MANAGEMENTS' JOINT MERGER REPORT

PLAVA LAGUNA j.s.c. Poreč, HOTEL BONAVIA j.s.c. Rijeka

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Contents:

Introduction

The Boards of Managers of the companies Plava laguna j.s.c. and Hotel Bonavia j.s.c. drafted this joint written report on merger which is being carried out pursuant to the Companies Act, along with the implementation of other pertinent laws and regulations of the Republic of Croatia in force.

The merger has been initiated by the decision of the Boards of Managers of the two companies with the consent of their respective Supervisory Boards, whereby the company Hotel Bonavia j.s.c., as the associated company, is merged into the company Plava laguna j.s.c., as the acquiring company, the former transferring its entire assets and liabilities to the latter, whereby the shareholders of the associated company become the shareholders of the acquiring company.

This Report is made pursuant to Article 514 of the Companies Act and exclusively for the purpose and use regulated therein. In addition to basic information and description of the companies participating in the merger, the Report provides the detailed explanations to the legal aspects of the merger as well as economic justification of the transaction and its advantages in a view of the future course of business operations.

Furthermore, in accordance with the provisions of the above-cited Article, the Report explicates the standards and the methods implemented in the assessment of the companies' values, respecting the principle of consistency, i.e. emphasising the same standards or variables used for both companies, in case they are outside the sphere of their influence. It has to be mentioned that also explained are the starting points on which the assessment is based, above all the historical data, but also the assessment of the operational results for the current year as well as the projection for the forthcoming years including the preconditions for the projection of macroeconomic variables.

It seems appropriate here to draw the attention to the fact that tourism, as a business activity in which both companies are engaged, is very susceptible to global changes and disturbances what makes the projections of the future cash flows relevant merely under the to a large extent unchanged external factors in

geopolitical and economic sphere as well as in the sphere concerned with climate elements.

In general, projecting the future changes is subject to risks which are impossible to identify at present time, and which may affect a company's results so that the actual results depart from those stated in a projection. Nevertheless, it is proper to conclude that the changes in the external starting points affect in the same direction the achievements of both companies participating in the merger, and thus affect to a lesser extent the possible discrepancies in the established share replacement ratios. In the sphere of internal factors, the companies invested efforts in identifying all significant influences over the future operational results, where the starting points were defined by the laws and regulations in force. Abovementioned changes as well as the occurrence of circumstances which the companies have not anticipated and estimated at present time may affect the changes in the actually achieved cash flows when compared to the projected ones.

No particular difficulties were encountered in the course of assessment of the assets belonging to both companies, given that the court-managed Land Registries in which the property of both companies are registered are well-maintained and updated, however, in relation to the property of the company Plava laguna j.s.c. the issue of the tourist land is ongoing, but it is being resolved in accordance with the special law, what was taken account of in the course of assessment.

Process concerned with the completion of the merger transaction is prescribed by the provisions of the Companies Act. Article 515 thereof imposes involvement of an auditor. An auditor has a duty to check the merger agreement and examine the appropriateness of the proposed share replacement ratios as well as to draft a written report on merger auditing they performed. The final decision on merger is rendered by the General Assemblies of the companies participating in the merger, and this decision has to be voted for by no less than three-fourths of the share capital represented at the General Assembly at which the decision is being rendered.

Description of the Companies Participating in the Merger

PLAVA LAGUNA j.s.c.

Plava laguna j.s.c. is one of the leading tourist companies in Croatia, with more than half of a century long successful operation and development. During this period, Plava laguna has constantly occupied the leadership position in the Croatian tourism, and achieved not only outstanding physical but also financial results.

Permanent investment in development and enrichment of their tourist portfolio, respecting at the same time the norms of sustainable development and attaching great importance to the preservation of natural environment, made Plava laguna a company which at present offers modern, unique and attractive products, which create solid basis not only for their present operation, but also for their future development.

Plava laguna j.s.c. seated in Poreč, Rade Končara 12, (MB 3474780; OIB 57444289760) is established as a joint stock company in accordance with the Companies Act and is registered in the Court Register before the Commercial Court in Rijeka, Permanent Office in Pazin. The majority owner of the company is Sutivan Investments Anstalt of Liechtenstein (the Lukšić Group) whose share is 80,34% in ordinary shares and 100% in preferred shares, resulting in total share of 82,24% in the share capital.

The share capital of the company amounts to total of HRK1.088.372.000, divided to 546.318 ordinary shares of HRK1.800 in nominal value, and 105.000 preferred shares of HRK1.000 in nominal value. The company's shares are listed on the ordinary joint stock companies market at the Zagreb Stock Exchange. Since 2001, Plava laguna is the majority shareholder in the joint stock company Hoteli Croatia j.s.c. Cavtat, with the ownership share of 92,28%, following the increase of share capital in 2003.

The company is managed by the Board of Managers and the Supervisory Board. The Board of Managers actually consists of one member, Mr. Neven Staver. The Supervisory Board consists of seven members. The President of the Supervisory Board is Mr. Davor Luksic Lederer, while the other members are Mr. Patricio Tomas

Balmaceda Tafra, the Vice-President, Mr. Oscar Eduardo Hasbun Martinez, Mr. Đenio Radić, Mr. Borislav Škegro, Mr. Davor Domitrović Grubisic and Mr. Stipe Liović, the workers' representative.

At the present time, Plava laguna j.s.c. possesses accommodation capacity in Poreč amounting to 20.834 beds in the hotels, apartment resorts and trailer camps and employs nearly 600 permanent workers, and around additional 650 seasonal workers. Tourist portfolio of the company (in 2012) consists of ten hotels of total capacity amounting to 6.663 beds, four apartment resorts with capacity of 1.771 beds, and four trailer camps with 12.400 plots. Owed to the significant investment activity, particularly in the past several years, these capacities have been considerably restructured to the higher quality level, namely from the two or three star categories to the four star category, which as a result is now taking the 31,5% share within the category of hotels, 57,5% within the category of the apartments, and no less than 94,4% within the category of trailer camps.

Additionally, Plava laguna is the majority shareholder in the company Hoteli Croatia j.s.c. of Cavtat holding the 92,28% of its share capital. Hoteli Croatia j.s.c. have total of 1.038 beds, out of which nearly 95% satisfy the 5* quality level (Hotel Croatia), whereas the remaining 5% is categorised at 3* quality level (Hotel Supetar).

In 2011, Plava laguna j.s.c. achieved the total of 2.328.512 overnight stays, 98,7% of which concerns the guests from abroad. Traditionally, the most numerous are the guests coming from the West European emissive markets, among which the predominant segment belongs to the guests from Germany, the Netherlands, Austria and Italy, as well as ever more increasing Russian market, which in 2011 reached the total level of 12,8% overnight stays, where not less than 24,6% relates to the overnight stays in the company's fixed objects.

Value aspect of the physical effects of the company in 2011, is reflected in the achieved total revenue in the amount of HRK452.512.000, HRK441.116.000 (or 97,5%) of which relates to the operational revenue. The company completed the business year with HRK63,6 million achieved net profit, what, under the criterion of absolute amount of the achieved result, places it at the very top of the tourist sector in the surrounding.

HOTEL BONAVIA j.s.c.

HOTEL BONAVIA j.s.c. having its seat in Rijeka, Dolac 4, (MB: 03486494; OIB: 80194180622), is founded as a joint stock company according to the Companies Act and is registered in the Court Register before the Commercial Court in Rijeka. The majority owner of the company is Group Jadranski luksuzni hoteli d.o.o. of Rijeka holding 90,31% if its shares.

The share capital of the company is HRK31.769.300,00 divided into 85.863 ordinary shares with HRK370,00 of nominal value.

On August 30th 2012, when the Company's General Assembly was held, the desicions on decrease and incresae of the share capital were rendered, so that the new share capital of the Company amounts to 14.917.630,00 kuna, and shall be divided in 1.491.763 ordinary shares without nominal value, labelled HBNV-R-A. This report, as well as other reports and documents regarding this merger were made under the presumption that the said decisions shall be registered in the court's registry of the Commercial court in Rijeka.

The company is managed by the Board of Managers and the Supervisory Board. The Board of Managers has two members: Ms. Marina Rogović, the President of the Board of Managers, and Mr. Vedran Banovac, the member of the Board of Managers. The Supervisory Board consists of three members. The President of the Supervisory Board is Mr. Davor Luksic Lederer, the Vice-President is Mr. Davor Domitrović, and the workers' representative is Ms. Snježana Kranjec.

Hotel Bonavia j.s.c. is located in a very business and commercial centre of the City of Rijeka. It's most recent complete reconstruction commenced in March 1999 and was completed in March 2000, when the newly renovated hotel was reopened. The hotel has 121 accommodation units (114 rooms, 6 suits and a presidential suite), seven point where food and drinks are served (the Fine Dining Restaurant Kamov, the Restaurant Classic, the Winter Garden, the Aperitif Bar, the Café Bar Dante, the Conference Bar and the Café Bar BP Club which is not in operation), and three conference halls (Jozefina, Lujzijana and Karolina).

During 2011, 25.347 rooms were sold and 33.968 overnight stays achieved resulting in 57% average annual occupancy. Individual corporative segment represents the most important market segment for this company, and in 2011is amounted to nearly 54% of the total rooms sold. Traditionally, the majority of overnight stays relate to domestic gusts, followed by the guests from Italy and Greece, who are significant for the vocational segment during the summer months.

Value aspect of the physical effects of the company in 2011, is reflected in the achieved total revenue of HRK20,88 million, out of which HRK20,03 million is operational revenue. The company concluded the business year with the loss in the amount of HRK4,82 million.

Legal and Economic Explanations to the Merger Agreement

Legal Aspects of and Explanations to the Merger Agreement

In case of merger of the joint stock companies, the provisions of the Companies Act regulating the merger of one joint stock company (the associated company) by the other joint stock company (the acquiring company) are applicable, along with the application of other laws and regulations in force in the Republic of Croatia. In the course of merger one company is merged to the other, whereby the former's legal entity ceases to exist without the liquidation process, and it continues its "legal life" through the company to which has been merged to – the acquiring company. The entire property belonging to the associated company is transferred to the acquiring company, while the shareholders in the associated company become the shareholders in the acquiring company. By definitive completion of the merger process, the company HOTEL BONAVIA j.s.c. Rijeka would cease to exist, and its universal legal successor would be PLAVA LAGUNA j.s.c. Poreč, thus acquiring the entire assets and liabilities of the associated company.

Merger has been initiated by the decision of the Board of Managers of the companies participating in the merger in question and with the consent of their respective Supervisory Boards.

At the proposal of the Supervisory Boards and the Boards of Managers of the merging companies and in accordance with Article 515 of the Companies Act, the Commercial Court in Rijeka issued a decree (docket no.: 9-R1-106/12-2 of 2 July 2012) appointing auditing company PRICEWATERHOUSECOOPERS d.o.o. Zagreb, Alexandera von Humboldta 4, as an merger auditor. Upon the preformed auditing, the merger auditor presented its Auditing Report to the Boards of Managers and the Supervisory Boards of the companies as well as to the Commercial Court. On the basis of the Report by the Boards of Managers and the Auditing Report, the Supervisory Boards of the companies participating in the merger have to verify the intended merger and draft a report thereof.

In accordance with the documentation verified by the merger auditor and Supervisory Boards of the companies participating in the merger, the Boards of Managers of these companies have concluded a Merger Agreement in the form a notary public document (Article 518 of the Companies Act). This Agreement is

perfected only upon being confirmed by the General Assemblies of the companies participating in the merger (Article 516 of the Companies Act). Article 516(2) of the Companies Act states that the decision on merger by the General Assembly of the joint stock company shall require votes representing not less than three-fourths of the share capital present at the General Assembly at which the decision is being rendered.

Each company has to submit before the registering court a request for registration of the merger in the Court Register, however, the same can be done by the acquiring company on behalf of the both participating companies. Merger may be registered in the Court Register of the acquiring company only after it has been registered in the Court Register of the associated company. Legal effects commence upon registration of merger in the Court Register of the acquiring company, at which moment all assets and liabilities of the associated company are transferred to the acquiring company, while the associated company ceases to exit. The acquiring company is universal legal successor of the associated company and as a result enters into all the legal relations of the associated company. Mutual obligations between associated and acquiring companies cease to exist upon registration of merger in the Court Register – given that the positions of creditor and debtor are being merged in a single person (Article 207 of the Obligations Act).

By registration of merger in the Court Register of the acquiring company, the shareholders in the associated company are becoming the shareholders in the acquiring company. The Merger Agreement stipulates that the shareholders in the company HOTEL BONAVIA j.s.c. Rijeka shall, in replacement of their shares marked as HBNV-R-A, receive shares of PLAVA LAGUNA j.s.c. Poreč marked as PLAG-R-A, which will be given from the own shares held by PLAVA LAGUNA j.s.c.

The companies participating in the merger agree that Central Depository and Clearing Company, Inc. (Središnje klirinško depozitarno društvo d.d.) seated in Zagreb, Heinzelova 62a, shall be appointed as a trustee of the acquiring and associated companies for the purpose of receiving shares and carrying out their replacement.

The shareholders in HOTEL BONAVIA j.s.c. Rijeka, which in the course of share replacement are missing certain amount for acquiring the entire share in

PLAVA LAGUNA j.s.c. Poreč, PLAVA LAGUNA j.s.c. Poreč shall pay the balance in cash, in the proportionate amount. The shares of PLAVA LAGUNA j.s.c. Poreč which the shareholders in HOTEL BONAVIA j.s.c. Rijeka will be given as a replacement for the shares in HOTEL BONAVIA j.s.c. Rijeka shall have the same rights as all other ordinary shares in the company PLAVA LAGUNA j.s.c. Poreč.

Mandatory content of the Merger Agreement is prescribed in Article 513 of the Companies Act. The Agreement has to stipulate the transfer of property, share replacement ratio, possible pecuniary payment of the balance and transfer of the acquiring company's shares, the rights of the shareholders in the associated company as a holder of the security and especially the right to participate in the acquiring company's profit on the basis of the newly-received shares, as well as possible benefits to the managers, the members of the Boards of Managers or Supervisory Boards of the companies participating in the merger.

A key property issue, on which the decision on merger as well as the share replacement ratio depends, is assessment of the values of the respective property of the companies participating in the merger.

Economic Aspects of the Merger Agreement

The participants in the merger approached this transaction believing that it is in their je mutual interest to create operational, organisational, legal and financial connections between them. Appreciating the existing economic positions of both companies, the economic interests are fundamental reasons for the merger. In a view of the previously presented descriptions of the companies, it is apparent that belonging to and operation within the same branch of business can only further support the arguments in favour of the joint entity.

Economic purpose of merger is reflected in the expected increase of the operational efficiency, by means of increase in revenues and simultaneous reduction in costs per unit, what in turn ought to result in the increase of value for the shareholders. Upon the completion of the transaction, the associated company should acquire additional operational and financial advantages.

Essential aspects of the improvement in the economic position of the associated company are revealed in the following:

1. Financial strength and security – which the associated company will considerably enhance given its present level of financial debts, on the one hand, and insufficient financial capacity to cover them, on the other. Under the scenario of future operation as a separate company, Hotel Bonavia j.s.c. would not possess the loan capacity needed to pay the loans registered in its accountancy books. Furthermore, by joining the company Plava laguna j.s.c., Hotel Bonavia j.s.c. will create preconditions for one-time payment or refinancing, using the market position, i.e. high credit worthiness of the acquiring company, what in turn enables it to reduce the costs of the debt resources.
Additionally, unfavourable balance-sheet structure, owed to the elevated indicators of indebtedness on the part of the associated company, has opportunity costs in limiting development processes which would affect the future cash flow of that company's operational results.

2. Operational efficiency – which is revealed in reduction of costs in the sphere of procurement of goods and services by using the economy of scale and negotiation power of the acquiring company.
In addition, centralisation in performing certain functions, above all in terms of accountancy, finances, controlling, legal operations and other administrative works will result in significant savings when compared to the operations of the company under the present principles.
Operational efficiency will be considerably improved by introducing the system of internal processes and standards in the hotel operations, along with adjustments needed due to established specificities.

3. Marketing and sale improvement –relying on Plava laguna in using the promotion channels and media will greatly increase the degree of presence of Hotel Bonavia d.d on the demand market. Moreover, the bargaining power in negotiating will be strengthened.

4. Access to the specialised professions – development cycles which presuppose implementation of new technologies based on information technology infrastructures, as well as construction and machinery skills and knowledge will be more efficiently achieved in the operational system having adequate structure of specialised human resources.

5. Improving management of human resources – by application of uniform system from the selection of human resources to their education. It has to be pointed out that synergy effects are expected in the sphere of education through exchange of best practices.

Improvement in the position of the acquiring company due to the transaction in question is revealed in the following:

1. Widening the tourist portfolio – in terms of enrichment and widening of the offer which, in addition to the leisure tourism linked to the summer season, would include business and congress tourism. Additionally, Hotel Bonavia is located in the centre of Rijeka meaning that Plava laguna is reaching territorially beyond its present capacities which are all located in the area of Poreč.

2. More efficient market access – in a view of the newly-renovated hotel Laguna Parentium which is equipped for various gatherings and congresses, the skills, knowledge and sale network in this segment will enable more efficient market access, service improvement, human resources education etc.

Due to the abovementioned reasons, the merger in question will result in improvements in the economic positions of the shareholders of both companies participating in the merger, in addition to assuring future growth and development tied to required level of operational efficiency.

Evaluation of the companies participating in the merger

Selecting the valuation method

The capacities structure of the companies participating in the merger differs significantly. Namely, as stated in the chapter titled Description of the Companies Participating in the Merger, accommodation capacities of Plava laguna consist of apartments and camps in addition to the hotels. In a view of this fact, we believe that the value of the companies may not be properly assessed using the value by the accommodation unit or m2. Furthermore, the usual multipliers methods, such as the EV/EBITDA multiple, were not used in assessing the companies' values. The fact is that the mentioned methods mostly use achieved or historical data, such as the EBITDA, resulting in an unfavourable position for the Hotel Bonavia, given its modest accomplishments in the past. Moreover, establishing the values by using the accountancy data is similarly inapplicable. Besides the fact that this method implies the static approach which also relies on the past data, the reality of the stated values is questionable. To be precise, the precursors to the companies which participate in the transaction in question are socially-owned companies, which in the course of ownership transformation altered their legal structure into joint stock companies; hence the approach to establishing their values is probably different.

In a view of all the above stated, we are of the opinion that the most objective values, which are established exclusively for the purpose of determining the share replacement ratio, will derive from the evaluation method based on the cash flows, and such dynamic method most widely used is certainly the Discounted cash flow method.

As previously stated, this method represents a dominant concept used for evaluating the property in financial and economic practice, and is based on the projections of the future net cash flows which along with the application of an adequate discounted rate, i.e. the weighted average cost of capital (WACC), are reduced to present value. (Possible) additional assets are added to thus calculated value for the purpose of assessing the total value of the companies (the enterprise value – EV), from which the value of the debts is deduced to determine the value of the total share capital (the equity). The part of the capital that relates to ordinary shares of Plava laguna, is calculated by deducting the capital belonging to preferred

shares from the previously mentioned total share capital. The value of the preferred share is calculated using the required dividend yield of 7%.

Additional assets of Plava laguna stated in the company's balance sheet as the long-term financial assets, and which in essence is the share in capital of the company Hoteli Croatia j.s.c. of Cavtat, is also evaluated using the Discounted cash flow method. Other additional assets, mostly the assets not in use or the assets which does not "produce" cash flows, is evaluated statically by considering its net cashable value.

Net cash flows for each company are projected for the period of 10 years. In the end of the projected period, the project residual or terminal value (RV) is determined. It is calculated by applying the so-called Gordon Model in the following manner:

RV= Net Cash Flow$_{10}$ / (WACC – Growth Rate (g))

Growth Rate (g) is established as a rate of growth in the cash flow (the EBIDA) in the last five years of the projection period, as its geometric mean as follows:

$g=((EBIDA_{10}/EBIDA_5)^{1/5}-1)*100$

Projected level of the Capital Expenditures (CapEx) represents only those investments which are necessary for maintaining the achieved level of business results, which does not mean that in the projected period there will be no other investments. Exceptions are capital expenditures by Plava laguna in 2012, which include a thorough reconstruction of the hotel Laguna Parentium upgrading it from 3* to 4* category.

Projected net cash flows are, as previously stated, discounted by using the weighted average cost of capital (WACC) to the value in the starting year, i.e. the present value. Cash flows in question are projected in EUR; hence the WACC is not corrected for the difference in the inflation rate in the Republic of Croatia and one of the Member States of the economic and monetary union of highest credit worthiness (Germany). Furthermore, in evaluating both companies the same (usual, average for

the sector) D/E ratio, or WACC was used, given relatively simple adjustability of the D/E ratio by combining own and external financing resources.

In the end, it has to be reiterated that the evaluation method employed is based on projections of both, the net cash flows and the weighted average cost of capital; hence the errors in that sense may result in significant differences in values. However, the purpose of the evaluation in question is not to establish a nominal value of the companies, i.e. their equities, but to determine a relative share replacement ratio. Therefore, we continuously insisted on consistent and uniform application of preconditions for both companies. The weighted average cost of capital used in evaluation of the companies amounts to 9%.

Description of the Methodologies and the Employed Methods

Starting point in evaluation of the companies, i.e. in projection of the net cash flows are historical data on physical and financial values, or achievement of the physical volume and business results (profit and loss account) for 2011. The targeted level is the Projection of the results for the period of January-December/2012.

On the basis of the results achieved during 2012, the projection of the overnight stays until the end of the year was made using the data from the daily records and data on booking for the period of September-December/2012. The revenues are projected by applying the average net price achieved in August and September 2012 on the basis of daily reports on the achieved accommodation and board revenue, while the planned price was applied for the remaining part of the year. Group of variable and relatively variable expenditures is adjusted to changes in physical volume along with the corrections related to new circumstances (increase in input prices), while the group of fixed expenditures, not susceptible to changes due to changes in overnight stays, is established in accordance with the adopted Operative Budget along with incorporation of new discoveries.

According to the above – specified criteria, the starting point of the assessment is August 31st 2012. Other balance positions have been determined on August 31st 2012, with the exception of the ones determined by the economic flow (working capital), thus the assumption that their correction has been made through the regular business activity incorporated in the economic flow. Thus, the positions of

moneys and deposits, receivables from buyers as well as short - term payables to suppliers have been determined on December 31st 2011. All other changes (financial activity), i.e. determining the dividend obligations, income interests, interests calculated on received credits, have been taken into account through the status or the adjustment of financial positions on August 31st 2012. It must be pointed out that possible reduction of the said obligation positions (such as the repayment of loans) that are not included in the economic flow haven't been corrected, since the working capital (position of moneys) hasn't been reduced (neutral net effect).

EVALUATION OF THE COMPANY PLAVA LAGUNA j.s.c.

For the purpose of projecting the net cash flow, the operational revenues, i.e. the EBITDA of the company are projected separately for the hotel Laguna Parentium and the remaining part of the company. The reason for this is the fact that in the "remaining part" of the company the annual growth in operational revenues, i.e. results from the operational activity expressed in the EBITDA (earnings before interest, taxes, depreciation, and amortization) is projected at the level of inflation rate, i.e. the same actual level in the entire monitored period is retained. Operational revenues for the "remaining part" of the company (without the hotel Laguna Parentium) are projected in the amount of HRK430,4 million, which in relation to 2011 represents 6,1% increase, while the projection of the EBITDA amounts to HRK170,8 million (the index in relation to 2011 amounts to 108), which represents the 39,7% share in the operational revenues. Thorough reconstruction of the hotel L. Parentium was completed at the beginning of August 2012. Therefore, a considerable increase is planned for hotel Laguna Parentium until 2015, the intended stabilisation year with the projected 210 days of occupancy, after which the actual level of 2015 is maintained. In the mentioned stabilisation year, the planned EBITDA for the hotel Laguna Parentium amounts to HRK21,9 million representing 45% of the operational revenue.

Capital expenditures, not including 2012 which comprises also the value of the investment in the thorough reconstruction of the hotel L. Parentium, correspond to necessary investments for maintaining achieved actual level of the company's operational results, and represent average value of the mentioned investments in the company during the period from 2008 to 2011 and amount to some HRK35 million.

On the basis of the above stated, the projected net present value of the company amounts to HRK1,82 billion.

Long-term financial assets related to investments in the shares of Istarska kreditna banka Umag j.s.c., Croatia osiguranje j.s.c. and Riviera Adria j.s.c.

Other additional assets, i.e. "non-operational" assets not "producing" cash flows, is evaluated, as already stated, statically by considering its net cashable value. The assets in question relate to A/H Marina in Červar Porat of 6.789 m2 in total gross

size, the land in the cadastral municipality Varvari of 7.533 m2 in total size purchased in 2011 (Facinka) and the land in the cadastral municipality Vabriga of 6.502 m2 in total size (Santa Marina).

Working capital calculated according to the situation on the last day of 2011 amounts to HRK131,7 million.

Below is the projection of the value of the company's equity, as well as the value per an ordinary share.

DESCRIPTION	Amount (000 HRK)
Net present value of cash flows (NPV)	1.819.300
Long-term financial assets – Share in Hoteli Croatia	338.382
Long-term financial assets - other (situation on 31 August 2012)	10.272
Total additional financial assets	348.654
Material assets not in operation	24.463
Cash, deposits and granted loans (31 December 201.)	173.427
Reserves (31 December 2011)	2.344
Receivables from buyers and other receivables (31 December 2011)	8.696
Total	184.467
Liabilities towards suppliers and other short-term liabilities (31 December 2011)	52.760
Total liabilities	52.760
WORKING CAPITAL	131.707
Correction - working capital for the items that have not been taken into account within economic flows (receivables from deposit interests – 31 August).	4.080.
Correction on the received dividend from Hoteli Croatia j.s.c. Cavtat	10.861
Long-term debt (31 August 2012)	1.500
Debt for dividend (31 August 2012)	58.552
TOTAL EQUITY	2.279.013,73
PREFERRED EQUITY	138.090,00
ORDINARY EQUITY	2.140.923,73
Ordinary shares in circulation	536.848
Value per a share (KN)	3.987,95

According to the stated data, the value of the total equity of Plava laguna amounts to HRK2,28 billion. The value of equity related to preferred shares (the total of 105.000 shares), calculated according to the dividend yield of 7% and average

dividend paid from 2009 until 2012 in the amount of HRK92,06, amounts to HRK138,09 million. On the basis of the above stated, the value of the company's ordinary equity amounts to HRK2,14 billion or HRK3.987,95 per an ordinary share in circulation.

EVALUATION OF THE COMPANY HOTEL BONAVIA j.s.c.

Likewise with Plava laguna j.s.c., the starting basis for the projection of the net cash flows is the projection of the operational results in 2012. This projection for HOTEL BONAVIA j.s.c. is determined by the process of company reconstruction and result achieved during 2012.

Projected result from the operational activity expressed in the EBITDA reaches HRK4,6 million, which is around 2,3 times higher than the achievement in 2011, and around HRK0,7 million above the budgeted level (the index of 117). Further increase in the EBITDA, of around 11% (and represents 26% of the operational revenues) is planned in 2013, which is somewhat above the wages paid to the workers during the termination period, and which will not occur in 2013. In the following years, the level of the EBITDA is projected in the amount which corresponds to approximately 27% of the operational revenues, while the increase in the operational revenues is planned in the entire monitored period at the level of annual inflation rate of 2%.

Capital expenditures represent necessary investments in maintaining the achieved actual level of the company's operational result. Planned span of investment is between 5 and 10% of the annual EBITDA. The exception is 2017 in which significant investments are planned in the amount of around HRK9,0 million, given that the last thorough reconstruction of the hotel was completed in 2000. This investment would entail the replacement of furniture, carpet, sanitary and other equipment in the bathrooms of accommodation units, as well as part of the equipment and furniture in the service and public areas.

On the basis of the above stated, the projected net present value of the company amounts to HRK60,0 million.

Below is the projection of the value of the company's equity, as well as the value per an ordinary share.

DESCRIPTION	Amount (000 HRK)
Net present value of cash flows (NPV)	59.994
Cash at the account (31 December 2011)	2.166
Reserves (31 December 2011)	233
Receivables from buyers (31 December 2011)	1.809
TOTAL	4.208
Liabilities towards suppliers and other short-term liabilities	2.154
Reserves for the risks (31 December 2011)	1.457
TOTAL	3.611
WORKING CAPITAL	597
Financial debt (31 August 2012)	59.068
Delayed tax debt (31 August 2012)	215
TOTAL EQUITY	1.307,7
Number of shares	1.491.763
Value per a share	0, 88

It has to be pointed out here that the expressed value of the financial debt represents the amount subsequent to the decision on the increase of the share capital rendered by the company's General Assembly (30 August 2012), the increase entailing the private emission of shares with the exclusion of the priority rights in registering new shares and transformation of the receivables in the amount of HRK14,059 million into the company's ordinary shares, thus increasing the share capital from HRK858.630 to HRK14.917.630. For this purpose, 1.405.900 shares without nominal value are being issued, thus increasing the number of shares from 85.863 to 1.491.763. Additionally, it has to be emphasised that prior to the mentioned decision, the company's General Assembly rendered a decision on transforming the shares with nominal value into the shares without nominal value, and the decision on simplified decrease in share capital for the purpose of covering the losses (from HRK31.769.310,00 to HRK858.863,00).

According to the stated data, the value of the total equity of HOTEL BONAVIA j.s.c. amounts to around HRK1,3 million or HRK0,88 per an ordinary share.

ESTABLISHING THE SHARE REPLACEMENT RATIO

Below are the values of the ordinary shares and the share replacement ratio for the companies participating in the transaction:

DESCRIPTION	Plava laguna j.s.c.	Hotel Bonavia j.s.c.
Value of the ordinary equity (HRK)	2. 140.923.726,75	1.307.705,29
Number of ordinary shares in circulation	536.848	1.491.763
Value of the ordinary share (HRK)	3.987,95	0,88
Replacement ratio	1	0,00022066

As a compensation for the transferred value of the associated company Hotel Bonavia j.s.c., Plava laguna j.s.c. assumes the obligation to transfer to the shareholders in the associated company the shares of Plava laguna j.s.c. in the share replacement ratio, as follows:

- **1:0,00022066 which for 1 share of the associated company Hotel Bonavia j.s.c. assures 0,00022066 share in the company Plava laguna j.s.c. (or 4.531,86 shares in the associated company Hotel Bonavia j.s.c. for 1 share in the company Plava laguna j.s.c..**

The shareholders in the associated company, which under the calculation of the number of shares after the replacement do not get the whole number of shares in the acquiring company, i.e. which following the replacement are missing certain amount to acquire the whole share in PLAVA LAGUNA j.s.c. Poreč, PLAVA LAGUNA j.s.c. Poreč will pay the balance in cash which in total will amount to HRK4.703,84.

For the purpose of share replacement, the acquiring company will use 328 out of total number of 9.470 own shares, which the company has at the moment prior to merger.