

Date: 07.11.2016

UNION HOTELI, D.D. LJUBLJANA

QUARTERLY REPORT AS OF 30.09.2016 – Q3

ACTIVITY OF THE COMPANY

Three operational hotels in the city center of Ljubljana:

Facility	Address	Hotel Category	Accommodation capacity	GFA in sq. m
Grand Hotel Union & GHU Business	Miklošičeva street 1-3, Ljubljana	4 *	327	31,964
Hotel Lev	Vošnjakova street 1, Ljubljana Business building with garage next to Hotel Lev	4 *	173	12,177 3,535
Central Hotel	Miklošičeva street 9, Ljubljana	4*	74	4,461
Total hotel Properties			574	52,137

CORPORATE GOVERNANCE

- Chairperson of the Supervisory Board: Primož Raktelj
- General Director of the Company: Tomislav Čeh

Tomislav Čeh

General Director

SIGNIFICANT BUSINESS EVENTS IN Q3 2016

- The occupancy rate in competitive hotels in Ljubljana of 3-5 stars category has ranged between 63.8% and 87.1% in the period January – September 2016. Average occupancy rate of all the hotels in Ljubljana has been 71.2% for the same period and 4.0 percentage points above average achieved in the period January – September 2015.
- Business hotels of Union hoteli Group have achieved average occupancy rate in the level of 69.7% in the period January – September 2016, which is 2.6 percentage points above average achieved in the period January – September 2015. The average occupancy within the Group was following: Grand hotel Union and Grand hotel Union Business: 70.7%, Hotel Lev: 66.3% and Central hotel 73.3%.
- In the period January – September 2016 business hotels of Union Hoteli Group have achieved 24.7% market share of Ljubljana hotels capacity.
- Grand hotel Union and Grand hotel Union Business have accounted for 89,941 overnight stays in Ljubljana in the period January – September 2016, Hotel Lev has accounted for 45,993 overnight stays and Central hotel for 24,956 overnight stays.
- Union hoteli d.d. Company has reached net sales revenues in the amount of EUR 12.8 million in the period January – September 2016 which is EUR 1.0 million or 8.3% more than in the period January – September 2015.

Union hoteli Group has reached net sales revenues in the amount of EUR 14.0 million in the period January – September 2016 which is EUR 1.1 million or 8.8% more than in the period January – September 2015.

- The Union hoteli d.d. Company's earnings before interest, taxes, depreciation, and amortization (EBITDA, calculated according to IBON methodology) in the period January - September 2016 stood at EUR 3.7 million, which represents a 21.3% increase year-on-year. In the period between 1 January 2016 and 30 September 2016 the Company posted a profit to the amount of EUR 1.7 million, which is 45.2% more than in the same period in 2015.

The Union hoteli Group's earnings before interest, taxes, depreciation, and amortization (EBITDA, calculated according to IBON methodology) in the period January - September 2016 stood at EUR 4.0 which represents a 20.9% increase year-on-year. In the period between 1 January 2016 and 30 September 2016 the Union hoteli Group posted a profit to the amount of EUR 1.9 million, which is 47.1% more than in the same period in 2015.

- As of 30.09.2016 the total employees of the Union hoteli d.d. Company amounted to 244 and of Union hoteli Group amounted to 282.
- The accounting guidelines, used in drafting the quarterly report as of 30.09.2016 – Q3 are the same as those for preparing the annual financial statements for the fiscal year that ended on 31 December 2015 and as those for preparing the interim condensed financial statements for the period that ended on 30 June 2016, with the exception of newly-adopted standards and explanations which entered into force on 1 January 2016.

KEY FINANCIAL PARAMETERS of Union hoteli d.d. Company

UNION HOTELI D.D.		in EUR				
		31.12.2014	30.9.2015	31.12.2015	30.6.2016	30.9.2016
BALANCE SHEET						
TOTAL ASSETS		44,729,397	43,983,970	43,556,358	44,012,493	44,389,944
LONG-TERM ASSETS		41,430,282	40,584,281	40,262,636	39,490,398	39,380,311
Intangible assets and long-term deferred costs and accrued revenues		31,787	28,599	23,011	17,482	16,755
Property, plant & equipment		33,425,363	32,654,536	32,581,733	31,963,289	31,873,568
Long-term financial assets		4,060,433	4,060,459	3,858,225	3,755,761	3,755,765
Long-term operating receivables		0	0	0	0	0
SHORT-TERM ASSETS		3,079,365	2,678,795	3,057,453	3,562,725	4,305,549
Inventories		199,864	307,052	267,933	280,801	278,604
Short-term financial assets		207,261	250,246	401,642	553,829	503,075
Short-term operating receivables		1,074,981	1,620,472	1,287,787	1,742,218	1,794,229
Cash		1,597,259	501,025	1,100,091	985,877	1,729,641
SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES		219,750	720,894	236,269	959,370	704,084
TOTAL EQUITY		32,206,611	32,816,936	32,950,667	33,131,969	34,390,922
Common Equity		7,485,695	7,485,695	7,485,695	7,485,695	7,485,695
Capital reserves		14,572,118	14,572,118	14,572,118	14,572,118	14,572,118
Revenue reserves		5,088,711	5,088,711	5,088,711	5,088,711	5,088,711
Acquired own shares and stakes		0	0	0	0	0
Revaluation surplus		-18,536	-18,536	-21,209	-21,209	-21,209
Net profit or loss brought forward		4,483,820	4,486,647	4,486,647	5,520,394	5,520,394
Net profit or loss for the period		594,803	1,202,301	1,338,705	486,260	1,745,213
PROVISIONS AND SHORT/LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES		1,670,974	1,837,444	1,539,709	1,655,844	1,838,165
LONG-TERM LIABILITIES		2,275,253	6,964,365	5,201,565	4,427,981	4,429,535
Long-term operating liabilities		31,160	33,945	34,965	37,302	38,853
Long-term financial liabilities		2,244,093	6,930,420	5,166,600	4,390,679	4,390,682
SHORT-TERM LIABILITIES		8,576,559	2,365,225	3,864,417	4,796,699	3,731,322
Short-term operating liabilities		2,769,964	1,860,752	1,921,188	2,357,152	1,780,226
Short-term financial liabilities		5,806,595	504,473	1,943,229	2,439,547	1,951,096
Net financial liabilities		6,453,429	6,933,868	6,009,738	5,844,349	4,612,137
<i>Off-balance sheet items</i>		-11,297,820	-10,644,391	-10,249,863	-10,007,109	-9,452,926

UNION HOTELI D.D.		in EUR				
		31.12.2014	30.9.2015	31.12.2015	30.6.2016	30.9.2016
INCOME STATEMENT						
Net sales revenues		13,354,265	11,799,667	15,573,025	7,632,347	12,774,968
COGS		9,877,460	7,662,933	10,491,062	5,277,866	8,042,814
Gross sales profit or loss		3,476,805	4,136,734	5,081,963	2,354,481	4,732,154
Selling costs		1,051,707	862,151	1,251,310	615,706	904,344
General and administrative costs		2,327,229	1,801,573	2,356,262	1,148,113	1,721,562
Other operating revenue		808,792	81,080	239,206	45,938	65,294
EBITDA		3,031,558	3,079,618	3,774,765	1,701,981	3,735,682
Operating profit or loss (EBIT)		906,661	1,554,090	1,713,597	636,600	2,171,542
Financial income from participations		124,286	11,650	11,650	0	0
Financial income from operating receivables		7,760	10,673	12,361	3,255	9,239
Financial income from loans granted		57,747	40,223	52,795	25,435	37,616
Financial expenses from financial liabilities		378,536	166,596	215,206	77,492	113,321
Financial expenses from operating liabilities		2,721	1,484	2,078	1,319	1,786
Financial expenses for impairments and write-offs of financial assets		0	0	681	624	624
Profit before tax		715,197	1,448,556	1,572,438	585,855	2,102,666
Net profit or loss for the period		594,803	1,202,301	1,338,705	486,260	1,745,213
OPERATING EXPENSES - COSTS BY NATURE OF EXPENSE		31.12.2014	30.9.2015	31.12.2015	30.6.2016	30.9.2016
TOTAL OPERATING EXPENSES		13,256,396	10,326,657	14,098,634	7,041,685	10,668,720
Changes in the value of inventories of products and work in progress		0	0	0	0	0
Costs of goods, material and services		5,476,031	4,522,053	6,233,624	2,993,896	4,595,902
Labour costs		5,190,690	3,937,495	5,386,684	2,831,689	4,288,688
Amortisation and depreciation		2,034,665	1,463,986	1,959,139	1,015,324	1,514,045
Other costs		555,010	403,123	519,187	200,776	270,085
Value adjustments of current assets		90,130	61,542	100,759	50,057	50,057
Losses due to disposal of fixed assets		102	0	1,270	0	38

UNION HOTELI D.D.						
RATIOS	31.12.2014	30.9.2015	31.12.2015	30.6.2016	30.9.2016	
Financial leverage (net financial liabilities/EBITDA)*	2.13	2.01	1.59	1.47	1.04	
Total debt/total equity	0.34	0.28	0.28	0.28	0.24	
Total debt/total capital	0.27	0.23	0.23	0.23	0.20	
Receivables turnover*	10.93	10.48	13.18	9.96	9.69	
Assets turnover*	0.29	0.34	0.35	0.36	0.37	
Current ratio	0.36	1.13	0.79	0.74	1.15	
Quick ratio	0.34	1.00	0.72	0.68	1.08	
Gross margin*	26.04%	32.19%	32.63%	32.24%	34.31%	
Operating margin*	6.79%	9.17%	11.00%	11.76%	14.09%	
Net profit margin*	4.45%	7.15%	8.60%	9.42%	11.37%	
Return on assets*	1.30%	2.41%	3.03%	3.42%	4.26%	
Return on equity*	1.82%	3.32%	4.11%	4.64%	5.60%	
Return on investment*	2.31%	3.24%	3.87%	4.18%	5.05%	
Number of employees	221.00	232.00	234.00	241.00	244.00	

EBITDA is calculated using the IBON methodology.

*Quarterly ratios are calculated from data for past 12 months.

KEY FINANCIAL PARAMETERS of Union hoteli Group

UNION HOTELI GROUP		in EUR				
		31.12.2014	30.9.2015	31.12.2015	30.6.2016	30.9.2016
BALANCE SHEET						
TOTAL ASSETS		44,111,231	43,352,536	42,833,945	43,348,233	43,822,309
LONG-TERM ASSETS		40,802,430	39,876,706	39,727,623	38,995,505	38,852,723
Intangible assets and long-term deferred costs and accrued revenues		31,787	28,669	23,076	17,538	16,807
Property, plant & equipment		36,751,297	35,900,677	35,799,486	35,119,471	34,997,059
Long-term financial assets		106,647	106,673	105,394	104,630	104,634
Long-term operating receivables		0	0	0	0	0
SHORT-TERM ASSETS		3,091,197	2,925,314	2,874,065	3,385,190	4,314,036
Inventories		222,148	332,079	295,708	310,861	304,678
Short-term financial assets		9,574	100	264	569	499
Short-term operating receivables		1,141,559	1,808,538	1,425,156	1,842,951	1,964,476
Cash		1,717,916	784,597	1,152,937	1,230,809	2,044,383
SHORT-TERM DEFERRED COSTS AND ACCRUED REVENUES		217,604	550,516	232,257	967,538	655,550
TOTAL EQUITY		31,220,528	31,892,430	31,973,191	32,149,168	33,527,574
Common Equity		7,485,695	7,485,695	7,485,695	7,485,695	7,485,695
Capital reserves		14,572,118	14,572,118	14,572,118	14,572,118	14,572,118
Revenue reserves		5,088,711	5,088,711	5,088,711	5,088,711	5,088,711
Acquired own shares and stakes		0	0	0	0	0
Revaluation surplus		-11,172	-11,172	-16,093	-16,093	-16,093
Net profit or loss brought forward		3,953,913	3,493,199	3,493,200	4,537,803	4,537,803
Net profit or loss for the period		131,263	1,263,879	1,349,560	480,934	1,859,340
PROVISIONS AND SHORT/LONG-TERM ACCRUED COSTS AND DEFERRED REVENUES		1,875,720	1,997,312	1,668,875	1,788,421	2,020,280
LONG-TERM LIABILITIES		2,275,253	6,964,365	5,201,565	4,427,981	4,429,535
Long-term operating liabilities		31,160	33,945	34,965	37,302	38,853
Long-term financial liabilities		2,244,093	6,930,420	5,166,600	4,390,679	4,390,682
SHORT-TERM LIABILITIES		8,739,730	2,498,429	3,990,314	4,982,663	3,844,920
Short-term operating liabilities		2,933,135	1,993,956	2,047,085	2,543,116	1,893,824
Short-term financial liabilities		5,806,595	504,473	1,943,229	2,439,547	1,951,096
Net financial liabilities		6,332,772	6,650,296	5,956,892	5,599,417	4,297,395
<i>Off-balance sheet items</i>		-8,196,406	-7,491,759	-7,146,725	-6,853,175	-6,349,218

UNION HOTELI GROUP		in EUR				
INCOME STATEMENT		31.12.2014	30.9.2015	31.12.2015	30.6.2016	30.9.2016
Net sales revenues		14,662,038	12,875,696	16,957,089	8,334,167	14,011,555
COGS		11,157,464	8,738,697	11,878,965	5,974,873	9,147,097
Gross sales profit or loss		3,504,574	4,136,999	5,078,124	2,359,294	4,864,458
Selling costs		1,091,797	862,698	1,251,899	618,085	907,920
General and administrative costs		2,425,009	1,889,623	2,523,177	1,237,972	1,847,573
Other operating revenue		502,161	268,399	472,669	153,703	214,392
EBITDA		2,763,612	3,312,494	4,029,916	1,801,498	4,004,903
Operating profit or loss (EBIT)		489,929	1,653,077	1,775,717	656,940	2,323,357
Financial income from participations		124,363	11,650	11,650	0	0
Financial income from operating receivables		8,343	11,888	13,676	3,685	9,959
Financial income from loans granted		10,928	2,002	2,098	493	408
Financial expenses from financial liabilities		378,999	166,596	216,583	77,492	113,321
Financial expenses from operating liabilities		2,907	1,887	2,584	2,473	2,986
Financial expenses for impairments and write-offs of financial assets		0	0	681	624	624
Profit before tax		251,657	1,510,134	1,583,293	580,529	2,216,793
Net profit or loss for the period		131,262	1,263,879	1,349,560	480,934	1,859,340
OPERATING EXPENSES - COSTS BY NATURE OF EXPENSE		31.12.2014	30.9.2015	31.12.2015	30.6.2016	30.9.2016
TOTAL OPERATING EXPENSES		14,674,269	11,491,018	15,654,041	7,830,930	11,902,590
Changes in the value of inventories of products and work in progress		0	0	0	0	0
Costs of goods, material and services		6,025,885	5,035,208	6,910,774	3,343,658	5,176,611
Labour costs		5,869,070	4,428,218	6,034,943	3,171,441	4,794,873
Amortisation and depreciation		2,166,850	1,577,286	2,112,499	1,092,230	1,629,180
Other costs		612,464	450,306	595,825	223,601	301,926
Value adjustments of current assets		106,103	80,045	136,865	52,328	52,328
Losses due to disposal of fixes assets		730	2,086	4,835	0	38

UNION HOTELI GROUP						
RATIOS		31.12.2014	30.9.2015	31.12.2015	30.6.2016	30.9.2016
Financial leverage (net financial liabilities/EBITDA)*		2.29	1.81	1.48	1.31	0.91
Total debt/total equity		0.35	0.30	0.29	0.29	0.25
Total debt/total capital		0.28	0.24	0.24	0.24	0.21
Receivables turnover*		11.67	10.20	13.21	10.07	9.59
Assets turnover*		0.32	0.37	0.39	0.40	0.42
Current ratio		0.35	1.17	0.72	0.68	1.12
Quick ratio		0.33	1.04	0.65	0.62	1.04
Gross margin*		23.90%	29.03%	29.95%	30.05%	32.09%
Operating margin*		3.34%	8.68%	10.47%	11.44%	13.52%
Net profit margin*		0.90%	6.53%	7.96%	8.99%	10.75%
Return on assets*		0.29%	2.43%	3.10%	3.63%	4.46%
Return on equity*		0.41%	3.39%	4.27%	5.00%	5.95%
Return on investment*		1.23%	3.30%	4.00%	4.46%	5.32%
Number of employees		256.00	270.00	274.00	280.00	282.00

EBITDA is calculated using the IBON methodology.

*Quarterly ratios are calculated from data for past 12 months.