PLAVA LAGUNA d.d., POREČ

INDEPENDENT AUDITOR'S REPORT AND CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

Independent auditor's report

To the Shareholders and the Management Board of Plava laguna d.d.

Report on the condensed interim financial statements

We have audited the accompanying condensed interim financial statements of Plava laguna d.d. (the 'Company'), which comprise the balance sheet as at 30 June 2012 and the statements of comprehensive income, changes in equity and cash flow for the six months then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these condensed interim financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the condensed interim financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the condensed interim financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the condensed interim financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the condensed interim financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the condensed interim financial statements present fairly, in all material respects, the financial position of Plava laguna d.d. as at 30 June 2012 and its financial performance and its cash flows for the six months then ended in accordance with International Accounting Standard 34 – Interim Financial Reporting.

Emphasis of matter

We draw attention to Note 11 to these condensed interim financial statements that describes the Company's contingencies with respect to ownership of land not evaluated in the transformation and privatisation process. Problems with respect to land ownership disputes are common for the majority of tourism companies in the Republic of Croatia. Their resolution is expected in the future upon completion of the process of obtaining concessions and establishing ownership rights in accordance with and pursuant to the provisions of the Law on Tourist and Other Construction Land, not evaluated in the transformation and privatisation process, which entered into force on 1 August 2010. Our opinion was not qualified in this respect.

Other

Comparative information in the statement of comprehensive income and the cash flow statement for the six months ended 30 June 2011 were not audited by us.

PricewaterhouseCoopers d.o.o.
Zagreb, 27 August 2012

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2012

(all amounts expressed in thousands of HRK)	Note	30 June 2012	30 June 2011 *(unaudited)*
Sale of services	6	126,976	125,982
Other income		1,221	662
Purchase cost of materials and services		(45,251)	(45,055)
Staff costs		(42,369)	(40,812)
Depreciation and amortisation		(45,708)	(28,329)
Other operating expenses		(10,123)	(9,116)
Operating (loss)/profit		(15,254)	3,332
Finance income		3,123	2,170
Finance costs		(419)	(2)
Finance income – net		**2,704**	**2,168**
(Loss)/profit before income tax		**(12,550)**	**5,500**
Income tax expense		-	-
		(12,550)	**5,500**
(Loss)/profit for the year			
Other comprehensive income:			
Changes in value of available-for-sale financial assets		237	-
Total comprehensive (loss)/income for the year		**(12,313)**	**5,500**
Basic and diluted (loss)/earnings per share (in HRK):			
- ordinary and preference shares	7	(19.55)	8.57

The condensed interim financial statements set out on pages 3 to 18 were approved by the Company's Management Board on 27 August 2012.

President of the Management Board:

Neven Staver

CONDENSED INTERIM BALANCE SHEET

AS AT 30 JUNE 2012

(all amounts expressed in thousands of HRK)	Note	30 June 2012	31 December 2011
ASSETS			
Non-current assets			
Property, plant and equipment		1,098,098	1,008,632
Intangible assets		247	304
Investments in subsidiaries and associate		190,808	190,808
Available-for-sale financial assets		10,272	9,974
		1,299,425	1,209,718
Current assets			
Inventories		4,395	2,344
Trade and other receivables		98,312	8,696
Loans receivable and deposits		167,159	116,203
Income tax receivable		6,007	-
Cash and cash equivalents		11,466	57,224
		287,339	184,467
Total assets		**1,586,764**	**1,394,185**
EQUITY			
Share capital		1,088,372	1,088,372
Capital reserves		5,149	5,149
Treasury shares		(17,046)	(17,046)
Reserves		123,727	123,490
Retained earnings		127,410	139,960
Total equity		1,327,612	1,339,925
LIABILITIES			
Non-current liabilities			
Provisions for other liabilities and expenses	11	1,500	1,500
		1,500	1,500
Current liabilities			
Trade and other payables		257,652	47,261
Income tax payable		-	5,499
		257,652	52,760
Total liabilities		259,152	54,260
Total equity and liabilities		**1,586,764**	**1,394,185**

The accompanying notes form an integral part of these interim financial statements.

PLAVA LAGUNA d.d., POREČ

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2012

(all amounts expressed in thousands of HRK)	**Share capital**	**Capital reserves**	**Treasury shares**	**Reserves**	**Retained earnings**	**Total**
At 1 January 2011	1,088,372	5,149	(17,046)	123,046	136,802	1,336,323
Profit for the year	-	-	-		63,586	63,586
Other comprehensive loss	-	-	-	(1,432)	-	(1,432)
Total comprehensive income for 2011	**-**	**-**	**-**	**(1,432)**	**63,586**	**62,154**
Transfer to retained earnings	-	-	-	(815)	815	-
Transfer to legal reserves	-	-	-	2,691	(2,691)	-
Dividend relating to 2010	-	-	-		(58,552)	(58,552)
Total contribution from and contribution to the Company's owners	**-**	**-**	**-**	**2,691**	**(61,243)**	**(58,552)**
At 31 December 2011	**1,088,372**	**5,149**	**(17,046)**	**123,490**	**139,960**	**1,339,925**
Loss for the period	-	-	-	-	(12,550)	(12,550)
Other comprehensive income	-	-	-	237	-	237
Total comprehensive loss for 2012	**-**	**-**	**-**	**237**	**(12,550)**	**(12,313)**
At 30 June 2012	**1,088,372**	**5,149**	**(17,046)**	**123,727**	**127,410**	**1,327,612**

The accompanying notes form an integral part of these interim financial statements.

PLAVA LAGUNA d.d., POREČ

CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2012

(all amounts expressed in thousands of HRK)	**30 June 2012**	**30 June 2011** *(unaudited)*
(Loss)/profit before tax	(12,550)	5,500
Adjustments for:		
Depreciation and amortisation	45,708	28,329
Impairment of property, plant and equipment	46	-
Gains on sale of property, plant and equipment	(36)	(32)
Provision for impairment of trade receivables – net	(103)	(167)
Interest income	(66)	(49)
Dividend income	(382)	(382)
Finance income – net	(2,704)	(2,168)
Changes in working capital:		
Trade and other receivables	(89,061)	(59,486)
Inventories	(2,051)	(1,962)
Trade and other payables	156,403	118,729
Cash generated from operations	**95,204**	**88,312**
Income tax paid	(11,506)	(7,014)
Net cash from operating activities	**83,698**	**81,298**
Cash flow from investing activities		
Purchase of property, plant and equipment	(81,357)	(36,990)
Purchase of intangible assets	-	(22)
Gains on sale of property, plant and equipment	157	52
Placement of deposits and loans	(51,375)	(75,351)
Dividend received	382	382
Interest received	2,737	1,833
Net cash used in investing activities	**(129,456)**	**(110,096)**
Net decrease in cash and cash equivalents	(45,758)	(28,798)
Cash and cash equivalents at beginning of the period	**57,224**	**32,908**
Cash and cash equivalents at end of the period	**11,466**	**4,110**

The accompanying notes form an integral part of these interim financial statements.

NOTE 1 – GENERAL INFORMATION

Plava laguna d.d., Poreč (the Company), a joint-stock company for hospitality and tourism, is incorporated in the Republic of Croatia. The Company's primary activities are hotel and hospitality services. Pursuant to the laws of the Republic of Croatia and with the approval of the Croatian Privatisation Fund, the Company was transformed from a state-owned company into a joint-stock company in 1993. The Company is registered at the Commercial Court in Pazin.

Plava laguna d.d., Poreč is controlled by Sutivan Investments Anstalt registered in Liechtenstein. The ultimate controlling company is Luksburg Foundation, registered in Vaduz Liechtenstein. The equity ownership structure as at 30 June 2012 is same as presented in financial statements for the year ended 31 December 2011.

The registered office of Plava laguna d.d. is in Poreč, Rade Končara 12, Croatia.

As at 30 June 2012 and 31 December 2011, the Company's shares were listed on the regular joint stock company listing on the Zagreb Stock Exchange.

NOTE 2 – SUMMARY OF SIGNIFICANTCONDESED ACCOUNTING POLICIES

2.1 Basis of preparation

The Company's condensed interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards.

The preparation of separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the separate financial statements, are disclosed in Note 4.

The Company has also prepared consolidated condensed interim financial statements in accordance with International Accounting Standard 34 – *Interim Financial Reporting* for the Company and its subsidiaries ("the Group"). In the consolidated condensed interim financial statements, subsidiary undertakings – which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations – have been fully consolidated. The consolidated condensed interim financial statements may be obtained at Plava laguna d.d., Rade Končara 12, Poreč.

Users of these separate condensed interim financial statements should read them together with the consolidated condensed interim financial statements of the Group as at 30 June 2012 and for the six months then ended in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole.

2.2 Accounting policies

The accounting adopted for the preparation of these condensed interim financial statements are consistent with those adopted for the financial statements for the year ended 31 December 2011.

NOTE 3 – FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Company does not have a written risk management programme, but overall risk management in respect of these risks is carried out by the Company's Management.

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EURO. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The majority of foreign sales revenue and deposits are denominated in EUROs. Therefore, movements in exchange rates between the EURO and Croatian kuna may have an impact on the results of future operations and future cash flow. The Company uses derivative instruments on an occasional basis.

At 30 June 2012 and 31 December 2011, if the EURO had weakened/strengthened by 2% against the HRK, with all other variables held constant, the loss for the reporting period would have been HRK 3,727 thousand higher/lower (31 December 2011: the net profit for the reporting period would have been HRK 3,068 thousand lower/higher), mainly as a result of foreign exchange (losses)/gains on translation of EURO-denominated trade receivables, deposits, foreign cash funds and trade and other payables.

(ii) Cash flow and fair value interest rate risk

The Company has interest-bearing assets (cash and cash equivalents and loans receivable and deposits) and the Company's income and operating cash flows are dependent on changes in market interest rates.

At 30 June 2012 and 31 December 2011, the Company has no borrowings. The Company does not use derivative instruments to actively hedge cash flow and fair value interest rate risk exposure. The Company is not exposed to significant fair value interest rate risk as it has no significant interest-bearing financial instruments carried at fair value.

At 30 June 2012 and 31 December, if interest rates on currency-denominated deposits had been 0.48% higher/lower, with all other variables held constant, the loss for the reporting period would have been HRK 643 thousand lower/higher (2011: the net profit for the reporting period would have been HRK 663 thousand higher/lower), mainly as a result of higher/(lower) interest income on variable rate deposits.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(iii) Equity securities risk

The Company owns equity securities and is exposed to price risk of listed equity securities, which are classified as available-for-sale financial assets. The Company is not exposed to commodity price risk (e.g. oil or gold) due to the nature of its operations.

The Company invests in securities listed on the Zagreb Stock Exchange (ZSE).

As at 30 June 2012 and 31 December 2011, if the indices of ZSE had been lower/higher by 4.59 % (which was the average ZSE index movement), with all other variables held constant and on the assumption all the Company's equity instruments moved according to the historical correlation with the index, reserves within equity and other comprehensive income for the six months ended 30 June 2012 would have been HRK 373 thousand (31 December 2011: HRK 362 thousand) (lower)/higher as a result of (losses)/gains on available-for-sale financial assets.

(b) Credit risk

The Company has no significant concentrations of credit risk. Credit risk arises from cash, time deposits and trade receivables. The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history, i.e. the Company's policy ensures that sales to customers are settled through advance payments, in cash or by major credit cards (individual customers). Receivables are mainly secured by advances received and mortgages over property. The provisions for impairment of trade, loan and other receivables have been made based on credit risk assessment. Management monitors the collectibility of receivables through weekly reports on individual balances of receivables. Impairment of trade receivables is performed when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of all trade and other receivables has been written down to their recoverable amount. The Company has policies that limit the amount of credit exposure to any financial institution. Cash transactions are carried out through high quality Croatian banks. The Company has only short-term highly liquid instruments with maturity periods of three months or less.

The below mentioned balances of loans and receivables represent the maximum exposure to credit risk at the reporting date:

	30 June 2012	**31 December 2011**
	(in thousands of HRK)	
Trade and other receivables	74,191	5,307
Loans and deposits given	167,159	116,203
Cash and cash equivalents and deposits given	11,466	57,224
	252,816	**178,734**

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet all obligations. The Company aims to maintain flexibility in funding by keeping committed credit lines available. Management daily monitors available cash resources based on reports on the balance of cash and liabilities.

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

3.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the owner and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to the owner, return capital to the owner, increase registered capital or sell assets to reduce debt. In accordance with the Companies Act, the Company is committed to maintain the level of capital above HRK 200 thousand as required for joint stock companies.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Quoted market prices for similar instruments are used for long-term debt. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

NOTE 3 – FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents assets measured at fair value as at:

	Level 1	Level 2	Level 3	Total
At 30 June 2012				
Available-for-sale financial assets				
-equity securities	10,152	-	-	10,152
Total assets	**10,152**	**-**	**-**	**10,152**
At 31 December 2011				
Available-for-sale financial assets				
-equity securities	9,854	-	-	9,854
Total assets	**9,854**	**-**	**-**	**9,854**

Available for sale investment securities are carried at cost and include a small interest in an unlisted Croatian company. The stated company represents a strategic investment whose fair value cannot be measured reliably. There is no similar company and there was no distribution of profits to members. The fair value estimation cannot be performed.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES(continued)

(a) Estimated useful life and impairment of property, plant and equipment

By using a certain asset, the Company uses the economic benefits contained in this asset, which diminish more intensely with economic and technological aging. Consequently, in the process of determining the useful life of an asset, in addition to assessing the expected physical utilisation, it is necessary to consider the changes in demand on the tourist market, which will cause a faster economic obsolescence as well as a more intense development of new technologies. Current business operations in the hotel industry impose the need for more frequent investments, and this circumstance contributes to the fact that the useful life of an asset is decreasing. Based on historical information, and in line with the technical department, the useful life of buildings was assessed by Management to be 10-25 years. The useful lives of equipment and other assets have also been reassessed.
The useful life of property, plant and equipment will be periodically revised to reflect any changes in circumstances since the previous assessment. Changes in estimate, if any, will be reflected prospectively in a revised depreciation charge over the remaining, revised useful life.

If the depreciation rates on property, plant and equipment had been 5% higher/lower, with all other variables held constant, the loss for the six-month period in 2012would have been HRK 2,285 thousand higher/lower, and the net book value of property, plant and equipment would have been lower/higher by the same amount (2011: the net profit for the six-month period and the net book value of property, plant and equipment would have been HRK 1,416 thousand lower/higher).

In accordance with the accounting policy, the Company tests whether property, plant and equipment has suffered any impairment through expected cash flows based on an updated business plan. The recoverable amount test includes a forecast Euro exchange rate of 7.681028 HRK/EUR for 2012. If the EURO had weakened/strengthened by 2% against the HRK over the forecast period, the value in use would be, on average, HRK 50,025 thousand lower/higher. No need for impairment was identified. The value in use was calculated using cash flow plans (5 years plus residual value and an average growth rate of 6%) using the discount rate for hotels of 10.5%. Based on the performed tests, further impairment of assets was not established, and any reasonable changes in the assessment will not lead to impairment of assets.

(b) Land ownership

The Law on Tourist and Other Construction Land, which entered into force on 1 August 2010, mandates companies to submit the relevant requirements under this law within six months from the date of its entry into force (up to 1 February 2011). On 28 January 2011, regulations were issued elaborating in more detail the manner of complying with the stated law. On 31 January 2011, the Company submitted the relevant requirements to the governing authorities in respect of the property on which the above-mentioned law can be applied. During 2011, in the procedures initiated, and in line with requirements of the governing authorities, the Company delivered various statements, documentation, made propositions for dividing the land, etc. Until 30 June 2012, none of the procedures according to the Law on Tourism and Other Construction Land was finalised. For detailed information – see Note 11.

NOTE 5 – SEASONALITY OF OPERATIONS

Due to the seasonal nature of hotel business it is expected higher sales in the period after 30 June 2012 to 30 September 2012. In the financial year ended 31 December 2011, 29% of sales accumulated in the first half of the year, with 71% accumulating in the second half.

NOTE 6 – SEGMENT INFORMATION

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Company's Management (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assessing its performance.

The Company monitors its operations according to the types of services rendered by distinguishing three reporting segments: hotels and apartments, campsites and other business segments. Other business segments comprise "á la carte" services, marina services, rental services, sports and recreation services and other similar services.

The segment information provided to the Company's Management for the period ended 30 June 2012 is as follows:

(in thousands of HRK)	**Hotels & apartments**	**Campsites**	**Other business segments**	**Total**
Total sales	95,443	24,826	16,735	137,004
Inter-segment revenue	(151)	-	(9,877)	(10,028)
Revenue from external customers	95,292	24,826	6,858	126,976
Restated EBITDA	**14,573**	**10,321**	**4,907**	**29,801**
Depreciation and amortisation	34,311	6,375	5,022	45,708
Income tax expense				-
Total assets	**901,071**	**172,139**	**78,729**	**1,151,939**
Total liabilities	**203,694**	**4,328**	**2,238**	**210,260**

The segment results for the period ended are as follows:

(in thousands of HRK)	**Hotels & apartments**	**Campsites**	**Other business segments**	**Total**
30 June 2011 *(unaudited)*				
Total sales	95,175	24,052	17,295	136,522
Inter-segment revenue	(138)	-	(10,402)	(10,540)
Revenue from external customers	95,037	24,052	6,893	125,982
Restated EBITDA	**15,375**	**10,469**	**5,416**	**31,260**
Depreciation and amortisation	20,887	3,509	3,933	28,329
Income tax expense	-	-	-	-
31 December 2011				
Total assets	**732,511**	**172,198**	**82,118**	**989,827**
Total liabilities	**9,562**	**1,027**	**1,358**	**11,947**

NOTE 6 – SEGMENT INFORMATION (continued)

Reconciliation of restated EBITDA with (loss)/profit before tax is as follows:

	30 June 2012	30 June 2012 *(unaudited)*
	(in thousands of HRK)	
Restated EBITDA by segments	24,894	25,844
Restated EBITDA by other segments	4,907	5,416
Total segments	**29,801**	**31,260**
Depreciation and amortisation	(45,708)	(28,329)
Other income – net	653	401
Finance income – net	2,704	2,168
(Loss)/profit before tax	**(12,550)**	**5,500**

The Company uses internal managerial reporting by activities/products where the indicator of successful performance is represented by restated **EBITDA (earnings before interest, taxes, depreciation and amortisation).**

The reconciliation of segment assets and liabilities with the Company's assets and liabilities is as follows:

	30 June 2012		31 December 2011	
(in thousands of HRK)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Segment assets/liabilities	**1,151,939**	**210,260**	**986,827**	**11,947**
Unallocated:	**434,825**	**48,892**	**407,358**	**42,413**
Investments in subsidiaries and associate	190,808	-	190,808	-
Available-for-sale financial assets	10,272	-	9,974	-
Loans and deposits	167,159	-	116,203	-
Cash and cash equivalents	11,466	-	57,224	-
Other assets	49,113	-	33,149	-
Provisions	-	1,500	-	1,500
Income tax receivable/payable	6,007	-	-	5,499
Other liabilities	-	47,392	-	35,314
Total	**1,586,764**	**259,152**	**1,394,185**	**54,260**

All assets and capital expenditures are located in the Republic of Croatia.

All the Company's services and sales are provided to customers in the Republic of Croatia. The Company's sales revenues can be classified according to the customers' origin.

	30 June 2012	30 June 2011 *(unaudited)*
	(in thousands of HRK)	
Sale of services:		
Domestic sales	24,153	23,676
Foreign sales	102,823	102,306
	126,976	**125,982**

NOTE 7 – (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated as follows:

	30 June 2012 *(in thousands of HRK)* Preference shares	Ordinary shares	Total
Loss for the period	**(2,053)**	**(10,497)**	**(12,550)**
Weighted average number of shares in issue excluding own shares	105,000	536,848	
Basic loss per share (*in HRK*)	**(19.55)**	**(19.55)**	

	30 June 2011 *(unaudited)* *(in thousands of HRK)* Preference shares	Ordinary shares	Total
Profit for the period	**900**	**4,600**	**5,500**
Weighted average number of shares in issue excluding own shares	105,000	536,848	
Basic earnings per share (*in HRK*)	**8.57**	**8.57**	

Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the six months ended 30 June 2012 and 2011 are equal to basic (loss)/earnings per share, since the Company did not have any convertible instruments nor share options outstanding during both periods.

NOTE 8 – DIVIDEND PER SHARE

The Management and Supervisory Board of the Company have proposed a dividend of HRK 91.06 per ordinary share and HRK 92.06 per preference share. Dividends will be accounted for after being approved by the Annual General Assembly of Shareholders on 30 August 2012.

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

During six month period in 2012 additions in the amount of HRK 135,282 thousand mainly relate to the refurbishment of Hotel Parentium, which is finalised at the beginning of August 2012.

As at 30 June 2012 and 31 December 2011, there are no pledged assets.

NOTE 10 – INVESTMENTS IN ASSOCIATES

On 16 January 2009, the Company established Excelsa Hoteli d.o.o., Cavtat with an ownership share of 0.98% and voting rights of 33.33%.

On 16 April 2012, a contract was concluded on the merger, under which the company Jadranski luksuzni hoteli d.o.o., Dubrovnik merged with the company Excelsa hoteli d.o.o., Cavtat as the acquiring company. On the date of registration in the court register, the acquiring company changed its name to Jadranski luksuzni hoteli d.o.o. za trgovinu, ugostiteljstvo i usluge. The business share of the Company Plava laguna d.d. after the status change is 0.87%, while the share in voting rights changed to 18.18%.

NOTE 11 – CONTINGENCIES AND COMMITMENTS

Transformation and privatisation audit. On 22 May 2003, the State Audit Office (in Pazin) issued a Report on the audit of the transformation and privatisation of the state-owned company Plava laguna, Poreč. The Report states that the transformation and privatisation procedure has not entirely been executed in accordance with the law, especially with respect to gaining ownership over the Company. Subsequently, the Company was sued in order to determine the ownership over the land used by the Company and with respect to which the Company is registered as the owner. On 20 May 2003, the Company expressed an opinion on the State Audit Office's Report.

Up to the date of this report, the legal claim has not been finalised, i.e. there has been no reply from the State Audit Office on the Company's complaint, so that neither the outcome of this legal claim and audit findings nor their effect (if any) on the Company's financial or operating position can be reliably anticipated.

The stated problems with respect to land ownership are common in other tourist companies in the Republic of Croatia. On 1 August 2010, the Law on Tourist and Other Construction Land, not evaluated in the transformation and privatisation process, entered into force in accordance with which and based on which the ownership and co-ownership over land not evaluated in the transformation and privatisation process will finally be determined. Within the prescribed period, the Company initiated procedures for submitting requests for concessions and other prescribed requests. During 2011, in the procedures initiated, and in line with requirements of the governing authorities, the Company delivered various statements, documentation, made propositions for dividing the land, etc. Until 30 June 2012, the procedure of granting concessions was not finalised.

Provisions for other contingent liabilities. In the financial statements for the period ended 30 June 2012 and 31 December 2011, the Company anticipates payment of other contingent liabilities in the amount of HRK 1,500 thousand.

Capital commitments. Future commitments contracted for investments in tourist facilities, for which provisions were not made, as at 30 June 2012 amounted to HRK 44,210 thousand (31 December 2011: HRK 154,930 thousand).

NOTE 12 – RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or is under common control or exercise significant influence over the other party in making financial or operational decisions. PLAVA LAGUNA d.d., Poreč is controlled by the company Sutivan Investment Anstalt registered in Liechtenstein. The ultimate parent and controlling company is Luksburg Foundation, registered in Vaduz Liechtenstein.

In the ordinary course of business, a number of transactions were entered into with related parties owned by Sutivan Investments Anstalt (Atlas hotel Odisej d.o.o., Pomena, Grand Villa Argentina d.d., Dubrovnik, Excelsa nekretnine d.d., Dubrovnik and Jadranski luksuzni hoteli d.o.o., Dubrovnik) and the Plava laguna Group (Plava laguna d.d., Poreč, Laguna invest d.o.o., Poreč and Hoteli Croatia d.d., Cavtat). These transactions were carried out under commercial terms and conditions and at market rates.

1) Transactions with related companies under common control:

		30 June 2012	31 December 2011
		(in thousands of HRK)	
a)	**Trade and other receivables**	**1**	**-**
	Excelsa nekretnine d.d.		
b)	**Trade and other payables**		
	Excelsa nekretnine d.d.	**-**	**3**

2) Transactions with related companies within the Plava laguna Group are as follows:

		30 June 2012	31 December 2011
		(in thousands of HRK)	
a)	**Trade and other payables**		
	Laguna invest d.o.o., Poreč	**131**	**132**
b)	**Trade and other receivables**		
	Hoteli Croatia d.d., Cavtat	**5**	**-**
c)	**Loans given**		
	Increase	997	9,800
	Decrease	-	(9,800)
	At end of period	**997**	**-**

		30 June 2012	30 June 2011 *(unaudited)*
d)	**Foreign exchange losses**		
	Hoteli Croatia d.d., Cavtat	**3**	**23**
e)	**Interest income**		
	Hoteli Croatia d.d., Cavtat	**5**	**123**

NOTE 12 – RELATED PARTY TRANSACTIONS (continued)

3) Key Management and Supervisory Board compensation

	30 June 2012	**30 June 2011** *(unaudited)*
	(in thousands of HRK)	
Net salaries	2,225	2,160
Pension contributions	629	615
Health insurance contributions	566	568
Other costs (contributions and taxes)	1,175	1,120
	4,595	**4,463**
Supervisory Board compensation	239	232
	4,834	**4,695**

At 30 June 2012, key management comprises 14 members (2011: 14 members), and the Supervisory Board consists of 7 members (2011: 5 members).