



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

Mali Lošinj

Consolidated 10-12 / 2010.

***Mali Lošinj , 31st January
2011.***

Contents:

- 1. Company introduction*
- 2. Explanation of operating results*
- 3. Investments*
- 4. Shareholders' structure*
- 5. Acquisition of the Company's own shares*
- 6. Statement of the Management on the presentation of true operating data*
- 7. Statement on financial statements' review*

1. Company introduction

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:

Sector	Security ticker	Amount of securities	% share in the share capital
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
Total		332484	100,00

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

2. Explanation of operating results

Consolidated operation of the Jadranka Group 10 – 12 / 2010.

Jadranka Group generated consolidated operating revenue in the amount of HRK 26,45 mil, which is 24,0% (HRK 8,12 mil) lower than in 2009.

All companies achieved lower revenue than at 2009. , but the biggest impact wears Jadranka commerce decline by 22% , and the cancellation of the insurance revenue by Jadranka d.d. in the amount of HRK 4.1 million.

Revenues from sales in the amount of HRK 24,89 million, for 17% lower than in 2009.

The operating expenditures amount to HRK 63,22 mil., which is 8% higher than in 2009.

Material costs are realized in the amount of HRK 26,27 million, 5% less than in 2009. The fall bears the costs of sold goods , which were lower for sales decline of Jadranka commerce .

Staff costs were realized in the amount of HRK 15,77 million , 4% lower than in 2009.

The cost of amortization amounting to HRK 8,08 mil. is 13% higher than in 2009. The reason is the increased amortization of the reconstructed hotel Aurora and Vespera.

The reserve expenses of HRK 3,2 million were no planed, they relate to judicial dispute in pending.

Other cost of HRK 7,74 million are 20% higher than in 2009.

Financial revenues amount to HRK 2,229 million which is 16% lower than in 2009. Applies to interest to the funds for investment on the Special Account of Jadranka hotels.

Financial expenditures of HRK 5,34 million are 2% higher than in 2009. Growth of the cost of the interests concerning the Aurora and Vespera investments.

The loss of HRK 39,57 mil. is 52% higher than in 2009. (loss 2009. HRK 26,04 mil). Highest loss of HRK 13,53 mil. compared to the 2009. are partly influenced by the worse result of Jadranka commerce , but mostly (HRK 11,0 mil.) by different no planed costs: cancellation of the insurance revenue HRK 4,1 mil. , reserve for judicial dispute HRK 3,2 mil. , cost of unused holiday HRK 1,8 mil. , severance pay HRK 1,9 mil.

Fixed assets amounting HRK 828,5 mil. is 2% lower than in 2009.

Intangible assets in the amount of HRK 8,4 mil. are 366% higher than in 2009.

Assets amounting to HRK 787,96 million for 2% less that in 2009. Reduction refers to the buildings for depreciation, a reduced assets in progress, and investment in real estate because of sale property.

Current assets amounted to HRK 89,17 million are 1% higher than in 2009.

The reserves amounting to HRK 9,3 mil. are 53% lower than previous year . Inventories and raw materials were reduced in order to activate small inventory, stock fell because of reduce the volume of trade and better stock management.

Debtors amounting to HRK 16,67 mil. is 1% lower than last year.

Current financial assets amounting to HRK 60,1 mil is 50% higher than 2009. Growth of investment refers to term deposit in investment funds.

Total assets amount to HRK 918,14 mil., are at the level of 2009.

Capital and reserves amounted to HRK 606,0 mil. for 1,4% 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 48,75 mil. for 12% lower than 2009.

Accumulated losses amounted to HRK 7,1 mil and are higher than HRK 2,5 mil. achieved in 2009.

Loss of the current year amounted to HRK 1,8 mil., and is lower than HRK 9,15 mil. achieved in 2009.

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

Long-term liabilities in the amount of HRK 248,6 mil. 2% higher than previous year. , and they relate to the long-term loans investments (HRK 170,0 mil) , bonds (75,0) and other liabilities (HRK 3,6 mil).

Current liabilities in the amount of HRK 53,1 mil. is 13% lower than in 2009.

Accruals and deferred income in the amount of HRK 0,75 mil is 20% lower than 2009.

Total liabilities amounted to HRK 918,14 million, are at the level of 2009.

Conclusion: The Group Jadranka in the 10 – 12 / 2010 operated worse of the same period in 2009. and planned .

All the company of Jadranka Group operated worse , but for hotels and camps is a out season period , and to the result a bigger influence have a cost , the real problem is the result of Jadranka commerce . A reason is decline of buy possibility of the local people and growing of the competitors .

The loss of HRK 39,57 mil. is 52% higher than in 2009. (loss 2009. HRK 26,04 mil). Highest loss of HRK 13,53 mil. compared to the 2009. are partly influenced by the worse result of Jadranka commerce , but mostly (HRK 11,0 mil.) by different no planed costs: cancellation of the insurance revenue HRK 4,1 mil. , reserve for judicial dispute HRK 3,2 mil. , cost of unused holiday HRK 1,8 mil. , severance pay HRK 1,9 mil.

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

Jadranka d.d. 10 - 12 / 2010

Revenues – generated revenues in the amount of HRK 67% mil. are 69% lower than in 2009. The difference in relation to the 2009. and plan are :

- Overhead cost are achieved in the amount of HRK 1,68 , when in the 2009. and planed were 3,28 mil kn. The difference is related to the decrease of the contract with Jadranka hotels . The decrease is related to the all 2009. , but is account in the last quarter;
- Revenue from insurance that achieved HRK 4,8 mil. in the 1-9/2010. are partly cancelled (HRK 4,08 mil.) in the last quarter, and account to the Retained earnings ;
- Revenues from sales property in the amount of HRK 1,52 mil. are not planed.
- Other revenues are at the level of 2009.

Labor costs – incurred costs in the amount of HRK 2,9 mil. are 12% lower than planned and 15% lower than in 2009 . In the labor cost are included a cost of unused holidays in the amount of HRK 411.989 , that is not planed. Without that a labor cost are 5% lower than planed and 1% lower than 2009.

Departmental costs – generated in the amount of HRK 4,66 mil. are 497% higher than planned (HRK 782.542) and 291% higher than 2009. (HRK 1,19 mil.) .

Greater differences compared to the 2009. and planed are:

- Long-term reserve in the amount of HRK 3,22 mil. , relate to judicial dispute that is pending;
- Severance pay in the amount of HRK 148.889 .

Energy and water – the cost in the amount of HRK 52.359 is 9% higher than planned and 24% lower than at 2009.

GOP – all aforementioned items have generated the GOP in the amount of HRK -6,03 mil., which worse than planned HRK 1,51 mil , and achieved HRK 1,53 mil at 2009.

Fixed costs – in the amount of HRK 122.564 are 12% lower than planned and 3% higher than in 2009. The difference relates to water management fees and insurance costs.

Amortization – in the amount of HRK 830.455 are 5% lower than planned and 6% lower than 2009.

Financial revenues – the revenues in the amount of HRK 448.176 are 94% lower than planned , and 57% lower than 2009. The difference in confront 2009. refers to profits from associated companies, and in confront of the plan the difference concern to the revenue of sale stake of connecting company in the amount of HRK 6,98 mil. that is not achieved.

Financial expenditures – in the amount of HRK 2,18 mil. are 9% lower than planned and 20% lower than in 2009. Refers to interest on loans and bonds.

Profit - the loss in the amount of HRK 8,7 mil. is significant badly that planned (profit of HRK 5,07 mil.) and achieved loss in 2009. (HRK 1,12 mil.).

Conclusion: Regular business of Jadranka d.d. is mainly at the level of the planned size, except for lower revenue of overhead cost, unplanned cost of unused holidays and severance pay.

To the badly result affect : cancellation of insurance revenues HRK 4,08 mil., long-term reserve HRK 3,22 mil., revenue of sale stake of connecting company HRK 6,98 mil. – total HRK 14,26 mil. (the profit are worst than planned for HRK 14,4 mil.). All listed cost are not affected to the cash-flow of the company.

3. Investments 1-12 /2010.

Jadranka Group – total HRK 17.654.025

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 7.796.000

- 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 760,000

Jadranka camps – total HRK 3.472.815

- CAMP BALDARIN – Reconstruction of the toilet - realized value of HRK 1,945,470
- CAMP ČIKAT - MAKING CABLE SEWAGE - the value of project documentation HRK 362,348 (construction in progress, if not submitted a temporary situation),
- CAMP ČIKAT - CREATION OF NEW PLOT - derived value of HRK 1,040,920
 - INSTALLATION OF WASTEWATER TREATMENT PLANT – project documentation , municipal contribution HRK 124.077

Camp Slatina – total HRK 1,448,360

- CAMP SLATINA - CONSTRUCTION SITE FOR MOBILE HOMES - value of performed work HRK 380.000

CAMP SLATINA - CREATION OF 30 NEW PLOT ,” TIMUN” - value of performed work HRK 1,068,360

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

Ownership structure of Jadranka d.d. Mali Lošinj as of 31st December 2010.

Sector	Security ticker	Amount of securities	% share in the share capital
Croatian natural person	JDRA-R-A	68945	20,83
Financial institution	JDRA-R-A	44307	13,84
Issuer-treasury account	JDRA-R-A	27339	8,34
Public sector	JDRA-R-A	8512	2,55
Foreign person	JDRA-R-A	1812	0,41
Company	JDRA-R-A	181569	54,23
Total		332484	100,00

5. Acquisition of the Company's own shares

In the period 1-12/2010. acquired 399 treasury shares representing 0,12001% , after the acquisition Jadranka d.d. at the treasury account has 27.738 shares, or 8,34266%.

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

To the best of our knowledge we confirm that:

- 1) the abbreviated set of interim financial statements for the 10-12/2010. , 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

Consolidated financial statements of Jadranka d.d. for the period 10-12 /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.