



***Report on the state of the company Jadranka d.d.***

***Mali Lošinj***

***Consolidated 1-9 / 2010.***

***Mali Lošinj , 30<sup>th</sup> October  
2010***

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## *1. Company introduction*

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JADRANKA d.d. Mali Lošinj, Dražica 1, was reorganized and registered as a joint-stock company on 23 October 1992, in accordance with the Decision No. 01-02/92-06/444/II of the Croatian Agency for Reconstruction and Development.

According to the Charter in force, adopted in October 2002, the share capital of the Company amounts to HRK 332,484 and it is divided into 332.484 ordinary shares, each having the nominal value of HRK 1,000. The shares are quoted on the Zagreb Stock Exchange pursuant to the Regular trading regime and they are identified by the JDRA-R-A ticker.

The Company's Personal Identification Number (OIB) is 70741052040, and the Company Registration Number (MBS) is 040027578.

The joint-stock company has the General Assembly, Management Board and Supervisory Board.

Members of the  
Management  
Board:

Darin Lekić, Chairman of the Management Board, represents  
independently and individually

Sanjin Šolić, Member of the Management Board, represents  
independently and individually

Supervisory Board:

Neven Ivandić, Chairman of the Supervisory Board

Tatjana Braškić, Vice Chairman

Dražen Grubišić - Čabo, Member

Željko Kovačić, Member

Sanja Trajkov, Member

In accordance with the December 2009. Report of the Central Depository Agency, the ownership structure on the balance date was the following:

<b>Sector</b>	<b>Security ticker</b>	<b>Amount of securities</b>	<b>% share in the share capital</b>
Croatian natural person	JDRA-R-A	68856	20,71
Financial institution	JDRA-R-A	44498	13,38
Issuer-treasury account	JDRA-R-A	27339	8,22
Public sector	JDRA-R-A	8485	2,55
Foreign person	JDRA-R-A	2205	0,66
Company	JDRA-R-A	181101	54,48
<b>Total</b>		<b>332484</b>	<b>100,00</b>

On 31 December 2009 the Company had 61 employees (on 31 December 2008 the Company had 62 employees).

## ***2. Explanation of operating results***

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### ***Consolidated operation of the Jadranka Group***

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**Jadranka Group generated consolidated operating revenue** in the amount of HRK 104,75 mil, which is 3,0% (HRK 10,0 mil ) more than in 2009.

Greater income than in 2009. achieved Jadranka camps (+8%) , Jadranka hotels ( +7%), Kamp Slatina (+3%) and Jadranka d.d. ( 63%) , while Jadranka commerce achieve 4% lower revenue . Growth in Jadranka d.d. refers to the revenue of sale of assets, amounting to HRK 7,4 mil.

**Revenues from sales** in the amount of HRK 279.55 million, are in the level of 2009.

**The operating expenditures** amount to HRK 256,08 mil., which is 1% less than in 2009.

**Material costs** are realized in the amount of HRK 153,72 million, 4% less than in 2009. The fall bears the costs of sold goods , which were lower by 8% for sales decline of Jadranka commerce .

**Staff costs** were realized in the amount of HRK 59,66 million , 1% higher than in 2009. The reason is the higher volume of work in hotels and campsites.

**The cost of amortization** amounting to HRK 23,75 mil. is 19% higher than in 2009. The reason is the increased amortization of the reconstructed hotel Aurora and Vespera.

**Financial revenues** amount to HRK 3,08 mil which is 4% higher than in 2009. Applies to interest to the funds for investment on the Special Account of Jadranka hotels.

**Financial expenditures** of HRK 12,46 mil are 25% higher than in 2009. Growth of the cost of the interests concerning the Aurora and Vespera investments.

**The profit** of HRK 38,38 mil. is 32% lower than in 2009. ( profit 2009. HRK 29,09 mil). For better profits compared to the 2009. are influenced by the better result of Jadranka hotels, Jadranka camps, Camp Slatina and Jadranka d.d. In Jadranka d.d. income was HRK 7,4 mil of the sale of property, without that profits would be 7% better that in 2009.

**Fixed assets** amounting HRK 837,8 mil. is 1% lower than in 2009.

**Intangible assets** in the amount of HRK 2.3 mil are 20% higher than in 2009. , refers to the increase in concessions, patents, etc. by 20%.

**Assets** amounting to HRK 796,9 million for 2% less that in 2009. Reduction refers to the buildings (-2%) for depreciation, a 45% reduced assets in progress, and a 5% investment in real estate because of sale property.

**Long-term financial assets** amounting to HRK 39.24 million are higher by 34% compared to 2009. Growth refers to the purchase of a 12.5% stake in the company Camp Slatina d.o.o.

**Current assets** amounted to HRK 122.85 million are 2% higher than in 2009.

**The reserves** amounting to HRK 13,86 mil. are 32% lower than previous year. Inventories and raw materials were reduced by 42% in order to activate small inventory, while stock fell by 25% because of reduce the volume of trade and better stock management.

**Debtors** amounting to HRK 31,36 mil. is 1% higher than last year. Receivables from customers increased by 6%, while the other claims are falling.

**Current financial assets** amounting to HRK 70,7 mil is 28% higher than 2009. Growth of investment in securities from HRK 2.529 in 2009. to HRK 13,94 mil in 2010. Refers to term deposit in investment funds.

**Total assets** amount to HRK 962,55 mil., which is 1% less than in 2009.

**Capital and reserves** amounted to HRK 647,53 mil. for 1% increase than 2009.

**Subscribed (registered) capital** amounts to HRK 332.48 mil., at the level of 2009.

**Capital reserves** amount to HRK 73,36 million, at the level of 2009.

**Profit reserves** amount to HRK 10,8 million, at the level of 2009.

**Retained earnings** amounted to HRK 46,6 mil for 17% higher than 2009.

**Accumulated losses** amounted to HRK 3.1 mil and are higher than HRK 287.433 achieved in 2009.

**Profit for the current year** amounted to HRK 38,38 mil, and 32% higher than 2009.

**Minority interests** amounted to HRK 148,98 million and decreased by 3% from 2009.

**Long-term liabilities** in the amount of HRK 251,8 mil. 1% lowers than previous year, and they relate to the long-term loans investments ( HRK 170,0 mil ), bonds ( 75,0) and other liabilities ( HRK 6,7 mil).

**Current liabilities** in the amount of HRK 62,2 mil. is 19% lower than in 2009.

Liabilities to banks were reduced by 62% and liabilities to the suppliers by 20%.

**Accruals and deferred income** in the amount of HRK 0.99 mil is 234% higher than 2009.

**Total liabilities** amounted to HRK 962,55 million, lower by 1% from 2009.

**Conclusion: The Group Jadranka in the 1-9/2010 operated better of the same period in 2009. and worse than planned.**

**Better than the 2009. are operating Jadranka hotels, Jadranka camps, Kamp Slatina and Jadranka d.d., worse of 2009. Jadranka commerce.**

**Total profit of the Group is higher than in 2009., partly because of the extraordinary income from sale of property, without this revenue profit would be better of the 2009.**

**It should be noted increase of long-term financial assets by purchasing shares in Camp Slatina d.o.o, and a decrease in current liabilities by 21% and investment in investment funds.**

**Given the difficult economic situation in Croatia, the business can be assessed positively.**

## ***Jadranka d.d.***

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**Revenues** – generated revenues in the amount of HRK 27,66 mil are 37% higher than planned and 63% higher than in 2009. The difference in relation to the 2009. and plan refers mainly to revenue from sales of assets outstanding amounted to HRK 7,39 mil , the other income are level as plan and 2009. The biggest income is from the business with members of Jadranka Group amounted to HRK of 14,05 mil ( overhead cost and rent) . In 2010. was achieved a revenue from insurance premiums amounted to HRK 4.73 mil , which is 7% less than planned.

**Labor costs** – incurred costs in the amount of HRK 7,5 mil. are 1% lower than planned and 3% lower than in 2009 .

**Departmental costs** – generated in the amount of HRK 3,15 mil are 13% lower than planned and 2009. Greater savings compared to the 2009. related to sponsorship and donations (- HRK 243,000 ), compensation of the members SB (-HRK 288,000 ), the cost of building Dražica (- HRK 299,000 ). In relation to planned the savings related to the ongoing maintenance (- HRK 120,000 ), sponsorship and donations (- HRK 243,000) expenditures from previous years ( - HRK 379,000), while the cost of the commitments under the contracts exceed the plan and 2009. for HRK 310,000 .

**Energy and water** – the cost in the amount of HRK 222,948 is 7% lower than planned and 2009.

**GOP** – all aforementioned items have generated the GOP in the amount of HRK 16,77 mil., which is 92 % better than planned ( HRK 8,7 mil) , and 216 % better than in 2009. ( HRK 5,3 mil).

**Fixed costs** – in the amount of HRK 402.988 are 10% lower than planned and 8% lower than in 2009. The difference relates to water management fees and insurance costs.

**Amortization** – in the amount of HRK 2,57 mil at the planned level and 2009.

**Financial revenues** – the revenues in the amount of HRK 7,35 mil are 6% lower than planned , and 11% lower than 2009. The highest income refers to income from shares in profits from associated companies, amounted to HRK 7.24 mil, while the planned HRK 7.78 mil(in 2009. was achieved HRK 8.3 mil).

**Financial expenditures** – in the amount of HRK 6,24 mil are 10% higher than planned and 22% higher than in 2009. Refers to interest on loans and bonds.

**Profit** - in the amount of HRK 14,89 mil is 91% higher than planned ( HRK 7,8 mil ) and 172% higher than in 2009. ( HRK 5,48 mil).

*Conclusion: Regular business of Jadranka d.d. is mainly at the level of the planned size. The better operating results in relation to the plan are affects to the income of HRK 7,39 mil of the sale of property that is not planned .*

*Jadranka dd Supervisory Board approved the sale of assets not required for operations by the adopted Strategic Plan of Development of the Company.*

*Funds from sale of assets is planned to be invested in the purchase of bonds of Jadranka d.d. that become due in 2012.*

### ***3. Investments 1-9 /2010.***

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***Jadranka Group – total HRK 14.626.190***

***Jadranka hotels - total HRK 4.478.480***

- Parking hotel Aurora - realized the value of HRK 125.000
- Reconstruction of the Hotel Punta - realized the value of HRK 954.000
- Hotel Punta - restructuring of the kitchen - value of work performed HRK 1.100.00
- Hotel Helios - restructuring of the kitchen - value of work performed HRK 93.900
- Hotel Bellevue - restructuring of the kitchen - value of work performed HRK 260.460
- Hotel Aurora - restructuring of the kitchen - value of work performed HRK 526,500
- Hotel Punta - a connection of beach bar to the sewage system - the value of project documentation HRK 18.000
- Sunčana uvala horticultural - the value of work performed HRK 1.400.620

***Jadranka commerce – total HRK 7.715.000***

- Reconstruction of warehouse space in the new bakery and patisseries - value of performed work HRK 7.036.000
  - Reconstruction of Rainfall and sewage in SZZ, and connection to public city sewage system - the value of performed work HRK 679,000

***Jadranka camps – total HRK 1.677.500***

- CAMP BALDARIN – Reconstruction of the toilet - realized value of HRK 1,370,000
- CAMP ČIKAT - MAKING CABLE SEWAGE - the value of project documentation HRK 7,500 (construction in progress, if not submitted a temporary situation),
- CAMP ČIKAT - CREATION OF NEW PLOT - derived value of HRK 300,000

### ***Camp Slatina – total HRK 300.000***

- CAMP SLATINA - CONSTRUCTION SITE FOR MOBILE HOMES - value of performed work HRK 300.000

### ***Jadranka d.d. – total HRK 455.210***

- Residential / Commercial building in Punta Kriza - realized the value of HRK 108,000
- Reconstruction of the entertainment center PUNTA - road design HRK 168,000
- CATERING FACILITIES IN THE BAY Rovenska, CONNECTION TO PUBLIC SEWERAGE - realized the value of HRK 179,210

## ***4. Shareholders' structure***

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### ***Ownership structure of Jadranka d.d. Mali Lošinj as of 30th October 2010.***

<b>Sector</b>	<b>Security ticker</b>	<b>Amount of securities</b>	<b>% share in the share capital</b>
Croatian natural person	JDRA-R-A	68945	20,81
Financial institution	JDRA-R-A	44307	13,33
Issuer-treasury account	JDRA-R-A	27339	8,22
Public sector	JDRA-R-A	8512	2,55
Foreign person	JDRA-R-A	1812	0,48
Company	JDRA-R-A	181569	54,61
<b>Total</b>		<b>332484</b>	<b>100,00</b>

## ***5. Acquisition of the Company's own shares***

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In the period 1-9/2010. there were no acquisitions of the Company's own shares.

## ***6. Statement of the Management on the presentation of true operating data***

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To the best of our knowledge we confirm that:

- 1) the abbreviated set of interim financial statements for the 1-9/2010. , drafted in accordance with the appropriate standards of financial reporting, gives a complete and true representation of the assets and liabilities, profit and loss, financial standing and business operation of the issuer and the companies included in the consolidation as a whole;
- 2) the interim report of the Management contains a true representation of the development and operating results, as well as the standing of the issuer and the companies included in the consolidation, along with a description of the most important risks and uncertainties that the issue and the companies are faced with as a whole.

*Chairman of the Jadranka d.d. Management Board – Sanjin Šolić m.p.*

*Member of the Jadranka d.d. Management Board – Darin Lekić m.p.*

## ***7 .Statement on financial statements’ review***

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Consolidated financial statements of Jadranka d.d. for the period 1-9 /2010. have not been reviewed. Only annual financial statements are subject to review.

*Chairman of the Jadranka d.d. Management Board*

*Sanjin Šolić m.p.*