

Pursuant to Articles 512 and 513 of the Companies Act -----

PLAVA LAGUNA joint stock company for hotel management and tourism, with headquarters in Poreč, Rade Končara 12, PIN: 57444289760, represented by the member of the management board Neven Staver (hereinafter: the acquiring company or PLAVA LAGUNA j.s.c. Poreč)-----

HOTEL BONAVIA j.s.c. Rijeka, with headquarters in Rijeka, Dolac 4, PIN: 80194180622, represented by the president of the Management board Marina Rogović and member of the Management board Vedran Banovac (hereinafter: the associated company or HOTEL BONAVIA j.s.c. Rijeka)-----

entered on Sept 28th 2012 (September twenty eighth two thousand twelve) in Poreč, the following-----

MERGER AGREEMENT

I. Preliminary provisions

Article 1st

With this agreement PLAVA LAGUNA j.s.c. Poreč in the capacity of the acquiring company and HOTEL BONAVIA j.s.c. Rijeka as the associated company, regulate their mutual relations in respect of the merger of the company HOTEL BONAVIA j.s.c. Rijeka to the company PLAVA LAGUNA j.s.c. Poreč without liquidation of the associated company.-----

The contracting parties mutually determine that:: -----

- the acquiring company **PLAVA LAGUNA** joint stock company for hotel management and tourism, with headquarters in Poreč, Rade Končara 12, PIN: 57444289760, recorded at the court's registry of the Commercial court in Rijeka, Permanent office in Pazin under MBS: 040020834, and the share capital in the amount of 1.088.372.400,00 kunas (one billion eighty eight million three hundred seventy two thousand four hundred Croatian kunas and 00/100), divided into 546.318 (five hundred forty six thousand three hundred eighteen) ordinary shares of the A series, with the nominal value of 1.800,00 kuna (one thousand eight hundred Croatian kunas and 00/100), labelled PLAG-R-A, of which 9.470 treasury shares, and 105.000 (one hundred five thousand) preferred shares of the B series, with the nominal value of 1.000,00 kuna (one thousand Croatian kunas i 00/100) labelled PLAG-P-A; -----

- the associated company **HOTEL BONAVIA j.s.c.**, with headquarters in Rijeka, Dolac 4, PIN: 80194180622, recorded at the court's registry of the Commercial court in Rijeka under MBS: 040000036, and the share capital in the amount of 31.769.300,00 (thirty one million seven hundred sixty nine thousand three hundred Croatian kunas and 00/100), divided into 85.863 (eighty five thousand eight hundred sixty three) ordinary shares without nominal value labelled HBNV-R-A; -----

- the associated company held on August 30th 2012 (August thirtieth two thousand twelve) the General Assembly rendered the decisions on decrease and increase of the share capital, so that the new share capital of the Company amounts to 14.917.630,00 (fourteen million nine hundred seventeen thousand six hundred thirty Croatian kunas and 00/100) kuna, and shall be divided in 1.491.763 (one million four hundred ninety one thousand seven hundred sixty three) ordinary shares without nominal value, labelled HBNV-R-A. This agreement is made under the condition that the said decisions are implemented in the court's registry of the Commercial court in Rijeka. -----

- the condition of validity of this agreement is that the decisions rendered by the General Assembly of HOTEL BONAVIA j.s.c. Rijeka on August 30th 2012 are implemented in the court's registry of the Commercial court in Rijeka up to the day the first General Assembly of the companies participating in merger is held, especially the decisions on decrease and increase of the share capital of HOTEL BONAVIA j.s.c. Rijeka; -----

- that on June 21st 2012 (June twenty first two thousand twelve) the Management board of the acquiring company rendered the Decision on the merger of the company HOTEL BONAVIA j.s.c. Rijeka to PLAVA LAGUNA j.s.c. Poreč, approved by the Supervisory board of the acquiring company on June 29th 2012 (June twenty ninth two thousand twelve);-----

- that on June 21st 2012 (June twenty first two thousand twelve) the Management board of the associated company rendered the Decision on the merger of the company HOTEL BONAVIA j.s.c. Rijeka to PLAVA LAGUNA j.s.c. Poreč, approved by the Supervisory board of the associated company on June 28th 2012 (June twenty eighth two thousand twelve).-----

Article 2nd

Taking into consideration the facts from the previous article, and, at the same time, respecting the existing economic position of each contracting party, they determine that it is their mutual economic interest in order to accomplish higher profits, to connect business wise, organisation wise, financially, legally and in every other aspect, as described in the mutual Management boards report (economic and legal explanation of the merger). -----

It is hereby further determined that there are no holders of special rights under Article 524th of the Companies Act in this process.-----

II. Subject of the agreement

Article 3rd

Therefore, with this agreement the parties agree upon the merger of the company HOTEL BONAVIA j.s.c. Rijeka to the company PLAVA LAGUNA j.s.c. Poreč, regulate their mutual rights and obligations arising from this fact, as well as the rights and obligations towards their shareholders arising from the transfer of all assets and all appertaining rights and obligations of the associated company to the acquiring company in exchange for its shares. -----

III. Assessment of value of the parties

Article 4th

The contracting parties mutually determine that pursuant to final balances of June 30th 2012 (June thirtieth two thousand twelve) and the Management boards report on the merger, where the assessment of value of both parties is a constituent part, the total value of share capital of each party is determined as follows:-----

acquiring company PLAVA LAGUNA j.s.c. Poreč-----
2.279.013.726,75 (two billion two hundred seventy nine million thirteen thousand seven hundred twenty six and 75/100) Croatian kunas-----

associated company HOTEL BONAVIA j.s.c. Rijeka-----
1.307.705,29 (one million three hundred and seven thousand seven hundred five and 29/100) Croatian kunas.-----

IV. Shares of the parties and their assessed value

Article 5th

The parties determine that pursuant to the assessment of values, the assessed value of one share of HOTEL BONAVIA j.s.c. RIJEKA is 0,88 (zero and 88/100) Croatian kunas, while the assessed value of one ordinary circulating share of PLAVA LAGUNA j.s.c. POREČ with voting rights is determined in the amount of 3.987,95 (three thousand nine hundred eighty seven and 95/100) Croatian kunas. -----

V. Value of the associated company within the merger

Article 6th

The parties determine that in the merger process the associated company is worth 1.307.705,29 (one million three hundred and seven thousand seven hundred five and 29/100) Croatian kunas to the acquiring company. The said value arises from the company's value assessment. -----

VI. Merger implementation

a) date of merger

Article 7th

With this agreement, the parties thereof decide to implement the merger subject to this agreement with the day the decision of the Court's registry of the Commercial court in Rijeka, Permanent office in Pazin, where the merger shall be registered, is issued. -----

On the day of implementation of the merger, the associated company HOTEL BONAVIA j.s.c. Rijeka ceases to exist as a legal and economic entity, while the operations and business, as well as the legal existence of the acquiring company PLAVA LAGUNA j.s.c. Poreč as the universal legal successor of the associated

company continue. -----

The merger shall be implemented in the manner determined by the articles set bellow.

b) bank accounts

Article 8th

On the day of implementation of the merger all existing bank accounts (in kunas and foreign currencies) of the company HOTEL BONAVIA j.s.c. Rijeka shall be closed.

The Management board of the acquiring company shall timely inform banks, FINA, as well as business partners of the associated company about the said closing. -----

Article 9th

From the day of implementation of the merger all due obligations of the associated company towards both legal and natural entities shall be paid from the acquiring company's account, based on documents the associated company disposes of at the time of merger.-----

c) guaranties

Article 10th

All eventual guaranties in force on the day of merger issued at the expense or on behalf of the associated company shall be transferred to the acquiring company, and for that purpose the acquiring company PLAVA LAGUNA j.s.c. Poreč shall conclude particular contracts with the third parties in concern, in order to assume obligations from the said guaranties. -----

d) transfer of assets

Article 11th

On the day of implementation of the merger the associated company transfers the entire value of its assets determined by article 4th of this agreement, as well as the value of due but unrealised rights and obligations to the acquiring company in exchange for its shares. -----

With the registration of the merger in the court's registry, all contracts and business relations entered between the acquiring and associated company shall cease. -----

On the basis of this merger agreement and the decision of the implemented merger rendered by the Commercial court in Rijeka, Permanent office in Pazin, the real properties owned by the company HOTEL BONAVIA j.s.c. Rijeka are transferred to the company PLAVA LAGUNA j.s.c. Poreč.-----

After the decision of the merger becomes final, the Management board of the acquiring company shall register the changes of ownership of the properties from the previous paragraph in the land books of the authorised Municipal court in Rijeka. -----

Article 12th

The vehicle fleet of the associated company shall be recorded in the business books of the acquiring company as its own vehicle fleet, and implemented by all authorised bodies that keep relevant records. -----

Upon implementation of the merger in the court's registry where the acquiring company is recorded, the values shown in the balance of the associated company shall be shown in the balance of the acquiring company in accordance with the rules governing accountings. -----

Besides the rights explicitly stated in this agreement, the associated company empowers the acquiring company to record the transfer of all other rights of the associated company registered in public books and records. -----

e) taking action to benefit PLAVA LAGUNA j.s.c. Poreč

Article 13th

All actions taken by the company HOTEL BONAVIA j.s.c. Rijeka starting from the day the decision on approval of this agreement is made by the general assemblies of the acquiring company and the associated company are to be considered as actions taken by the company PLAVA LAGUNA j.s.c. Poreč within the meaning of the article 513 item 7 of the Companies Act. -----

f) share exchange ratio

Article 14th

The parties mutually affirm that in determining the exchange ratio of the shares of the associated company for the shares of the acquiring company, the starting point were the last revised financial reports on June 30th 2012 (June thirtieth two thousand twelve) and the assessment of the value of both companies using the discounted cash flow method. -----

The parties mutually affirm that the basis for determining the exchange ratio is the assessment of value of the companies with the discounted cash flow method applied. -----

Article 15th

As the compensation for the value transferred from the associated company to the acquiring company, PLAVA LAGUNA j.s.c. Poreč undertakes the obligation to transfer to the shareholders of HOTEL BONAVIA j.s.c. Rijeka ownership over their shares in the corresponding amount, from its own treasury shares. -----

Article 16th

For the transfer of shares of the company PLAVA LAGUNA j.s.c. Poreč to shareholders of the company HOTEL BONAVIA j.s.c. Rijeka in exchange for their shares of the company thereof, the exchange ratio shall apply where 1 (one) share of HOTEL BONAVIA j.s.c. Rijeka without nominal value shall be exchanged for 0,00022066 (zero point zero zero zero two two zero six six) of ordinary shares of

PLAVA LAGUNA j.s.c. Poreč labelled PLAG-R-A of 1.800,00 kuna (one thousand eight hundred Croatian kunas and 00/100) of nominal value. Therefore, in the exchange process the shareholders of HOTEL BONAVIA j.s.c. Rijeka would receive 0,00022066 (zero point zero zero zero two two zero six six) of an ordinary share of PLAVA LAGUNA j.s.c. Poreč for 1 (one) share of HOTEL BONAVIA j.s.c. Rijeka, by rounding to the first lower integer. -----

The said ratio shall apply to each ordinary share of the company HOTEL BONAVIA j.s.c. Rijeka. -----

The shareholders of HOTEL BONAVIA j.s.c. Rijeka who are lacking a certain amount in order to acquire a whole share of PLAVA LAGUNA j.s.c. Poreč in the exchange process, the company PLAVA LAGUNA j.s.c. Poreč shall pay the value of the unexchanged shares, taking into consideration that the value of one share of HOTEL BONAVIA j.s.c. Rijeka is 0,88 (zero and 88/100) Croatian kunas.-----

According to the determined exchange ratio and the structure of shareholders of HOTEL BONAVIA j.s.c. Rijeka on September 21st 2012 (September twenty first two thousand twelve), the total number of shares of PLAVA LAGUNA j.s.c. Poreč required for carrying out the merger process by rounding to the first lower integer is 328 (three hundred twenty eight) shares, and the amount of moneys required for the payment to shareholders is 4.703,84 (four thousand seven hundred three and 84/00) Croatian kunas. -----

The acquiring company shall effectuate the payment to the shareholders of the associated company within 15 (fifteen) days of the day of implementation of the merger in the court's registry of the Commercial court in Rijeka, Permanent office in Pazin, provided that the acquiring company is given all the data required to make such payment.-----

The parties agree that the shares of PLAVA LAGUNA j.s.c. Poreč transferring to the shareholders of HOTEL BONAVIA j.s.c. Rijeka in exchange for their shares of HOTEL BONAVIA j.s.c. Rijeka, give their holder equal rights as all other ordinary shares of PLAVA LAGUNA j.s.c. Poreč. -----

g) trustee for the takeover of shares

Article 17th

The contracting parties agree that the shares of both companies are issued in a dematerialised form, and their records are kept by the Central Depository and Clearing company. -----

The parties mutually determine that the CENTRAL DEPOSITORY AND CLEARING COMPANY j.s.c. from Zagreb, Heinzelova 62a, p.p. 409, 10002 Zagreb shall be appointed as the trustee of the associated company for the takeover of shares or share certificates, as well as all possible future benefits.-----

The parties undertake the obligation to enter a trustee agreement with the trustee, each of them individually, in order to transfer and exchange the shares in accordance with this agreement. -----

The trustee appointed in paragraph 2 of this article shall receive the shares of the acquiring company, that is, the certificates of recorded shares in the name and on behalf of all the shareholders of the associated company, and issue them to the shareholders of the associated company. -----

h) protection of creditors

Article 18th

Under the terms provided by article 523 of the Companies Act the acquiring company shall issue guarantees for claims of the parties' creditors who report for that matter within six months of the day of entry of the merger in the court's registry of the company they are creditors of. -----

i) securities

Article 19th

In the event that holders of any type of securities issued by the associated company report to the acquiring company within the legal period or the period indicated on the security, the acquiring company undertakes to acknowledge all the rights that such securities provide. -----

j) right to participate in the profits of PLAVA LAGUNA j.s.c.

Article 20th

Shareholders of the associated company HOTEL BONAVIA j.s.c. Rijeka who received the shares of the acquiring company PLAVA LAGUNA j.s.c. Poreč in exchange shall participate in its profits from the moment of acquisition of its shares in the same manner as other shareholders of the acquiring company.-----

k) bodies, internal documents and employees of the associated company

Article 21st

On the day the merger is registered in the Court's registry, the Statute of the company HOTEL BONAVIA j.s.c. Rijeka becomes void, and all the bodies of this company cease to exist. -----

Member of the Management and Supervisory board of the associated company shall not become members of the Management nor Supervisory board of the acquiring company. -----

On the day the merger is registered in the Court's registry of the acquiring company the employment contracts of the employees of the associated company are transferred to the acquiring company, and such employees preserve all rights and obligations they acquired regarding their employment until the day of transfer.-----

Internal documents of the associated company, especially those concerning the rights and obligations of employees shall remain in force until the new organisation is implemented. The established worker's council shall continue with its work, but no

longer than the term of expiration of its mandate. The collective agreement shall apply for a maximum of one year of the day of merger. -----

I) damages and court decisions

Article 22nd

The acquiring company undertakes to settle any damages in the name of members of the Management or Supervisory board of the associated company as determined by the court under the provisions of article 526 of the Companies Act, regardless the cause of damages. The acquiring company herewith waives any right of recourse against the person responsible for such damages. -----

Article 23rd

In the event that on the basis of a request of a shareholder of the associated company and pursuant to article 532 of the Companies Act, the court binds the acquiring company to make the payment prescribed by paragraph 1 of the respective article, the acquiring company shall pay the said amount to all the shareholders of the associated company, including the ones that did not make such a request. -----

Article 24th

By signing this agreement the parties undertake the obligation that from the day of signature till the day of registration in the Court's registry they shall not take actions that may bring this agreement into question in any way, or prevent its implementation and/or damage any of the parties financially or in any other way. -----

VII. Merger auditor

Article 25th

It is herewith established that the auditor company PRICEWATERHOUSECOOPERS Ltd Zagreb, Alexandera von Humboldta 4 has been appointed as the merger auditor by Decision of the Commercial court in Rijeka of July 2nd 2012 (July second two thousand twelve) number: 9-R1-106/12-2 rendered pursuant to the joint request of PLAVA LAGUNA j.s.c. Poreč and HOTEL BONAVIA j.s.c. Rijeka.-----

VII. Final provisions

Article 26th

All expenses regarding the implementation of this agreement, with the exclusion of the expenses of preparation and conduct of the associated company's assembly, shall be settled by the acquiring company. -----

Article 27th

All possible discrepancies or subsequently established mutual claims arising from the relations regulated by this agreement, especially the ones that may arise for reasons prescribed by article 522 paragraph 3 of the Companies Act, the parties shall settle amicably, taking into consideration the principles of fairness and the scope of the

agreement the parties were aiming to.-----

If the amicable solution isn't possible, the court authorised for disputes shall be the Commercial court in Rijeka. -----

Article 28th

Any amendments of this Agreement shall be valid if made in a written form, solemnised by a notary public and approved by the General Assemblies of the merging companies.-----

In the event that one or more provision of this Agreement is or becomes invalid, or would this Agreement otherwise show a legal gap, the validity of the remaining part of the Agreement would not be affected by this. In such case the parties shall appropriately amend or supplement this Agreement with a provision which is closest to what the parties would agree upon if they were aware of the invalid provision or legal gap when the agreement was signed. -----

Article 29th

This agreement is made in 9 (nine) identical and equally valid copies and the representatives of both parties sign it in their own hand as a token of understanding and acceptance. -----

This agreement becomes legally effective when the General Assemblies of both parties approve it with the majority that represents at least three quarters of the share capital present at the assembly when the decision is made. The shareholders of each class of shares render a separate decision. -----

Acquiring company:

**PLAVA LAGUNA joint stock company
for hotel management and tourism,
Poreč**

**Neven Staver,
Management board member**

Associated company:

HOTEL BONAVIA j.s.c. Rijeka

**Marina Rogović,
Management board president**

**Vedran Banovac,
Management board member**