

PLAVA LAGUNA

joint stock company for hotels and tourism

P O R E Č

ANNUAL REPORT

for the year 2009



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**THE SUPERVISORY BOARD REPORT
ON THE PERFORMED SUPERVISION OF THE ADMINISTRATION
OF THE COMPANY'S OPERATIONS, THE RESULTS OF THE EXAMINATION
OF THE ANNUAL FINANCIAL REPORTS, REPORT ON THE SITUATION IN THE COMPANY
AND THE PROPOSAL ON THE DECISION ON USE OF PROFIT
OF PLAVA LAGUNA d.d. FOR 2009**

In the course of 2009, the Company's Supervisory Board, held 11 meetings, while the auditing committee established by the Supervisory Board held weekly meetings.

On the basis of Article 300b, paragraph 1 of the Companies Act, the Board of Managers of the company Plava Laguna d.d. submitted to the Supervisory Board the annual financial report, report on the situation in the Company, as well as the Proposal on the decision on the use of profit for their examination.

In accordance with its authorities in Article 300c, paragraph 2 of the Companies Act, the Supervisory Board, in the presence of the Board of Managers and the auditing company PricewaterhouseCoopers d.o.o. of Zagreb, has examined the received financial reports of 2009, report on the situation in the Company, and the proposal on the decision on use of profit for 2009, and on the results of these examinations submits to the Company's General Assembly this report for further procedure.

Examinations carried out undoubtedly indicate that, in the course of 2009, the Company's Board of Managers in accordance with its statutory obligations, regularly by means of oral and written reports, informed the Supervisory Board of the business policies and other principal issues of the future ways in administering the business operations, on the profitability of the Company's operations, and most of all of the profitability of using its own capital, on the course of transactions, the income and situation in the Company, particularly of the operations which might be of larger importance for profitability of business operations and liquidity, and of other issues which the Supervisory Board thought were important.

The results of our examination as well as the opinion of the authorised auditor on the reality and objectivity of the data stated in the financial reports for 2009 show that the Company operates in accordance with the laws in force, general Company documents and the decision of the General Assembly.

Financial reports for 2009, which fall under the responsibility of the Board of Managers are made in accordance with the provisions of the Accountancy Act and other pertinent laws, and they reflect realistically the situation in the business books and correctly present the property and operational situation in the Company.

We support the Management's proposal on the use of the profit. We are of the opinion that the proposal is in line with the Company's business policy and adopted development guidelines and plans.

We support fully the auditor's report which also confirms that the Company's financial reports for 2009 in all aspects present realistically and objectively the financial situation of the Company.

The Supervisory Board gives its full consent to the presented financial reports for 2009 and to the report on the situation in the Company, as well as their establishing, or leaves their adoption to the Company's General Assembly.

PRESIDENT

Oscar Eduardo Hasbun Martinez



BOARD OF MANAGERS' REPORT TO THE COMPANY'S SHAREHOLDERS

Dear Shareholders,

Upon the end of the exceptionally difficult and demanding year of 2009, it is my pleasure to inform you of the achievements of Plava laguna d.d. and point to the basic features of operational results. Namely, this was the year of global economic disturbances where the flexibility, i.e. the ability to create adjusted programs of measures and activities represent the essential force of each business system.

We are witnessing considerable contractions of world economies, thus also of our emitive markets what at the commencement of the year justifiably generated threat in the form of projection of negative two-figure rates of decrease. According to data published by the World Tourist Organisation, the number of international tourist arrivals in 2009 was reduced for 4%, and in Europe the decrease was even larger with the correction of 6% in relation to the last year. Indubitable far-reaching implications of the economic crisis have affected the travel industry which for years has seen continuous growth at the global level. Nevertheless, appreciating the data on the 6% decreasing rate in world tourism, one has to conclude that the mentioned industry shows outstanding resistance to cyclical changes in comparison to the negative trend evident in world export which in totality is in significant decrease of even 12%.

Tourist turnover in Croatia, measured in total arrivals of 10,9 million, is 3% lower in 2009, when compared to the previous year, while the arrivals of foreign guests were barely 1% lower. Furthermore, the realised overnight stays, as the next physical indicator of turnover, with the 1% decreasing rate and absolute amount of 56,3 million overnight stays, reflect the stabile position on international market.

Characterising the physical indicators as relatively successful, the decline is largely evident in the financial sphere given that revenues from travel-tourism with the value of 6,4 billion Euro has realised the 14,6% decrease. The importance of tourism for national economy is undeniable, as it is the generator of general economic growth and development, and in the current circumstance of recession it is being attributed the role of fundamental level of recovery. This is also supported by the fact that the net revenues from travel-tourism covers over 75% of total commodity deficit for 2009. At the same time in 2009, according to information published by the Croatian National Bank, the negative GDP growth rate was realised in the amount of 5,8%, while the share of foreign debt in the mentioned macroeconomic category was increased from 82,6% to 94,9%.

In such conditions of doing business and exposure to external shocks which determine demand for our services on the international market, and determining role of domestic macroeconomic circumstances, the Company managed to preserve stabile business operations and even increase the efficiency level in operative activities.

Considering the physical volume of business operations in their totality, Plava laguna achieved 2.226.542 overnight stays in 2009, what is 4% decrease when compared to 2008.

Preseason in this year passed under the tone of considerable decrease in the market segment of groups what, along with absence of expected dynamics of reservations for the peak season, prompted creation of several measures and activities with the aim of diminishing potential losses. Lessening of group channel has to be understood also as a consequence of high comparable values measured in realised overnight stays in the course of the preseason in 2008 due to ample activities of the Company in the field of sale of group arrangements, and which exceed usual limits realised in the past business years. Furthermore, on the basis of the structure of sale existing in the previous years, the Company was exposed to the risk of concentrations on the markets which showed large elasticity in demand on global disturbances. This was partially mitigated by larger sale on traditional West European markets with the basic characteristic, the exceptionally late booking, i.e. shortening the period of time between making the reservations and its realisation.

Important step was made in using new tools of sale, primarily our own internet page, as well as marketing through global networks and on-line intermediaries, with the aim of increasing individual segment of sale which yielded significant results. As a consequence of the mentioned changes, the business year of 2009 for the Company results in decrease in overnight stays in the hotels and apartments for 9%, i.e. to the level of 1.166.198 overnight stays. The segment of camps operation, which takes 59% share in the total Company's capacities, was particularly successful, and there was no less than the 3% increase in the overnight stays due to significant demand in August.

The effect of decrease in the group channel is primarily generated by decline in arrangements of lower price category and, with the generally larger concentration of physical turnover in the months of the peak season, resulted in 5% increase in the average net price in the built objects of the Company. Connections between causes and consequences in the mentioned changes, along with the stabile and positive contribution of camps as relevant tourist product, the operating revenue of 405,1 million HRK was realised what makes 2% lower level than the year before.

Operating expenses amount to 354,6 million HRK and show 4% decrease, what is facilitated by decrease in the volume in the built objects, increase efficiency in material expenses as well as more adequate management of occupancy of the accommodation capacities in the objects, what had a positive effect over work productivity and personnel expenses.

Considerable declination from 2008, is visible within the financial revenues where in the course of 2009 the revenues on the basis of received dividend from the subsidiary was not realised during 2008, due to thorough reconstruction and late opening, causing substantial decrease in its profits. Likewise, in the course of the previous year, the Company received the dividend in shares from non-connected company in the amount of 2,3 million HRK what resulted in reduction of the total category in 2009.

In accordance with such features of business operations, in 2009, the Company generated the profit after tax in the amount of 45,7 million HRK, whereas the profit after tax in the year before, along with the received dividend from the connected company in the amount of 17,3 million HRK, totalled 61,7 million HRK.

Special attention needs to be directed to remarkably high level of successfulness in operative activities measured in the EBITDA, which during the reported year reached the level of 149,5 million HRK and thus realised 5% increase in comparison to the previous year. This is the result of the prudent and well-planned concept of capital investments backed up by high degree of efficiency in the internal processes.

The Company's balance sheet at the end of the reported period amounts to 1,399 billion HRK and reflects the stable and strong structure, specifically desirable in the current business environment. This is confirmed by value and share of capital and reserves in the total sources, with no financial debt whatsoever as a form of financing the operative and investment process. Financial security is additionally supported by the level of money and deposits in the amount of 95,9 million HRK and recorded increase of 47,3 million HRK on an annual level, while the total obligations amount to 47,0 million HRK and they are not more than 2,5 million HRK above the comparable level the year before.

The basic development determinant of the Company is still the achievement of market sensitive optimal structure of capacities balanced with the economic criteria of growth. Not less important factor in the process of defining the Company's development are the activities in the field of natural resources, hence one has to emphasise considerable investments realised in 2009 in enhancement of beaches and coast, all with the aim of creating the additional value for the guest.

Looking ahead, the macroeconomic limits for 2010 indicate the trend of recovery of world economy, hence the expectations of the World Tourist Organisation are equally optimistic in their prognosis of growth in international tourist arrivals, which are in the range from 3% to 4%. Relying on key factors of success, among which special roles belong to lack of debts and continuous improvement of expenses control system, the Company will continue to put in practice its adopted business philosophy in future as well. On the way to achieve this, entire contribution and hard work of our diligent employees will be invaluable and I'm using this opportunity to thank them for their exceptional efforts and attained level of mutual trust and respect what has been repeatedly confirmed in this particularly difficult business year.

Finally, I would like to express gratitude to all our clients and business partners for their trust and loyalty, as well as to all shareholders and members of the Supervisory Board for their valuable collaboration and support.

President of the Company

Neven Staver



REVIEW OF THE MOST SIGNIFICANT INDICATORS

	2009	2008
Realized overnight stays	2.226.542	2.319.262
Total Revenue (in 000 HRK)	416.701	446.165
Earnings before taxes (in 000 HRK)	57.904	72.498
Net income (in 000 HRK)	45.679	61.726
The Equity capital (in 000 HRK)	1.352.064	1.355.311
Total Assets (in 000 HRK)	1.399.103	1.399.883
Liquidity Ratio (short-term assets / short-term liabilities)	2,3	1,3
Financial stability ratio in % (l.-term assets / capital and l.-term liabil.)	95,4	99,1
Profitability in % (Net income / equity)	3,4	4,6
Debt to Equity ratio in % (debt / equity)	3,5	3,3

INTRODUCTION OF THE COMPANY

Historical development of the Company

Plava laguna Joint Stock Company was founded in 1957, as a company for catering and tourism, and is considered a pioneer of the tourism in Croatia.

From that time onwards, Plava laguna experienced a number of development stages and organisational changes and, thereby, its development may be viewed through almost five decades of its existence.

Plava laguna's birth is closely connected to the camp established by the French nature lovers club "Polynesia" at the peninsula Molindrio as "Plava laguna - Camp Hotel", having the capacities to accommodate not more than 800 persons.

This was the stage in which the Company set its goals and development direction, determined the intensity and the dynamics of investments, analysed the market and created the tourist offer.

At the very beginning, due to lack of financial resources, the construction projects were modest and the first investment was building the bungalows at the location where today the Hotel Laguna Galijot is, then followed by building the tourist complex Bellevue. A great importance was attributed to the development of sports and sport-related offer, therefore, the construction of the first sports centres and tennis courts was initiated.

Shortly after, from 1966 until 1971, the period of intensive investments commenced when the major part of the built facilities of Plava laguna as we HRKow it today were built. In that period also the foundations for the auto-camp Zelena Laguna were laid.

In the subsequent period that lasted from 1971 until 1976, the complete organisational changes, and integration processes took place in Plava laguna.

At the outset the horizontal integration with the smaller hotel-catering organisations within the Poreč area, as well as with the hotel-tourist company of Novigrad was carried out and, afterwards, also the integration with the entire agricultural and fisheries sector, and trade sector in Poreč.

This way the reproduction chain from the production of goods to the consumer-guest within the same company, was closed. In that period, Plava laguna operated as a specific socialist market economy structure – the Community of the basic organisations of collective labour (Zajednica osnovnih organizacija udruženog rada).

As far as the investments were concerned, that was the period of expanding the present offer and additional building of the existing objects as well as the construction of the camp Ulika.

The significant development step in the same period was the business expansion beyond the municipal and regional boundaries, which was accomplished by the construction of the Hotel "Laguna" in Zagreb.

At the beginning of the year 1976 with the enforcement of the Law on Associated Organizations (Zakon o udruženom radu), an organisational transformation of the Company into a Complex Organisation of Associated labour (Složena organizacija udruženog rada – SOUR) was carried out, and by determining the economic subjects on the basis of the type of their operations, four labour organisations were established:

- "Lagunaturist" – work unit for Catering and Tourism
- "Laguna Union" – work unit for Trade of goods
- "Agrolaguna" – work unit for Agricultural production and Food processing
- "Školjka" – work unit for Fishing and Fish processing

The characteristic feature of this period is the commencement of the construction of the marina Červar Porat and the marina Parentium, construction of auto-camp Bijela Uvala, and other facilities not offering board services.

In the year 1987, when the further integrative processes took place, the larger economic systems in Poreč were joined under the new SOUR "Plava laguna", and for the next three years performed the same business operations as the former SOUR.

With the beginning of the year 1990, the SOUR was disjoined on the basis of the Law on Enterprises (Zakon o poduzećima), and new independent enterprises were created, one of which was "Laguna Poreč", company for catering and tourism.

New development have happened at the beginning of the year 1991, instigated by entering into force the Law of transformation of the Socially Owned Enterprises (Zakon o pretvorbi društvenih poduzeća), which was a part of the overall process of privatisation in the Republic of Croatia, that reflected to "Laguna Poreč" as well.

Thus, on September 3, 1992, on the basis of the Certificate granted by the Agency for Reconstruction and Development and the Decision of the Founding Assembly, "Laguna Poreč" was transformed into the Joint Stock Company, and on January 26, 1993 officially registered at the Commercial Court in Rijeka.

A dynamic surrounding and the need to adjust to it, have led "Laguna Poreč" to form, on March 29, 1993, a Subsidiary Company "Laguna Invest", Limited Liability Company for Technical and Business Services, the basic operation of which was performing activities related to the privatisation of the Company.

The legal constituting of Plava laguna is finally brought to an end in February 1996, by virtue of harmonising the Company's basic documents with the Commercial Companies Act, i.e. when it was registered in the Court Register of the Commercial Court in Rijeka as Plava laguna, Joint Stock Company for Catering and Tourism whereby the Company also reclaimed the right to its historical name.

The subsequent period is characterized by positive trends in business results, both from the aspect of physical volume and from the aspect of the realized values, as well as by the intensive investment activities directed primarily towards upgrading the level of quality of its accommodation capacities.

Plava laguna, as a Joint Stock Company, has had a quite diversified ownership structure until 2000. Namely, in that year the Lukšić Group begun the process of overtaking the Company, which when ended, in 2001, resulted in Company having a majority owner who owned 80,34% shares in ordinary stocks.

During 2001, acquisitions of several companies were performed, either by increasing the share in a certain company or by acquiring the share in a certain company for the first time. Thus, Plava laguna Joint Stock Company acquired 100% in business shares of Atlas Hotel Odisej Limited Liability Company of Pomena, 89,40% shares of the company Hoteli Croatia Joint Stock Company Cavtat, and 90,48% shares of the Adriatic Joint Stock Company Poreč. Given the size of shareholding in share capital, Adriatic Joint Stock Company was merged with Plava laguna Joint Stock Company on October 1, 2002, which as a result has expanded the segments of its offer also to the nautical tourism.

During the year 2003 the repeated transfer of ownership over 100% of the business share was carried out in Atlas Hotel Odisej Limited Liability Company, and by the increase of capital stock in Hoteli Croatia Joint Stock Company the ownership share of Plava laguna Joint Stock Company was raised to 92,28%.

Significant investment activity marked the period from 2003 onwards, and was primarily directed to restructuring the portfolio of accommodation capacities as the four-star category objects, which following those activities in 2009 make the important 30% share in the total built capacities of the Company.

Plava laguna is a company behind which there is a period of half of the century, marked with the successful work and development and based on the ecological principles and sustainable development, in the course of which it constantly took the role of the leader in Croatian tourism industry, and by permanent improvement of its total offer and adjustment to the needs of all the more demanding tourist market, achieves enviable physical and above all financial results.

Company's business operations

Basic Company's business operations are:

- catering
- tourism

Besides basic ones, the company is registered for performing the following business activities:

- retail trade in non-specialized shops
- wholesale and trade agency
- engineering, project management and technical activities
- international forwarding agency
- international transport of goods and passengers
- construction works
- installation works and other



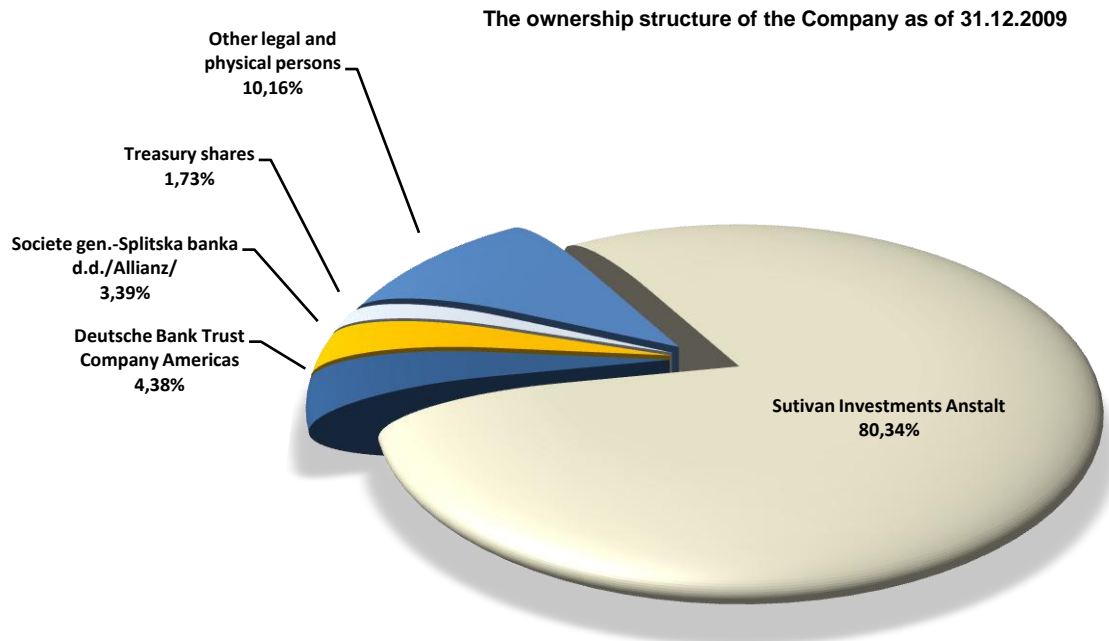
Ownership structure and organizational chart

Follows the company's ownership structure as of 31.12.2009:

Ordinary shares owned

Owner	NUMBER OF SHARES	%
Sutivan Investments Anstalt	438.899	80,34
Deutsche Bank Trust Company Americas	23.939	4,38
Societe gen.-Splitska banka d.d./Allianz/	18.540	3,39
Treasury shares	9.470	1,73
Other legal and physical persons	55.470	10,16
TOTAL	546.318	100,00

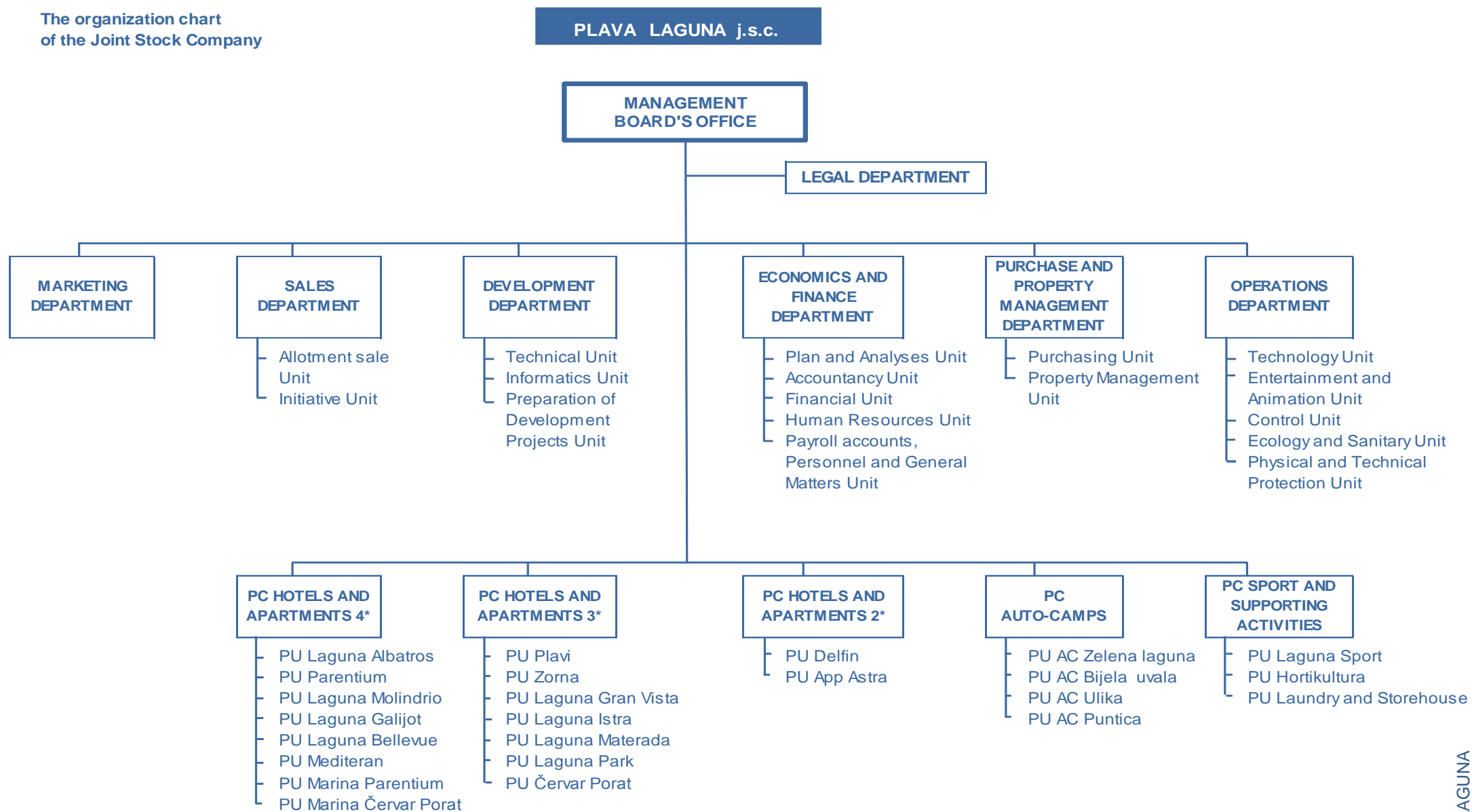
In the course of 2009, the Company did not acquire additional number of treasury stocks.



Preferred shares owned

Owner	NUMBER OF SHARES	%
Sutivan Investments Anstalt	105.000	100,00
TOTAL	105.000	100,00

The organization chart
of the Joint Stock Company



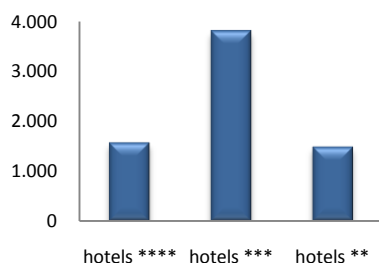
COMPANY'S BUSINESS ACTIVITY IN 2009

TOURIST TURNOVER

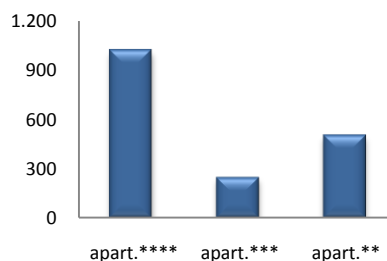
Review of Accommodation Capacities and Realized Overnight stays

DESCRIPTION	CAPACITY		OVERNIGHT STAYS		INDEX 09/08	DAYS OF OCCUPATION	
	2009	2008	2009	2008		2009	2008
LAGUNA ALBATROS	608	608	82.282	101.023	81	135	166
LAGUNA MOLINDRIO	482	482	76.620	39.078	196	159	81
VILA LAGUNA GALIJOT	174	174	30.006	30.916	97	172	178
VILLAGE LAGUNA GALIJOT	94	94	14.198	16.168	88	151	172
HOTEL LAGUNA PARK	202	202	40.483	37.547	108	200	186
HOTELI 4*	1.560	1.560	243.589	224.732	108	156	144
PARENTIUM	666	666	125.335	128.545	98	188	193
MEDITERAN	677	677	99.756	105.458	95	147	156
PLAVI	392	392	52.386	68.407	77	134	175
ZORNA	412	412	44.285	60.891	73	108	148
LAGUNA GRAN VISTA	336	336	36.154	47.240	77	108	141
LAGUNA ISTRA	376	376	42.090	56.449	75	112	150
LAGUNA MATERADA	774	774	102.551	144.903	71	133	187
VILLAGE LAGUNA PARK	152	152	20.284	21.853	93	133	144
HOTELI 3*	3.785	3.785	522.841	633.746	83	138	167
DELFIN	1.478	1.478	188.870	205.683	92	128	139
HOTELI 2*	1.478	1.478	188.870	205.683	92	128	139
TOTAL: HOTELS	6.823	6.823	955.300	1.064.161	90	140	156
APP LAGUNA GALIJOT	332	332	37.832	39.178	97	114	118
VILLE LAGUNA BELLEVUE	76	76	9.487	9.319	102	125	123
APP LAGUNA BELLEVUE	365	365	42.958	45.772	94	118	125
STUDIO APP LAGUNA BELLEVUE	246	246	38.827	39.494	98	158	161
APARTMANI 4*	1.019	1.019	129.104	133.763	97	127	131
VILLE LAGUNA PARK	80	80	9.890	10.513	94	124	131
APP LAGUNA PARK	168	168	21.925	22.161	99	131	132
APARTMANI 3*	248	248	31.815	32.674	97	128	132
APP ASTRA	504	504	49.979	56.039	89	99	111
APARTMANI 2*	504	504	49.979	56.039	89	99	111
TOTAL: APARTMENTS	1.771	1.771	210.898	222.476	95	119	126
TOTAL: BUILT OBJECTS	8.594	8.594	1.166.198	1.286.637	91	136	150
AC ZELENA LAGUNA	2.700	2.700	237.753	235.760	101	88	87
AC BIJELA UVALA	6.000	6.000	496.567	476.319	104	83	79
AC ULIKA	3.000	3.000	267.453	261.662	102	89	87
CAMPS 3*	11.700	11.700	1.001.773	973.741	103	86	83
AC PUNTICA	700	700	58.571	58.884	99	84	84
CAMPS 1*	700	700	58.571	58.884	99	84	84
TOTAL: CAMPS	12.400	12.400	1.060.344	1.032.625	103	86	83
T O T A L	20.994	20.994	2.226.542	2.319.262	96	106	111

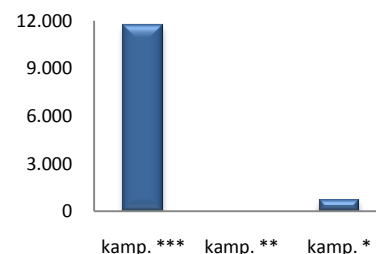
The structure capacity in hotels 2009



The structure capacity in apartments 2009



The structure capacity in camps 2009



Overnight stays per types of accommodation

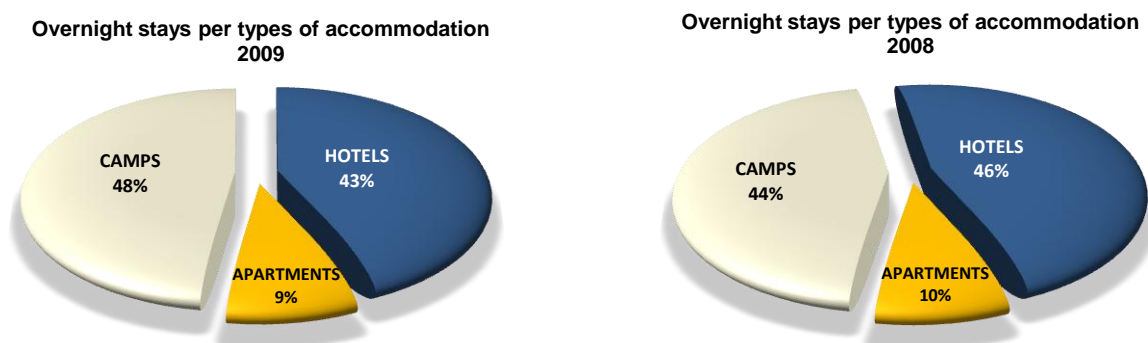
Considering the physical volume of the Plava laguna's business operations in 2009, expressed in number of overnight stays, one may notice that these number are in decrease when compared to the number of overnight stays in 2008. To be precise, in 2009 total 2.226.542 overnight stays were realised, what in relation to last year realisation of 2.319.262, represents 4% decrease in physical turnover.

Viewing the structure of overnight stays per types of accommodation, it is noticeable that out of the total number of realised overnight stays, positive change was made only in the segment of camps, while the overnight stays in the hotels and apartments have negative results, thus the overnight stays in the hotels fall for 10%, and in the apartments for 5 %, finally resulting in 9% decrease in overnight stays in the built objects.

Such significant decrease of overnight stays in the built objects, and particularly in the hotels resulted, in addition to unfavourable changes caused by the global economic crisis, also from the significant decrease in overnight stay in the group segment, what is commented with exceptionally voluminous overnight stays of group arrangements in the pre-season in 2008. In fact, these are the overnight stays of the group "Monorama" which alone in the period from the end of March to the beginning of May last year realised some 38.000 overnight stays.

Camps, on the other hand, reflect stability in overnight stays and all the more show 3% increase in overnight stays when compared to the year before, owing to good occupancy in August 2009.

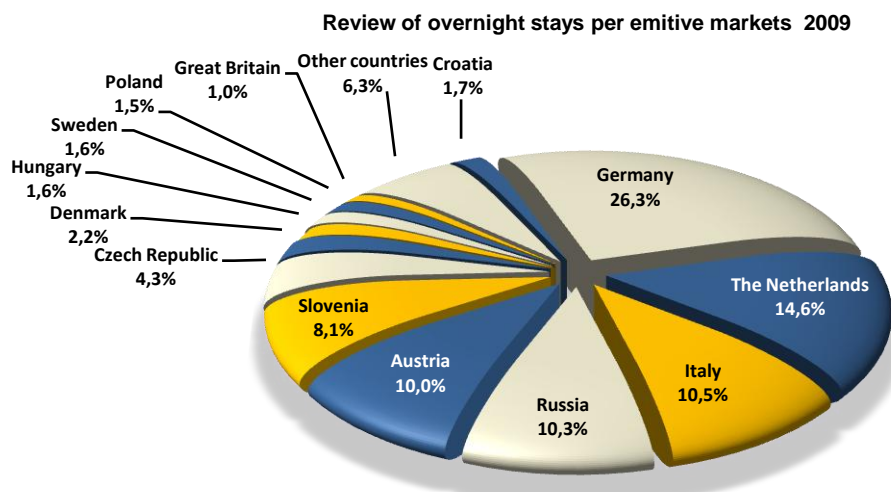
These circumstances resulted in somewhat lower exploitation of the Company's capacities which, expressed in the days of occupancy, fall from 111 in 2008 to 106 days in 2009. This is, for the explained reasons, particularly evident in the hotels where the days of occupancy fell from 156 to 140 days.



Overnight stays per emitive markets

Considering the main emitive markets, which for Plava laguna are traditionally those of West European countries: Germany, the Netherlands, Italy and Austria, they realised 1.367.928 overnight stays in 2009, i.e. 61% of the total overnight stays realised in the Company, and have 2% increase in relation to the year before.

On the other hand, the Russian market which in the past several years had the strongest increasing trend in accommodation objects of Plava laguna, showed extreme elasticity in demand concerning the global disturbances, what exposed the Company to the risk due to concentration to this and similar markets. Finally, the Russian market realised 230.015 overnight stays, i.e. 24% less than the year before, with the share of 10% in the total structure of overnight stays, what is 3 percentage points less than the year before. This is specially evident in the hotels where the Russian guests are still the most numerous in the structure of realised overnight stays, but with 5 percentage points lesser share than the year before, and 29% less overnight stays.



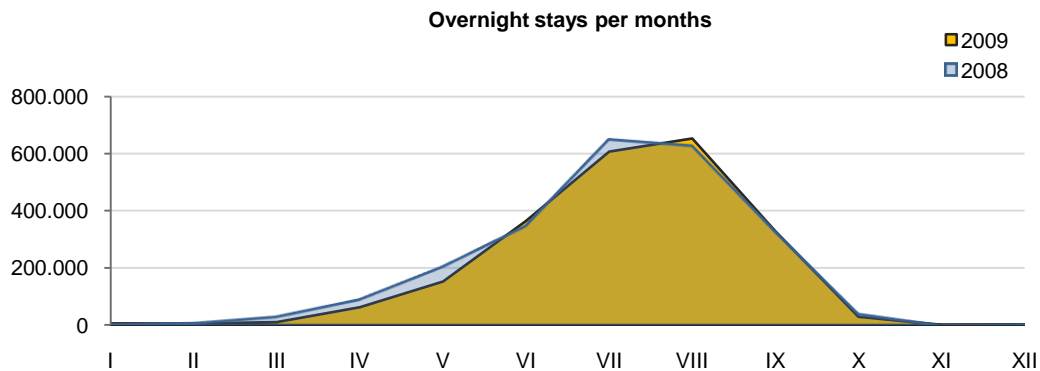
Overnight stays per months

Analysis of the changes in the number of overnight stays per months in 2009 and by comparison with the year before, one may notice the increase in overnight stays in June, August and September, while in other months there is mainly a decrease in overnight stays, particularly in the preseason. The essential reason for this decrease is the lack of formerly mentioned group arrangements, which in the year before were of larger volume.

If monthly changes in overnight stays are viewed per months and per type of capacities, it is noticeable that in the hotels the dynamics of realised overnight stays mostly follows the total overnight stays, especially in part of the preseason. In the apartments the increase in overnight stays per months is recorded only in April, and then the increase is high 36% due to Easter which in 2008 was in March.

In camps, the overnight stays in 2009 significantly vary, so that in April due to Easter, the overnight stays are considerably higher than the year before, and in relation to the exceptionally good demand, overnight stays are in increase also in June, August and September.

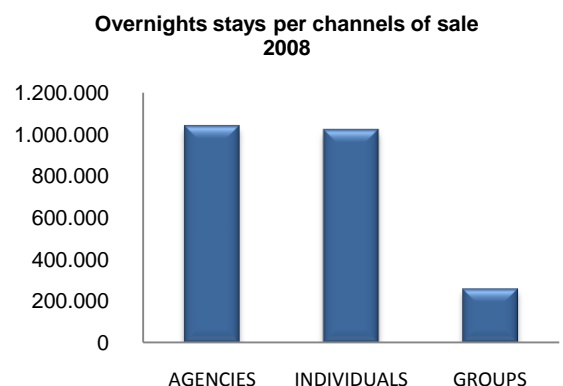
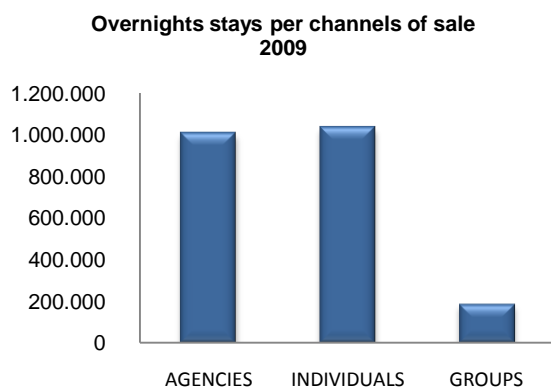
Finally, in the segment of the camps, the positive growth in overnight stays is realised in the amount of 3% when compared to the year before.



Overnight stays per channels of sale

On the basis of overnight stays as realised per channels of sale, one may notice that although in the structure of the total overnight stays, with the share of 54% the organised accommodation (agencies and groups) are still ahead, their overnight stays show 8% decrease in relation to 2008. At the same time, in the segment of individual arrivals there was an increase in overnight stays of 1,4% mostly as a consequence of more intensive engagement in this market segment, and partially due to more careful booking of vacation, i.e. the increase in the last minute sale when the tourists more easily decide for individual arrangements. If the organised accommodation is viewed separately, in the structure of the built objects, the allotment increase its share for almost 2 percentage points (from 66% to 68%), while on the other hand the share of group arrangements, due to already mentioned reasons, significantly falls in relation to the year before for 4 percentage points (from 20% to 16%). The portion of individuals in the structure of overnight stays in the built objects is in increase of about 3 percentage points (from 13% to 16%), which is induced also by nominal increase in overnight stays in the amount of 8%.

In camps the influence of the individuals is still dominant (80%), but their share falls for 2 percentage points in relation to 2008, with the simultaneous increase in agency guests from 18% in 2008 to 20% in 2009.



PROFIT AND LOSS ACCOUNT

Profit and Loss Account

in 000 HRK

DESCRIPTION		INDEX		STRUCTURE IN %		
		2009	2008	09 / 08	2009	2008
I	SALES REVENUES	383.327	392.296	98	92,0	87,9
1.	Accommodation	309.692	309.615	100	74,3	69,4
2.	Food	56.771	62.501	91	13,6	14,0
3.	Bars	14.007	16.273	86	3,4	3,6
4.	Merchandise	163	165	99	-	-
5.	Sports	1.282	1.499	86	0,3	0,3
6.	Mooring	7.117	6.702	106	1,7	1,5
7.	Granted discount and commissions	-16.793	-15.305	110	-4,0	-3,4
8.	Other revenues	11.088	10.847	102	2,7	2,4
	REVENUES FROM SALE OF COMP.GOODS,MERCH.AND SERVICES	576	642	90	0,1	0,1
III	OTHER REVENUES FROM OPERATIONS	21.170	20.762	102	5,1	4,7
	Revenues from the lease of business space	20.009	20.083	100	4,8	4,5
	Revenues from elimination of long term reserves	1.161	678	171	0,3	0,2
A)	TOTAL OPERATING REVENUES (I to III)	405.073	413.700	98	97,2	92,7
IV	CHANGES IN THE STOCK VALUE OF INTER. AND FINISHED GOODS	-	-	-	-	-
V	MATERIAL EXPENSES	116.874	121.417	96	32,6	32,5
VI	EMPLOYEES EXPENSES	103.357	109.622	94	28,8	29,3
VII	DEPRECIATION	99.001	97.080	102	27,6	26,0
VIII	VALUE ADJUSTMENT OF LONG-TERM ASSETS	-	-	-	-	-
IX	VALUE ADJUSTMENT OF SHORT-TERM ASSETS	325	1.185	27	0,1	0,3
X	PROVISIONS FOR EXPENSES AND AGAINST RISK	282	1.161	24	0,1	0,3
XI	OTHER BUSINESS EXPENSES	34.736	38.474	90	9,7	10,3
B)	TOTAL OPERATING EXPENSES (IV to XI)	354.575	368.939	96	98,8	98,7
	PROFIT FROM OPERATING ACTIVITY (A-B)	50.498	44.761	113	-	-
	EBITDA	149.499	141.841	105	-	-
C)	TOTAL FINANCIAL REVENUES	7.684	28.790	27	1,8	6,5
D)	TOTAL FINANCIAL EXPENSES	3.270	3.885	84	0,9	1,0
	PROFIT FROM FINANCIAL ACTIVITIES (C-D)	4.414	24.905	18	-	-
E)	OTHER REVENUES	3.944	3.675	107	0,9	0,8
F)	OTHER EXPENSES	952	844	113	0,3	0,2
	PROFIT FROM OTHER ACTIVITIES (E-F)	2.992	2.831	106	-	-
	TOTAL REVENUES	416.701	446.165	93	100,0	100,0
	TOTAL EXPENSES	358.797	373.667	96	100,0	100,0
G)	EARNINGS BEFORE TAXES	57.904	72.498	80	-	-
H)	CORPORATE INCOME TAX AND OTHER TAXES	12.225	10.772	113	-	-
I)	NET INCOME	45.679	61.726	74	-	-

Revenues

The structure of Total Revenues

in 000 HRK

ITEM	2009	%	2008	%	INDEX
Revenues from operations	405.073	97,2	413.700	92,7	98
Financial revenues	7.684	1,8	28.790	6,5	27
Other revenues	3.944	1,0	3.675	0,8	107
TOTAL REVENUES	416.701	100,0	446.165	100,0	93

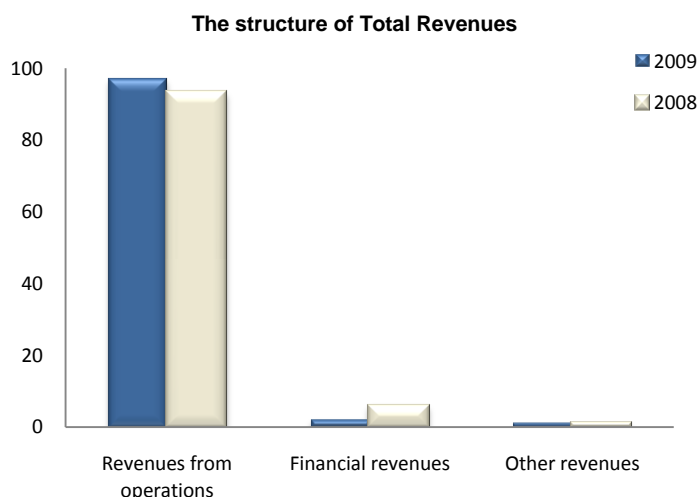
Value aspect of the realised quantitative effects of business operations is expressed in the amount of the operating revenues, which by its significant and stable share determines the changes in the total revenues of the Company.

In the structure of the realised operating revenues during 2009, which amount to 405,1 million HRK, one may notice a slight decrease in the sales revenues (the index of 98), mostly due to lesser volume of overnight stays in the segment of hotels and apartments (the index of 91) with the simultaneous positioning of the average net price to somewhat higher level (the index of 105). The effect of decrease in the sales revenues is moderated also by increase in the volume of the overnight stays in camps (the index of 103), which in certain sense slowed down the downwards trend of the results realised from operative activities.

Yet, the emphasis should be put to increase in the level of business success expressed through the rate of growth of profit from the business activity (the index of 113) and to the value of the EBITDA of 149,5 million HRK, which in relation to 2008, is 7,7 million HRK higher (the index of 105) and which represents significant driving force for further investment development of Plava laguna.

Considering the revenues from financial activities, one may notice their significant decline (the index of 27). Mentioned decline is generated mostly due to the fact that, in 2009, the Company did not realise revenues from dividend on the basis of the ownership share in the Hoteli Croatia d.d., which in 2008 amounted to 17,3 million HRK, and lesser revenues from the dividend from IKB Umag, which in 2009 amounted to 0,5 million HRK in relation to 2,7 million HRK the year before.

The described changes in revenues resulted in decrease in total revenues from 446,2 million HRK in 2008 to 416,7 million HRK in 2009 (the index of 93).



Expenses

The structure of Total Expenses

in 000 HRK

ITEM	2009	%	2008	%	INDEX
Operating expenses	354.575	98,8	368.939	98,8	96
Financial expenses	3.270	0,9	3.885	1,0	84
Other expenses	952	0,3	844	0,2	113
TOTAL EXPENSES	358.797	100,0	373.667	100,0	96

The realised business success of the Company in 2009 is partially attributable to well-shaped business policies and instruments for management of certain, but significant expenses in terms of their amounts. In this context, one has to mention an intensive monitoring and managing the area of work, what at the same time provides the necessary core for the process of shaping and defining proper standards.

In the monitored period, the operating expenses are in decrease from last year's 368,9 million HRK to 354,6 million HRK (the index of 96) in 2009, what along with somewhat slighter decrease in operating revenues resulted in positive change in realised productivity of business operations.

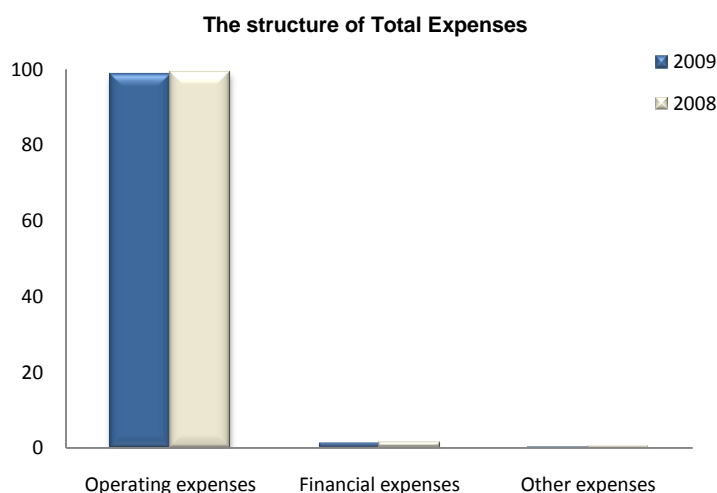
Employees expenses are 6,3 million HRK lower than the year before, as a result of 10% decrease in employment with the simultaneous increase in basic salary on the basis of the Collective Agreement and slight changes in the employment structure to the benefit of the permanent employees, what is in correlation with the changes in the physical volume of the business operations and lesser need for engaging seasonal workers.

Material expenses are 4,5 million HRK lower than the comparable year of 2008, while other operating expenses are 3,7 million HRK lower, what along with the 4% decrease in the overnight stays and average inflation of 2,4% speaks in favour of the rational monitoring and managing the expenses of the production process.

Expenses from financial activities are 0,6 million HRK lower than the year before, what represents 16% decrease.

The abovementioned factors resulted in decrease in total expenses from 373,7 million HRK in 2008 to 358,8 million HRK in 2009 (the index of 96).

On the basis of all mentioned, the realised net profit of the Company for 2009 amounts to 45,7 million HRK.



BALANCE SHEET

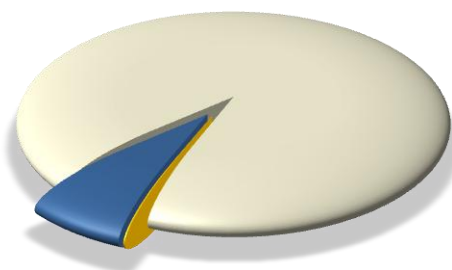
Assets

Structure of Assets in the Balance Sheet

in 000 HRK

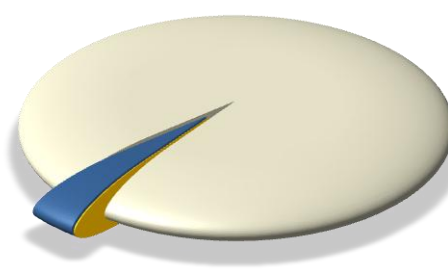
ITEM	31.12.2009	%	31.12.2008	%
RECEIVABLES FOR SUBSCRIBED BUT UNPAID CAPITAL	-	-	-	-
LONG-TERM ASSETS	1.291.861	92,3	1.344.287	96,0
Intangible assets	450	-	738	0,1
Tangible assets	1.088.772	77,8	1.141.059	81,5
Financial assets	202.639	14,5	202.490	14,4
Receivables	-	-	-	-
SHORT-TERM ASSETS	105.619	7,6	54.103	3,9
Inventory	1.250	0,1	1.271	0,1
Accounts receivables	8.043	0,6	4.029	0,3
Financial assets	73.606	5,3	18.613	1,3
Cash in register and upon account	22.720	1,6	30.190	2,2
ADVANCED PAYMENTS OF THE FUTURE EXPENSES AND UNDUE COLLECTION OF REVENUES	1.623	0,1	1.493	0,1
LOSS IN THE EXCESS OF CAPITAL	-	-	-	-
TOTAL ASSETS	1.399.103	100,0	1.399.883	100,0

Structure of Assets in the Balance Sheet for 2009



- ▣ Long-term assets - 92,3%
- ▣ Advanced payments of the future expenses - 0,1%
- ▣ Short-term assets - 7,6%

Structure of Assets in the Balance Sheet for 2008



- ▣ Long-term assets - 96,0%
- ▣ Advanced payments of the future expenses - 0,1%
- ▣ Short-term assets - 3,9%

The total balance sheet value of the assets of the Company on 31.12.2009 amounted to 1,4 billion HRK, what is at the level of the year before, and its amount with the high portion of long-term assets reflects financial stability of the Company.

Namely, despite 4% decrease in the value of the long-term assets or in absolute amount of 52,4 million HRK in comparison to the year before, the long-term assets make 92,3% of the total value of the Company's assets. The mentioned decline in value of the long-term assets is generated mostly due to reduction in value of the material assets at the position of the construction objects due to depreciation.

On the other hand, short-term assets have significant increase in value generated primarily by increase in value of the financial assets at the positions of foreign currency deposits with the maturity period over 90 days, and increase in value of the short-term receivables.

Mentioned changes lead to larger share of short-term assets in the term structure of assets positions. However, despite the 3,7 percentage points fall in share, the dominant role in the total assets of the Company belongs to long-term assets.

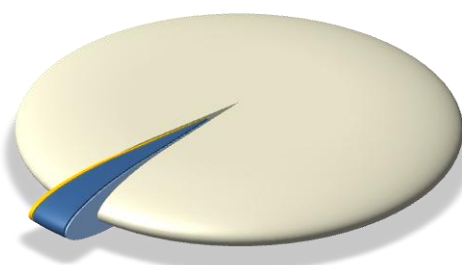
Liabilities

Structure of Liabilities in the Balance Sheet

in 000 HRK

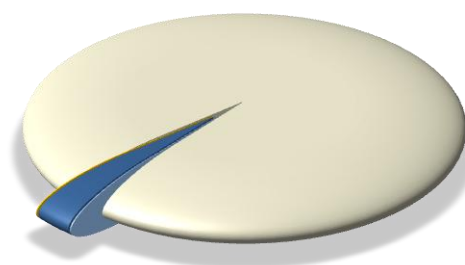
ITEM	31.12.2009	%	31.12.2008	%
CAPITAL AND RESERVES	1.352.064	96,7	1.355.311	96,8
LONG-TERM P. FOR RISKS AND EXP.	1.500	0,1	1.500	0,1
LONG-TERM LIABILITIES	-	-	-	-
SHORT-TERM LIABILITIES	40.885	2,9	41.772	3,0
DEF. PAY. OF EXPEN. AND FUT.REV.	4.654	0,3	1.300	0,1
TOTAL LIABILITIES	1.399.103	100,0	1.399.883	100,0

Structure of Liabilities in the Balance Sheet for 2009



- Capital and reserves - 96,7%
- Long-term p.for risks and exp. - 0,1%
- Long-term liabilities - 0%
- Short-term liabilities - 2,9%
- Def.pay. of expen. and fut.rev. - 0,3%

Structure of Liabilities in the Balance Sheet for 2008



- Capital and reserves - 96,8%
- Long-term p.for risks and exp. - 0,1%
- Long-term liabilities - 0%
- Short-term liabilities - 3,0%
- Def.pay. of expen. and fut.rev. - 0,1%

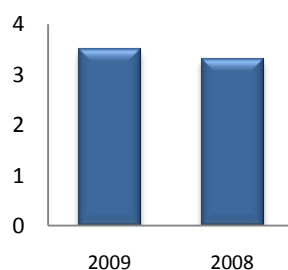
In the structure of the liabilities positions in the balance sheet, one may notice stable and high share of ownership equity and reserves which on 31.12.2009 amounts to 96,7%.

Absolute value of the ownership equity and reserves is 3,2 million HRK lower than on the comparable day the year before. Its value is determined by the amount of the profit realised in 2009 (45,7 million HRK), and the decision of the General Assembly on allocation of the profit realised in 2008. The profit in 2008 in the amount of 61,7 million HRK is allocated into the shareholders' dividend (47,6 million HRK), statutory reservations (3,1 million HRK), retained profit (9,6 million HRK), and payment to the management and the Supervisory Board (1,4 million HRK).

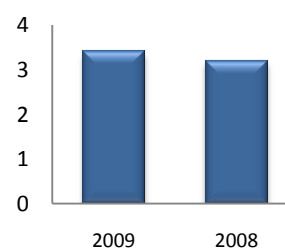
At the same time, the reduction in short-term liabilities on the basis of reduced profits tax in 2009 was noted, along with the increase in obligations towards suppliers and other short-term obligations.

The liquidity ratio of the Company (2,3), the debt to equity ratio (3,5%), and the share of debt in the balance sheet liabilities (3,3%) along with the total lack of financial indebtedness as a form of financing operative and investment processes, indicate financial stability of the Company as an important potential for its future growth and development.

Dept to equity ratio



Structure of total debt in the Balance Sheet

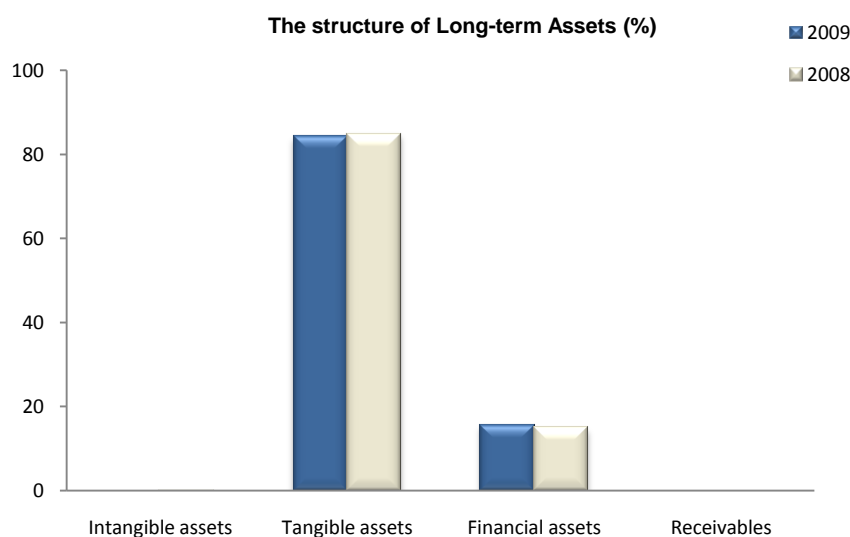


Long-term assets

Structure of Long-term Assets

in 000 HRK

ITEM	2009	%	2008	%
Intangible assets	450	-	738	0,1
Tangible assets	1.088.772	84,3	1.141.059	84,9
Financial assets	202.639	15,7	202.490	15,0
Receivables	-	-	-	-
LONG-TERM ASSETS	1.291.861	100,0	1.344.287	100,0



On 31.12.2009, the 4% reduction of value of the long-term assets was recorded when compared to the same day the year before.

Recorded decline in value is generated by reduction of value of the material assets in the amount of 52,3 million HRK what is mainly caused by higher amount of depreciation when compared to the amount of the capital investments in the course of 2009.

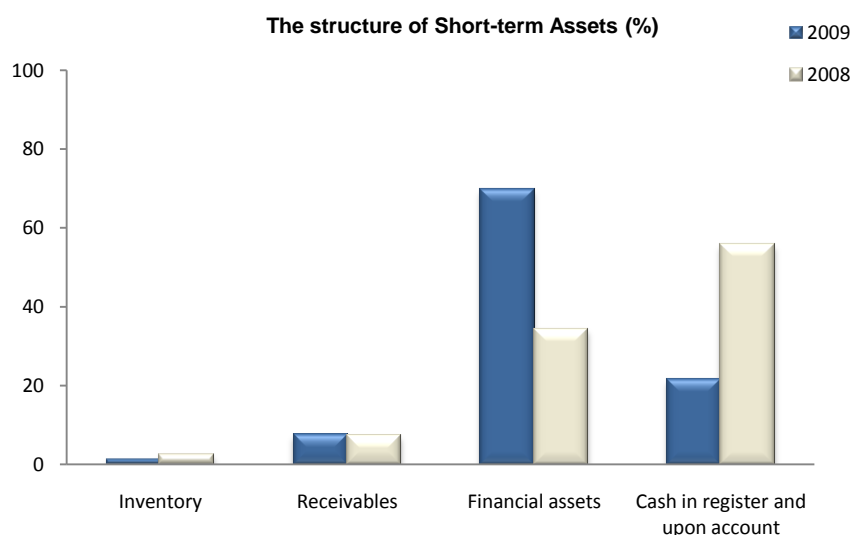
Financial assets within the long-term assets has kept its position with slight increase in value due to increasing the market value of the business shares of Plava laguna in non-connected companies whose shares are listed on the capital markets.

Short-term assets

Structure of Short-term Assets

in 000 HRK

ITEM	2009	%	2008	%
Inventory	1.250	1,2	1.271	2,4
Receivables	8.043	7,6	4.029	7,4
Financial assets	73.606	69,7	18.613	34,4
Cash in register and upon account	22.720	21,5	30.190	55,8
SHORT-TERM ASSETS	105.619	100,0	54.103	100,0



Balance sheet value of the short-term assets, as an active position, on 31.12.2009 shows considerable increase in value when compared to the equivalent day the year before. Namely, its value grows for 95% or, in absolute figure, 51,5 million HRK.

The mentioned growth of value is generated by increase in value of the short-term financial assets at the position of foreign currency deposits on the basis of the time deposit contracts, with the maturity period longer than 90 days, as a result of the difference in created operative cash flow generated through good results in the basic activity during 2009, and lesser expenses for investment activities with the complete lack of loans.

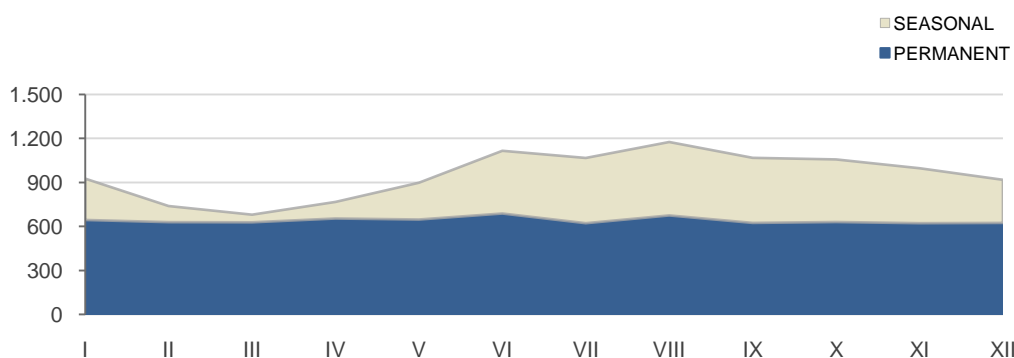
Also the value of the short-term receivables is in increase in relation to the year before, on the position of receivables from intermediaries – agencies. Namely, with purchasers against which there are considerable claims, an agreement on dynamics and manner of regulating the debt was concluded. At the same time, the increase is noted also at the position of receivables against the state due to recording the right to return of the VAT based on the submitted tax registration application.

EMPLOYMENT

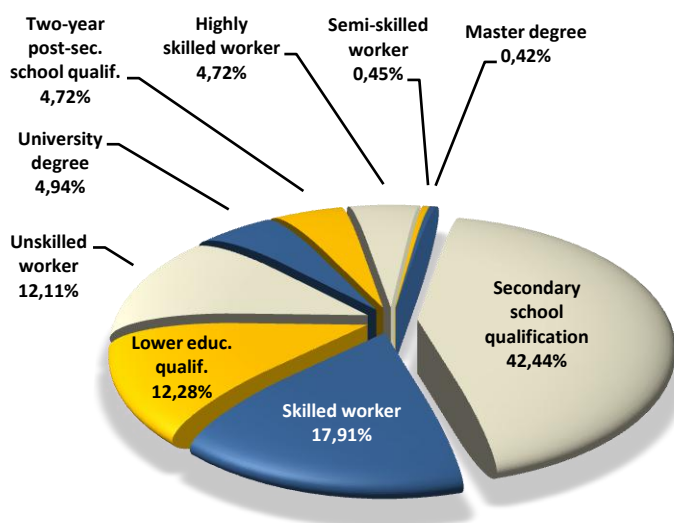
DESCRIPTION	2009	%	2008	%	INDEX
PERMANENT	639	67,2	647	61,4	99
SEASONAL	312	32,8	407	38,6	77
TOTAL	951	100,0	1.054	100,0	90

Despite economic crisis, Plava laguna managed to preserve jobs for permanent employees in 2009, although in accordance with the realised physical volume of business operations it suffered the 10% decrease of total employment in relation to the year before. The decrease in employment is mostly a consequence of lesser need for engaging seasonal workers due to smaller volume of overnight stays and partially due to extending the outsourcing services to larger number of accommodation facilities, what eventually resulted in changes in the structure of employment to the benefit of the permanent employees.

Average number of employees in 2009
(based on the hours paid)



Average number of employees according to the level of education for 2009



Human resources are key forces for the economic growth and development; hence human resources management has to be oriented towards the needs of the future business processes in the sense of assuring the needed staff of all profiles.

With this aim in mind, the cooperation with the catering and tourism schools, just as in many years before, continued in 2009 when it brought about the increase in the number of pupils engaged at the practical form of teaching in the objects of Plava laguna. In this way the necessary number of future candidates for employment in this important recruiting channel was assured.

Especially important area within human resources management is education in the widest sense. The realisation of the education program with the special emphasis on education of staff that is more intensively communicating with the guests – staff in the sales and at the reception, is continued in 2009 as well.

INVESTMENTS

In accordance with the position and adopted business policy, Plava laguna continues also in 2009 to invest in the long-term material assets, with the aim of maintaining the existing level and improving the quality level of its services.

Total capital investments made in 2009, in the amount of 45,9 million HRK, were directed primarily to:

- Reconstruction of the bathrooms in the accommodation units of hotel Plavi and Zorna
- Continuation of renovating part of the accommodation segment in hotel Delfin
- Restauration of the terrace areas and replacement of balcony doors in the accommodation units of hotel Laguna Galijot
- Investing into enhancing the quality of camps
- Decoration of the beaches
- Horticultural decoration and renovation of the entrances in tourist resorts
- Other investments in the infrastructure and other renovations.



ECOLOGY AND SUSTAINABLE DEVELOPMENT

Securing and preserving ecological balance in exploiting the existing natural resources is one of the special Company's goals. The Company invests large efforts in permanent improvement of the state of the environment as the component of the total quality of the tourist product in order to advance its attractiveness and thus also the competitiveness and economic efficiency as a whole. Activities aimed at preserving and improving the environment are considerable elements of the total investments, and their feasibility evident in the long-term benefit for the Company.

Besides the continuous nourishing, enriching and protecting green, flower and other areas managed by the Company, it puts great efforts and implements new technologies attempting to reduce pollution and quantity of waste, and at the same time realize savings in managing natural resources. In this context, the Company regularly performs the following activities:

- Filtering waste waters and so the care and strict control over the use of chemicals.
- Collecting waste oils, with the intention to prevent for the most part the drain of oils and other greases in the sea by continuing and selective collecting of waste oils in the special tanks which are taken by the specialized companies.
- Saving the energy by using more and more the energy-saving devices and lights as well as use of the ecologically acceptable types of energy sources. Great attention is dedicated to education of personnel and informing guests of the rational use of energy.
- Saving the drinking waters by installing perlators and using the additional technologies in watering green areas. Likewise, the guest themselves are encouraged to save energy by means of various notifications and information on the importance of preserving this important resource.
- Selective collecting of useful waste by using the containers for selective collecting with the aim of reuse and reduction of the amount of waste.
- Care for the preservation of the coastline and monitoring the quality of the sea and informing of the results of the analysis, along the number of forms of ecological messages, represents the Company's activity with the aim of informing guests on the attempts in the field of the environment protection and at the same time motivating to the ecologically acceptable behavior.

The quality of sea and coast, informing the public and upbringing and education for preservation of environment, along with the safety and quality of services are relevant parameters for acquiring and keeping the distinguishing sign "Blue flag" for beaches and marinas awarded by the European Foundation for Environmental Education, and ten "Blue flags" are witnesses of high results the Company has achieved in this area.



EXPECTED FUTURE DEVELOPMENT OF THE COMPANY

Current business environment is still characterised by uncertainty and stochasticity what has unfavourable effect over the processes of business decision-making, and particularly when the area of interest is defining the future development of the Company.

Given the balance sheet structure of high quality, it seems however necessary to point to stable foundations of the Company which provide significant consistent potential for desired future development. Until now, the development strategy from the aspect of qualitative characteristics of assets is directed to consolidation of the hotel capacities of the category of three stars of higher level which make over half of the total hotel capacities in the Company. In the past few years, considerable investments were made in thorough reconstructions of the hotel capacities with the aim of satisfying the level of quality needed to obtain four stars, whereby their share in the total capacities is now built to 22,9%. In the structure of the offer, we maintained the two-star hotel capacities, where the process of essential improvement commenced in 2008 and will extend to 2010 in terms of renovating accommodation areas, the result of which is positioning the mentioned product at the upper level of the respective category.

The development policy of the Company in the hotel segment needs to be wrapped up by creating a conceptual solution for the Hotel Parentium of the present quality level of three stars and its repositioning at the market, appreciating the existing offer of the Company and the surrounding, and, on the other hand, particular importance of the hotel in the Company's history. In the many years of the Company's tradition, the Hotel Parentium represented the symbol of prestige and reputation and achieved the level of recognisability at the market characteristic for the brand; therefore the said project is approached with due care and by relying on the research and consultations with the relevant experts from the tourist profession.

In the structure of the apartment capacities, in addition to the more than half share of accommodation units with four stars, the challenge in finding and developing the optimal product is posed by the apartments of Villas Astra with two-star category with 504 beds. The complexity in the process of making the proposal is evident in the necessity to satisfy the criteria of economic profitability, what that, in accordance with the models of management the apartment operations so far, is a very ambitious task.

The future development of the Company will be strongly determined by the manner of resolving the so-called issue of the tourist land, in particular in the camps, due to quantitative characteristics of the property which will be regulated under the new act.

Besides the orientation to the "core business", the Company applies contemporary approach with the aim of future positioning the individual localities which make the composition of the accommodation forms of offer and other auxiliary facilities. Thus, during 2008, the activities commenced at the development of the study – the Master Plan for the tourist resort of Zelena laguna, which at this point in time is in the final stage. The study includes the analysis of the existing non lodging facilities and shaping the proposal for its quantitative and qualitative improvement, with the aim of advancing the total offer at the locality. Subsequent to adopting the document, the dynamisation of the project performance in the middle-term will be carried out.

Economic paradigm is the foundation of the business decision-making related development of the Company and this will eventually assure basis for generating new value in the future.

BUSINESS RISKS

In performing its operations, Plava laguna is exposed to various financial risks: market risk which includes currency risk, cash flow and fair value interest rate and price risk, as well as credit risk and liquidity risk. The total risk management with the aim of optimizing their influence over the business operations is performed by the Management using various instruments and shaping the business policy and procedures in the Company.

Currency risk is especially evident in Company's business activities given that the sale is predominantly realized at the foreign market, while the Company on the other hand acts at the domestic market where the entry input components, i.e. input prices and other mandatory duties are defined in domestic currency. For that reason the ratio of the foreign currency rate and the domestic currency rate may considerably affect future operations and cash flows, and in turn also cause significant departures from the planned values and aims. For this purpose, the Company implements the currency risk hedging policy based on the term sale of foreign currency, to the amount approved by the Supervisory Board.

Exposure to interest rate risk is not high given that the Company is not using external financing sources. From the aspect of the revenues from the interests, which are realized on the basis of the free amounts placed on time deposits, the revenue at the beginning of 2009 was contracted on the base of fix interest rate and will not be subject to changes at the interest rate market.

The Company holds equity securities classified as financial assets available for sale and is hence exposed to the risk of price change of those securities which are listed at the stock exchange.

Plava laguna does not have a significant concentration of credit risk in relation to the receivables from the buyers given the regular policy to assure the predominant part of the sale through advance payment. In the segment of assets management and lease of the same, the contracted amount is assured by means of the secured payment instruments. Collectability of claim is monitored by means of the weekly reports on individual state of a claim. Free cash are placed in the time deposits in the high quality banks in Croatia, to limit the exposure to the credit risk towards the respective credit institution.

Liquidity risk management entails maintaining the sufficient amount of money, timely assuring availability of the financial resources through contracting credit lines and capacity to pay all due sums. By means of the daily and weekly reports, the Company is monitoring the state of all forms of cash resources and liabilities and makes the plan of inflows and outflows on a daily basis for the period of one month.

STATEMENT ON APPLICATION OF THE CORPORATE MANAGEMENT CODEX

In accordance with Article 272p of the Companies Act, the Company's Management states that it voluntarily applied the Corporate Management Codex (hereinafter: the Codex) which was drafted jointly by the Croatian Agency for Supervision of financial Services and the Zagreb Stock Exchange. Once a year, the Company fills in the Annual questionnaire which is an integral part of the Codex for the period which the financial reports relate to, and submits it to the Zagreb Stock exchange for the purpose of publication. This questionnaire reflects the state and practice of the corporate management along with the explanations for certain variations from the recommendations contained in the Codex. The Management and the Supervisory Board continuously put great efforts in establishing the adequate and transparent corporate management system and pay due attention to efficient system of responsibilities and risk management.

In the course of 2009, the Company did not fully apply the recommendations defined under the Codex, and the variations primarily relate to publication of the price-sensitive information on the Company's internet website. In the course of 2009, the Company commenced the publication of the trimester financial reports via the mentioned media, and it plans to place there some additional information relevant to business operations. Variations also relate to publications on the information on awarding the Management and the Supervisory Board, i.e. the statements on the awarding policy. Furthermore, given that the Company's Supervisory Board consists of five members, it did not form the awarding and appointing committee and performs these functions on its own.

The description of the basic characteristics of risk management and data concerning the shareholders on 31 December 2009 are contained in this Annual Report.

The rules on appointment and removal of the members of the Management are stated in the Company's Articles of Incorporation. The Company's Management is appointed by the Supervisory Board, and according to the most recent decision the Management consists of a single member appointed to 3 years. The Supervisory Board may withdraw its decision on appointment if there is an important reason pursuant to the statutory provisions.

The Management's authorities are defined by the Articles of Incorporation and the Companies Act, hence the Company may acquire own shares according to Article 233 of the Companies Act, on the basis of the General Assembly's authorisation. At present, the Company's Management is not authorised to acquire own shares.

Amendments and Supplements to the Company's Articles of Incorporation are prescribed pursuant to the Companies Act, to be precise in Article 61 of the Articles of Incorporation.

The Company's Management manages the business operations independently and without limitations, while certain operations listed in Article 38 of the Articles of Incorporation (founding a company, purchasing and selling the shares in other companies, purchasing and selling the real estates which have the value of more than 1% share capital, taking the loan in excess of the value of 2% share capital and other) the Management may undertake only upon obtaining the Supervisory Board's approval.

In accordance with the Articles of Incorporation and decision of the General Assembly, the Company's Supervisory Board has five members which among themselves select the President and the Vice-President. The selection of the Supervisory Board members is done pursuant to the Companies Act, the Articles of Incorporation and the General Assembly's Rules of Procedure, and as long as it is so prescribed by a special legal instrument, the employees, acting through their Working Council, have the right to appoint one member to the Supervisory Board. Mandate of the Supervisory Board members is four years. The Supervisory Board works at the meetings which are held on a monthly basis, and at which the members discuss and decide all issues within their competence as defined in the Companies Act and the Company's Articles of Incorporation.

Pursuant to provisions of Article 250a, paragraph 4 and Article 272p, paragraph 1 of the Companies Act, this Statement is a special section and an integral part of the Annual Report on the Situation in the Company for 2009.

President of the Company

Neven Staver

Supervisory Board

Oscar Eduardo Hasbun Martinez

President

Patricio Tomas Balmaceda Tafra

Vice president

Đenio Radić

Member

Borislav Škegro

Member

Stipe Liović

Member

Company Management

MANAGEMENT BOARD

Neven Staver

Member of the Management Board

THE COMPANY EXECUTIVES

mr. Loreto Radojković

Operations Department Manager,
PC Sport and supporting activities

Darko Ivić

Sales Department Manager

Damir Mendica

Development Department Manager

Ronald Korotaj

Corporate and Legal affairs Department Manager

Sandra Elisa Touma Massu

Marketing Department Manager

Danira Rančić

Economics and Finance Department Manager

Luciano Daris

Purchase and Property Management
Department Manager

Vladimir Zović

PC Hotels and Apartments 4* Manager

Vladimir Mofardin

PC Hotels and Apartments 3* Manager

Franko Beaković

PC Hotels and Apartments 2* Manager

Đulijano Ravnik

PC Auto-camps Manager