements were investigated by Ernst & Young d.o.o. auditing firm and confirmed by a Management Board decision. The financial statements were not audited.

### **Statement of compliance**

The interim financial report of the UNION HOTELI d.d. Company for the period between January and June 2016 has been drafted in accordance with IAS 34 – Interim Financial Reporting. The interim condensed financial statements do not include all the information as required by the IFRS. The selected explanatory notes are included in this report in order to explain those business events and transactions that are necessary for understanding the changes in the interim condensed financial statements in the period since the drafting of the last annual financial statements.

### **Forward looking statement**

While drafting the interim financial statements, the management used assessments, beliefs and suppositions that impact the use of accounting guidelines and the posted value of assets, liabilities, income and expenses. The actual results may differ materially from these assessments.

The main assessments of uncertainties and critical evaluations, drafted by the management as part of the process of carrying out the accounting guidelines and that impact the amounts in the financial statements the most, are similar to those drafted by the management while preparing the financial statements on 31 December 2015.

### **Basic accounting guidelines**

The accounting guidelines, used in drafting the interim condensed financial statements for the period that ended on 30 June 2016, are the same as those for preparing the annual financial statements for the fiscal year that ended on 31 December 2015 with the exception of newly-adopted standards and explanations which entered into force on 1 January 2016 and are listed below. The quality characteristics of financial statements, mainly legibility, adequacy, reliability and comparability, have been considered to the largest extent possible. The UNION HOTELI d.d. Company did not use any other already accepted standards, explanations or amendments to standards that have not already entered into force.

### **Newly adopted standards, explanations and amendments to standards, which the company considered while drafting the financial statements**

The type and effect of these changes are listed below. Even though newly adopted standards and amendments to the standards entered into force in the 2016 fiscal year, they do not have a major impact on annual financial statements of the Company or its interim condensed financial statements. Listed below are the type and effect of the newly implemented standards and explanations.

#### **IFRS 14 – Regulatory Deferral Accounts**

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Company is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

**Amendments to IFRS 11 – Joint Arrangements: Accounting for Acquisitions of Interests**

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Company as there has been no interest acquired in a joint operation during the period.

**Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Company given that it has not used a revenue-based method to depreciate its noncurrent assets.

**Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants**

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Company as it does not have any bearer plants.

**Amendments to IAS 27: Equity Method in Separate Financial Statements**

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Company's consolidated financial statements.

**Annual Improvements 2012-2014 Cycle**

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

**Amendments to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations**

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore,

no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

**Amendments to IFRS 7, Financial Instruments: Disclosures**

- (i) **Servicing contracts**  
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- (ii) **Applicability of the amendments to IFRS 7 to condensed interim financial statements**  
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

**Amendments to IAS 19 – Employee Benefits:**

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

**Amendments to IAS 34 – Interim Financial Reporting**

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

These amendments do not have any impact on the Company.

**Amendments to IAS 1: Disclosure Initiative**

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Company.

**Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception**

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Company as it does not apply the consolidation exception.

## Going Concern

The company's short-term liabilities exceeded its short-term assets by €693,150 on 30 June 2016. The Management Board carried out all the necessary measures to ensure short- and long-term liquidity. In order to refinance past loans and secure the means for ongoing investments in 2015, the Company acquired a 4-year loan on 3 March 2015, thereby minimising the risks to its long-term solvency. In order to guarantee short-term liquidity, the management of the UNION HOTELI d.d. Company took out two short-term loans in 2016 and extended its short-term limit.

The management assesses as correct the use of the assumption of an operating company in drafting the consolidated financial statements for the period that ended on 30 June 2016.

## Foreign Currency Conversion

Consolidated financial statements are listed in euros (EUR), the functional and reporting currency of the Company. Transactions in foreign currencies are initially recognised in the functional currency and converted by using the functional currency's exchange rate on the day of the transaction. Financial assets and obligations in foreign currencies are converted by using the functional currency's exchange rate on the day of reporting. All the differences that stem from exchange rates for foreign currencies are listed in the statement of profit and loss. Non-financial assets and liabilities, measured according to their original value in a foreign currency, are exchanged by using the functional currency's exchange rate on the day of the transaction. Non-financial assets and liabilities, which are measured according to the fair value in a foreign currency, are exchanged according to the rate on the day when the fair value was determined.

### **Explanation 2: Reporting by Segments**

The UNION HOTELI d.d. Company does not use segments in its interim condensed financial statements, because it deals with similar products and services (hotels and F&B) in the same economic environment (area).

### **Explanation 3: Seasonal Impact on Operations**

The Company hits a yearly low at the start of the year (January, February), which is why net sales revenues are as a rule lower in H1 compared to H2.

### **Explanation 4: Net Income from Sales**

NET INCOME FROM SALES	In EUR		
	H1/2016	H1/2015	Index 16/15
Net income from sales on the domestic market - Group (companies in the ACH group)	6,122	7,518	81
Net income from sales on the domestic market - Group (IP Central d.o.o. Subsidiary)	96,436	143,524	67
Net income from sales on the domestic market - others	7,271,353	6,798,096	107
Income from rents on the domestic market	258,436	213,747	121
<b>TOTAL</b>	<b>7,632,347</b>	<b>7,162,885</b>	<b>107</b>

**Explanation 5: Overview of Expenses According to Type**

	Item	In EUR		
		H1/2016	H1/2015	Index 16/15
I.	ADJUSTED VALUE OF PRODUCT STOCK AND UNFINISHED PRODUCT	0	0	
II.	COSTS OF MERCHANDISE, MATERIALS AND SERVICES	2,993,896	2,840,795	105
1.	Purchase value of sold merchandise - Group	0	0	
2.	Purchase value of sold merchandise - other	15,771	17,493	90
3.	Material costs – purchase in the Group (companies in the ACH group)	0	0	
4.	Material costs – purchase in the Group (IP Central d.o.o. Subsidiary)	800	373	214
5.	Material costs - outside-of-Group purchase	1,200,565	1,050,814	114
6.	Cost of services in the Group (companies in the ACH group)	19,008	11,241	169
7.	Cost of services in the Group (IP Central d.o.o. Subsidiary)	41,867	25,879	162
8.	Cost of other services	1,715,885	1,734,995	99
III.	LABOUR COSTS	2,831,689	2,606,514	109
1.	Salaries and compensations	2,038,220	1,816,227	112
2.	Cost of pension insurance	222,491	206,466	108
3.	Cost of other social insurance	147,249	133,244	111
4.	Other labour costs	423,729	450,577	94
IV.	DEPRECIATION	1,015,324	972,016	104
1.	Depreciation of intangible assets	5,530	5,759	96
2.	Depreciation of immovable property	734,820	729,333	101
3.	Depreciation of investment immovable property	48,016	48,008	100
4.	Depreciation of equipment	226,958	188,916	120
V.	OTHER COSTS	200,776	330,778	61
1.	Losses due to disposal of fixes assets – other	0	0	
2.	Value adjustments for current assets	50,057	61,542	81
3.	Other provisions	0	109,000	
4.	Other operating expenses	150,719	160,236	94
VI.	OPERATING COSTS, TOTAL	7,041,685	6,750,103	104

**Explanation 6: Other Operating Income**

	H1/2016	In EUR	
		H1/2015	Index 16/15
<b>Other operating income</b>			
Other income, connected to operations (subventions, grants, allowances, compensations, premiums..)	42,956	42,388	101
Revaluated operating income	2,982	7,939	38
<b>TOTAL</b>	<b>45,938</b>	<b>50,327</b>	<b>91</b>

**Explanation 7: Financial Income**

	H1/2016	H1/2015	Index 16/15
<b>Financial income</b>			
Financial income from loans – interest Group (IP Central d.o.o. Subsidiary)	24,948	25,724	97
Financial income from loans – interest (other companies)	487	1,651	29
Financial income from operating receivables – interest (other companies)	320	6,224	5
Financial income from operating receivables – exchange rate differences (other companies)	2,935	2,732	107
<b>TOTAL</b>	<b>28,690</b>	<b>36,331</b>	<b>79</b>

**Explanation 8: Financial Expenditure**

	In EUR		
	H1/2016	H1/2015	Index 16/15
<b>Financial expenditure</b>			
Bank loans – interest (other companies)	60,777	98,026	62
Other financial liabilities – interest (other companies)	16,715	21,489	78
Operating liabilities – interest (other companies)	411	322	128
Operating liabilities – exchange rate differences (other companies)	908	840	108
Impairment	624	0	
<b>TOTAL</b>	<b>79,435</b>	<b>120,677</b>	<b>66</b>

**Explanation 9: Corporate Income Tax and Deferred Tax**

The due corporate tax for the Company stands at €99,595. The effective tax rate in H1 2016 stands at 17.0%, the same as the effective tax rate in the same period in 2015.

Deferred tax has been calculated for temporary differences from formed provisions and adjustments to the value of claims. Deferred tax receivables and liabilities are shown in the statement of financial position in the offset amount and on 3 June 2016 stood at €84,334.

**Explanation 10: Net Profit and Loss per Share and Dividends**

	In EUR		
	H1/2016	H1/2015	Index 16/15
<b>Net profit and loss per share</b>			
Net profit and loss	486,260	314,373	155
Weighed average of the number of shares	1,793,869	1,793,869	100
<b>Net profit and loss per share</b>	<b>0.27</b>	<b>0.18</b>	<b>155</b>
	In EUR		
	H1/2016	H1/2015	Index 16/15
<b>Dividends</b>			
Dividend according to AGM decision	304,958	591,976	52
Paid out dividends	0	1,738,476	0
<b>Dividend per share</b>	<b>0.17</b>	<b>0.33</b>	<b>52</b>

The 29<sup>th</sup> AGM of the UNION HOTELI d.d. Company, which took place on 30 June 2016, adopted a decision to allocate a part of the distributable profit in the amount of €304,957.73 for dividend payments to shareholders with a gross value of €0.17 per ordinary share. The dividends have been paid out in accordance with the AGM's decision after 30 June 2016.

In 2015, the UNION HOTELI d.d. Company also paid out a part of unpaid dividends from previous years apart from the 2014 dividends.

**Explanation 11: Intangible Assets and Long-term Deferrals**

The Company includes property and other rights (software, corporate image etc.) as intangible assets. The amount of intangible assets and long-term deferrals stood at €17,482 on 30 June 2016, €5,529 less than on 31 December 2015. This is the result of depreciation, calculated for H1 2016.



**Explanation 12: Tangible fixed assets**

		In EUR		
ITEM		30 June 2016	31 December 2015	Index 16/15
1.	Land and buildings	29,122,809	29,794,122	98
a)	Land	3,804,114	3,804,114	100
b)	Buildings	25,318,695	25,990,008	97
2.	Manufacturing devices and machinery	1,911,083	2,050,466	93
3.	Other devices and equipment	494,794	494,999	100
4.	Fixed assets in acquisition	434,603	242,146	179
a)	Tangible fixed assets undergoing construction and production	324,903	227,374	143
b)	Advances for purchasing tangible fixed assets	109,700	14,772	743
<b>Tangible fixed assets</b>		<b>31,963,289</b>	<b>32,581,733</b>	<b>98</b>

Land, buildings, equipment and other tangible fixed assets represent 73% of the Company's balance sheet. The drop in the Company's tangible fixed assets in comparison with 31 December 2015 in the amount of €618,444 was mainly caused by depreciation to the tune of €961.778, while €343,334 was spent on new acquisitions. Part of the tangible fixed assets has been pledged as security for liabilities.

**Explanation 13: Immoveable Investment Property**

Immoveable investment property consists of real estate that is owned in order to bring rent. Income from rent and operating costs of immoveable investment property (business commercial areas and shops) are listed in Explanation 4 – Net Income from Sales. Immoveable investment property was valued at €3,669,532 on 30 June 2016. The drop in the Company's immoveable investment property in comparison to 31 December 2015 in the amount of €45,801 was mainly caused by depreciation to the tune of €48,016, while €2,215 was spent on new acquisitions. Part of immoveable investment property has been pledged as security for liabilities.

**Explanation 14: Long-term Financial Investments**

						In EUR	
LONG-TERM FINANCIAL INVESTMENTS	Purchase / fair / amortised value of LFI on 31 December	Long-term financial investments in companies		Adjusted value on 31 December	Accounting value		
		In the Group (IP Central d.o.o. Subsidiary)	Other	Impairment	30 June 2016	31 December 2015	Index 16/15
	=	+	+	-	=		
Investments into shares and stakes	1,155,080	1,050,000	105,080	-624	1,154,456	1,155,080	100
TOTAL long-term financial investments, excluding loans	1,155,080	1,050,000	105,080	-624	1,154,456	1,155,080	100
Long-term made loans	2,601,305	2,601,131	174	0	2,601,305	2,703,145	96
TOTAL long-term loans	2,601,305	2,601,131	174	0	2,601,305	2,703,145	96
TOTAL LONG-TERM FINANCIAL INVESTMENTS	3,756,385	3,651,131	105,254	-624	3,755,761	3,858,225	97

**Explanation 15: Stocks**

The Company's stocks were valued at €280,801 on 30 June 2016, €12,868 more than on 31 December 2015. Inventories in H1 have uncovered no larger surpluses or deficits.

**Explanation 16: Short-term Financial Investments**

SHORT-TERM FINANCIAL INVESTMENTS	In EUR						
	SFI into companies				Accounting value		
	Purchase / fair / amortised value of SFI on 31 December	In the Group (IP Central d.o.o. Subsidiary)	Other	Value adjustment due to impairment	30 June 2016	31 December 2015	Index 16/15
Receivables for interest from made loans	980	678	302	0	980	442	222
<b>TOTAL short-term financial investments, excluding loans</b>	<b>980</b>	<b>678</b>	<b>302</b>	<b>0</b>	<b>980</b>	<b>442</b>	<b>222</b>
Short-term part of long-term made loans	202,849	202,583	266	0	202,849	201,200	101
Short-term made loans	350,000	350,000	0	0	350,000	200,000	175
<b>TOTAL short-term made loans</b>	<b>552,849</b>	<b>552,583</b>	<b>266</b>	<b>0</b>	<b>552,849</b>	<b>401,200</b>	<b>138</b>
<b>TOTAL SHORT-TERM FINANCIAL INVESTMENTS</b>	<b>553,829</b>	<b>553,261</b>	<b>568</b>	<b>0</b>	<b>553,829</b>	<b>401,642</b>	<b>138</b>

In February 2016, the UNION HOTELI d.d. Company authorised a €150,000 short-term loan to the IP Central d.o.o. Subsidiary, utilising the interest rate that is used for associated companies.

**Explanation 17: Short-term Operating Receivables**

SHORT-TERM OPERATING RECEIVABLES	In EUR						
	Short-term operating receivables	Short-term operating receivables to companies			Value adjustment due to impairment	Accounting value	
		In the Group (companies in the ACH group)	In the Group (IP Central d.o.o. Subsidiary)	Other		30 June 2016	31 December 2015
Short-term receivables to purchasers	1,849,231	7,988	64,519	1,776,724	-252,815	1,596,416	1,164,603
-already due on 31 December	874,507	7,764	45	866,698		874,507	895,718
Short-term receivables linked to financial income	0			0	0	0	0
Short-term receivables to state institutions	58,006			58,006		58,006	98,388
Other short-term operating receivables	87,897			87,897	-101	87,796	24,796
<b>TOTAL short-term operating receivables</b>	<b>1,995,134</b>	<b>7,988</b>	<b>64,519</b>	<b>1,922,627</b>	<b>-252,916</b>	<b>1,742,218</b>	<b>1,287,787</b>

ADJUSTMENT TO VALUE OF SHORT-TERM RECEIVABLES DUE TO IMPAIRMENT	In EUR				
	30 June 2016	Adjustment to short-term receivables towards			31 December 2015
		In the Group (companies in the ACH group)	In the Group (IP Central d.o.o. Subsidiary)	Other	
<b>Situation on 1 January</b>	205,840			205,840	277,629
Reduction of value adjustment due to payment of receivables	-2,982			-2,982	-31,106
Reduction of value adjustment due to receivables write-off	0			0	-139,820
Value adjustments due to impairment	50,058			50,058	99,137
<b>Situation on 30 June/31 December</b>	<b>252,916</b>	<b>0</b>	<b>0</b>	<b>252,916</b>	<b>205,840</b>

**Explanation 18: Cash and Cash Equivalents**

Cash and cash equivalents include cash in euros and other currencies in the cash register, on bank accounts and deposits (up to three months), and amounted to €985,877 on 30 June 2016, €114,214 less than their value on 31 December 2015.

**Explanation 19: Deferrals**

SHORT-TERM DEFERRALS	In EUR		
	30 June 2016	31 December 2015	Index 16/15
Short-term deferred expenses and costs	299,574	58,108	516
Short-term accrued income	659,796	178,161	370
<b>TOTAL</b>	<b>959,370</b>	<b>236,269</b>	<b>406</b>

Short-term accrued income is represented by realised income for services rendered in 2016, which have not yet been completed and invoiced (reception balance). Short-term deferred expenses and

costs are represented by regular deferred expenses and costs. Both items show an increase on 30 June 2016 in comparison with 31 December 2015.

### **Explanation 20: Capital**

The share capital of the UNION HOTELI d.d. Company amounted to €7,485,695.10 on 30 June 2016 and was spread over 1,793,869 par value shares.

The shares are listed on the Ljubljana Stock Exchange with the symbol GHUG. They are traded on the Entry Market.

On 30 June 2016, capital reserves to the amount of €14,572,118 were composed from:

- Paid capital surplus to the amount of €1,207,236
- Other capital reserves to the amount of €13,364,882

Changes in capital for the period between 1 January 2016 and 30 June 2016 are shown in the statement of changes in equity.

### **Explanation 21: Provisions and Long-term Accruals**

In EUR			
ITEM	30 June 2016	31 December 2015	Index 16/15
<b>Provisions and long-term accruals</b>	<b>1,237,298</b>	<b>1,324,532</b>	<b>93</b>
1. Provisions for pensions and similar liabilities	376,156	382,823	98
2. Other provisions	140,380	185,500	76
3. Long-term accruals	720,762	756,209	95

Provisions also include a provision regarding a lawsuit of denationalisation claimants due to their inability to use a commercial area, which is gradually whittled down by using reserves to make settlements.

### **Explanation 22: Financial Obligations**

In EUR						
Financial liabilities	Debt	Part of debt that is due			Debt	Index 16/15
	30 June 2016	In 1 year	From 1 to 5 years	More than 5 years	31 December 2015	
Long-term financial liabilities to banks	2,750,000	0	2,750,000	0	3,318,000	83
Long-term financial liabilities for financial lease – other companies	1,640,679		1,640,679	0	1,848,600	89
<b>Long-term financial liabilities</b>	<b>4,390,679</b>	<b>0</b>	<b>4,390,679</b>	<b>0</b>	<b>5,166,600</b>	<b>85</b>
Short-term part of long-term financial liabilities for financial lease – other companies	416,321	416,321			415,975	100
Short-term part of long-term financial liabilities – banks	1,500,000	1,500,000			1,500,000	100
Short-term financial liabilities – banks	500,000	500,000			0	
Other short-term financial liabilities	23,226	23,226			27,254	85
<b>Short-term financial liabilities</b>	<b>2,439,547</b>	<b>2,439,547</b>	<b>0</b>	<b>0</b>	<b>1,943,229</b>	<b>126</b>
<b>TOTAL</b>	<b>6,830,226</b>	<b>2,439,547</b>	<b>4,390,679</b>	<b>0</b>	<b>7,109,829</b>	<b>96</b>

The UNION HOTELI d.d. Company in H1 2016 drew the last tranche of a long-term loan acquired in 2015 and took out two short-term loans in the total amount of €500,000 in order to ensure short-term liquidity. The Company continued to pay off all of its maturing liabilities stemming from financial liabilities towards banks and leasing companies in H1 2016.

**Explanation 23: Operating Liabilities**

	In EUR		
	30 June 2016	31 December 2015	Index 16/15
<b>Long-term operating liabilities</b>			
Long-term operating liabilities on the basis of advances – other companies	37,302	34,965	107
<b>Short-term operating liabilities</b>			
Short-term liabilities to companies in the Group (companies in the ACH group) as suppliers	3,030	4,154	73
Short-term liabilities to companies in the Group (IP Central d.o.o. Subsidiary) as suppliers	8,563	11,190	77
Short-term liabilities to other companies as suppliers	983,029	903,632	109
<b>Total short-term liabilities to suppliers</b>	<b>994,622</b>	<b>918,976</b>	<b>108</b>
Short-term liabilities for advances	280,630	192,733	146
<b>Total short-term liabilities for advances</b>	<b>280,630</b>	<b>192,733</b>	<b>146</b>
Short-term liabilities to employees	607,704	565,535	107
Short-term liabilities to the state	114,403	189,216	60
Other short-term operating liabilities – Group (companies in the ACH Group)	229,794	0	
Other short-term operating liabilities – other companies	129,999	54,728	238
<b>Total other short-term operating liabilities</b>	<b>1,081,900</b>	<b>809,479</b>	<b>134</b>
<b>TOTAL short-term operating liabilities</b>	<b>2,357,152</b>	<b>1,921,188</b>	<b>123</b>

**Explanation 24: Short-term Accruals**

	In EUR		
	30 June 2016	31 December 2015	Index 16/15
<b>SHORT-TERM ACCRUALS</b>			
Accrued costs and expenses	418,546	215,177	195
Short-term deferred income	0	0	
<b>TOTAL</b>	<b>418,546</b>	<b>215,177</b>	<b>195</b>

**Explanation 25: Contingent Assets and Liabilities**

	In EUR		
	30 June 2016	31 December 2015	Index 16/15
<b>Off-balance sheet record</b>			
Security as guarantee for liabilities (bonds)	2,054,559	2,259,281	91
Security as guarantee for liabilities (mortgage and bonds)	4,773,226	4,845,254	99
Received security as guarantee for receivables (mortgage)	3,159,234	3,108,870	102
Received security as guarantee for receivables (enforcement drafts)	12,686	14,686	86
Merchandise, accepted for consignment	7,404	21,772	34
<b>TOTAL off-balance sheet record</b>	<b>10,007,109</b>	<b>10,249,863</b>	<b>98</b>

**Explanation 26: Transactions with Associated Companies**

The UNION HOTELI d.d. Company is part of the ACH Group. In H1 2016, the associated companies of the UNION HOTELI d.d. Company included the parent ACH, d.d. Ljubljana Company (the ACH, d.d. Ljubljana Company holds a 75.35% stake in UNION HOTELI d.d.), the IP Central d.o.o. Subsidiary (the UNION HOTELI d.d. Company holds a 100% stake in the IP Central d.o.o. Subsidiary) and companies in the ACH Group. The top controlling company, which holds the majority stake in ACH, d.d. Ljubljana, is the Protej d.o.o. Company, with which no transactions were carried out in H1 2016. The transactions with the parent company and companies in the ACH Group in H1 2016 are listed below.

							In EUR
Associated parties – income H1/2016							TOTAL
	ACH, d.d. (parent company – owner of UNION HOTELI d.d.)	IP CENTRAL d.o.o. (UNION HOTELI d.d. subsidiary)	AUTO COMMERCE, d.o.o. (ACH, d.d. subsidiary)	AVTO TRIGLAV d.o.o. (ACH, d.d. subsidiary)	AC-MOBIL d.o.o. (ACH, d.d. subsidiary)	PERFTECH, d.o.o. (ACH, d.d. subsidiary)	
Net income from sales	786	96,436	4,979	357			102,558
Financial income from loans		24,948					24,948
<b>TOTAL</b>	<b>786</b>	<b>121,384</b>	<b>4,979</b>	<b>357</b>	<b>0</b>	<b>0</b>	<b>127,506</b>
							In EUR
Associated parties – expenses H1/2016							TOTAL
	ACH, d.d. (parent company – owner of UNION HOTELI d.d.)	IP CENTRAL d.o.o. (UNION HOTELI d.d. subsidiary)	AUTO COMMERCE, d.o.o. (ACH, d.d. subsidiary)	AVTO TRIGLAV d.o.o. (ACH, d.d. subsidiary)	AC-MOBIL d.o.o. (ACH, d.d. subsidiary)	PERFTECH, d.o.o. (ACH, d.d. subsidiary)	
Costs of material		800					800
Costs of services		41,867	5,100	1,041	570	12,297	60,875
<b>TOTAL</b>	<b>0</b>	<b>42,667</b>	<b>5,100</b>	<b>1,041</b>	<b>570</b>	<b>12,297</b>	<b>61,675</b>
							In EUR
Associated parties – receivables on 30 June 2016							TOTAL
	ACH, d.d. (parent company – owner of UNION HOTELI d.d.)	IP CENTRAL d.o.o. (UNION HOTELI d.d. subsidiary)	AUTO COMMERCE, d.o.o. (ACH, d.d. subsidiary)	AVTO TRIGLAV d.o.o. (ACH, d.d. subsidiary)	AC-MOBIL d.o.o. (ACH, d.d. subsidiary)	PERFTECH, d.o.o. (ACH, d.d. subsidiary)	
Long-term financial investments in capital	0	1,050,000	0	0	0	0	1,050,000
Long-term made loans	0	2,601,131	0	0	0	0	2,601,131
Short-term operating receivables	739	64,519	7,119	130	0	0	72,507
Short-term interest receivables	0	678	0	0	0	0	678
Short-term made loans	0	552,583	0	0	0	0	552,583
<b>TOTAL</b>	<b>739</b>	<b>4,268,911</b>	<b>7,119</b>	<b>130</b>	<b>0</b>	<b>0</b>	<b>4,276,899</b>
							In EUR
Associated parties – short-term deferrals on 30 June 2016							TOTAL
	ACH, d.d. (parent company – owner of UNION HOTELI d.d.)	IP CENTRAL d.o.o. (UNION HOTELI d.d. subsidiary)	AUTO COMMERCE, d.o.o. (ACH, d.d. subsidiary)	AVTO TRIGLAV d.o.o. (ACH, d.d. subsidiary)	AC-MOBIL d.o.o. (ACH, d.d. subsidiary)	PERFTECH, d.o.o. (ACH, d.d. subsidiary)	
Short-term deferrals	0	41,400	0	0	0	2,132	43,532
<b>TOTAL</b>	<b>0</b>	<b>41,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,132</b>	<b>43,532</b>
							In EUR
Associated parties – liabilities on 30 June 2016							TOTAL
	ACH, d.d. (parent company – owner of UNION HOTELI d.d.)	IP CENTRAL d.o.o. (UNION HOTELI d.d. subsidiary)	AUTO COMMERCE, d.o.o. (ACH, d.d. subsidiary)	AVTO TRIGLAV d.o.o. (ACH, d.d. subsidiary)	AC-MOBIL d.o.o. (ACH, d.d. subsidiary)	PERFTECH, d.o.o. (ACH, d.d. subsidiary)	
Short-term operating liabilities	0	8,563	2,016	0	0	1,014	11,593
Other short-term operating liabilities (dividends)	229,794	0	0	0	0	0	229,794
<b>TOTAL</b>	<b>229,794</b>	<b>8,563</b>	<b>2,016</b>	<b>0</b>	<b>0</b>	<b>1,014</b>	<b>241,387</b>
							In EUR
Associated parties - purchase of fixed assets H1/2016							TOTAL
	ACH, d.d. (parent company – owner of UNION HOTELI d.d.)	IP CENTRAL d.o.o. (UNION HOTELI d.d. subsidiary)	AUTO COMMERCE, d.o.o. (ACH, d.d. subsidiary)	AVTO TRIGLAV d.o.o. (ACH, d.d. subsidiary)	AC-MOBIL d.o.o. (ACH, d.d. subsidiary)	PERFTECH, d.o.o. (ACH, d.d. subsidiary)	
Intangible and tangible fixed assets	0	0	0	0	0	2,964	2,964
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,964</b>	<b>2,964</b>

### **Explanation 27: Risk of Change to the Fair Value of Financial Instruments**

Fair value is an amount that can be used to exchange funds or settle a liability between well-informed and willing clients in an arm's length transaction. Fair value of financial instruments (short- and long-term financial investments, short- and long-term financial liabilities, short-term operating receivables, short-term operating liabilities) does not deviate substantially from their accounting value.

The Group made no investments in securities in H1 2016 and by doing so minimised the risk to the fair value of sales in that particular area.

The Company divides the measuring of fair value of financial means (categorised in accordance with IAS 39) in its financial statement according to the following levels:

- Level 1: Fair values originate from market prices (without their adjustments) on active securities markets
- Level 2: Fair values are directly or indirectly derived from other sources on the market, which can be monitored, except for market prices on active securities markets
- Level 3: Fair value is arrived at by valuation techniques, based on sources that cannot be monitored on the markets

In EUR	Accounting value 30 June 2016	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total 30 June 2016	Accounting value 31 December 2015	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Total 31 December 2015
<b>Assets measured at fair value</b>	104,456	0	0	104,456	104,456	105,080	0	0	105,080	105,080
Financial assets available for sale	104,456	0	0	104,456	104,456	105,080	0	0	105,080	105,080
<b>Assets, measured according to purchase value with fair value disclosed</b>	5,736,447	985,877	0	4,750,570	5,736,447	5,369,039	1,100,091	0	4,268,948	5,369,039
Loans made	3,154,154	0	0	3,154,154	3,154,154	3,104,345	0	0	3,104,345	3,104,345
Operating receivables towards purchasers	1,596,416	0	0	1,596,416	1,596,416	1,164,603	0	0	1,164,603	1,164,603
Cash, cash equivalents and deposits	985,877	985,877			985,877	1,100,091	1,100,091			1,100,091
<b>Liabilities, measured according to purchase value with fair value disclosed</b>	7,824,848	0	0	7,824,848	7,824,848	8,028,805	0	0	8,028,805	8,028,805
Financial liabilities	6,830,226	0	0	6,830,226	6,830,226	7,109,829	0	0	7,109,829	7,109,829
Operating liabilities towards suppliers	994,622	0	0	994,622	994,622	918,976	0	0	918,976	918,976

### **Explanation 28: Interest Rate Risks**

#### a) Interest rate risks

Interest rate risk management is considered as very important due to our credit activities. Interest rate risks stem from the possibility of interest rate hikes for loans received and depend on the changes to the Euribor interest rate on the banking market. The structure, manner and forms of borrowing are decided upon in accordance with the exposure to interest rate risks and the expected shifts of the reference Euribor interest rate in the future. Due to its solid credit rating, the Company gets favourable interest rates with banks.

Exposure to risk of interest rate change:

In EUR	30 June 2016	31 December 2015
<b>Fixed rate financial instruments</b>		
Financial assets	3,155,134	3,354,787
Financial liabilities	0	0
<b>Floating rate financial instruments</b>		
Financial assets	0	0
Financial liabilities	6,830,226	7,109,829

### **Explanation 29: Events After the Statement of Financial Position**

No major business events that could impact the interim financial statements for H1 2016 occurred after the date of the statement of financial position (30 June 2016) and before the publication of this Half-year Report for the period between January and June 2016.

**Explanation 30: Disclosure of Financial Indicators**

	<b>30 June 2016</b>	<b>31 December 2015</b>
<b>Disclosure of financial indicators</b>		
Adjusted EBITDA in eur (calculated for a period of 1 year)*	3.921.778	3.828.148
Net debt in eur (end of period)**	5.844.349	6.009.738
<b>LEVERAGE COEFICIENT=net debt/EBITDA</b>	<b>1,49</b>	<b>1,57</b>

\*Adjusted EBITDA differs from EBITDA calculated according to IBON for the corrections, carried out on the following items:

- Revaluated income is not included (lower EBITDA)
- Financial income is included (increased EBITDA)
- Provisions regarding a lawsuit of denationalisation claimants due to their inability to use a commercial area are not included (increased EBITDA)

ADJUSTED EBITDA on 30 June 2016: EBITDA for the period between 1 July 2015 and 30 June 2016

ADJUSTED EBITDA on 31 December 2015: EBITDA for the period between 1 January 2015 and 31 December 2015

\*\*Net debt = financial obligations – financial means

**Explanation 31: Main Operating Indicators**

<b>UNION HOTELI d.d.</b>		
	<b>30 June 2016</b>	<b>31 December 2015</b>
<b>INDICATORS</b>		
Total debt/total equity	0.28	0.28
Total debt/total capital	0.22	0.22
Receivables turnover	9.96	13.18
Assets turnover (Net income/Assets)	0.36	0.35
Current ratio (Short-term Assets/Short-term liabilities)	0.74	0.79
Quick ratio (Liquid Assets + Short-term receivables/Short-term liabilities)	0.68	0.72
Gross margin	32.24%	32.63%
Operating margin (EBIT in Net income from sales)	11.76%	11.00%
Net profit margin	9.42%	8.60%
Return on assets	3.42%	3.03%
Return on equity	4.64%	4.11%
Return on investment	4.18%	3.87%
Number of employees	241.00	234.00

\* Indicators for the period that ended on 30 June 2016 have been calculated based on data for the last 12 months (1 July 2015 – 30 June 2016).



### 6.3. Independent Auditor's Report on the Financial Statement of the UNION HOTELI d.d. Company



This is a translation of the original report in Slovene language

#### REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

To the owners of UNION HOTELI d.d.

##### Introduction

We have reviewed the accompanying interim condensed statement of financial position of UNION HOTELI d.d. as of 30 June 2016 and the related interim condensed statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with IAS 34 Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.


##### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

##### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ljubljana, 16 August 2016

  
Janez Uranič  
Director  
Ernst & Young d.o.o.  
Dunajska 111, Ljubljana

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Mateja Repušič  
Certified auditor