



**GROUP ULJANIK PLOVIDBA**

**PRELIMINARY CONSOLIDATED UNAUDITED FINANCIAL  
STATEMENTS**

**FOR THE PERIOD**

**JANUARY - DECEMBER 2010**

Pula, January 2011

CONTENT:

Preliminary Consolidated Financial Statements of GROUP ULJANIK  
PLOVIDBA (unaudited) for the period January – December 2010

Notes

Management Report

Statement of the person responsible for preparing Financial Statements

**APPENDIX 1.**

 Reporting period: 1.1.2010 to 31.12.2010
**Quarterly Financial Statements-TFI-POD**

 Tax number (MB): 03292754

 Registration number (MBS): 040010793

 Personal identification number (OIB): 49693360447

 Issuing company: ULJANIK PLOVIDBA D.D.

 Postal code and place: 52100 PULA

 Street and house number: CARRARINA 6

 E-mail address: uljanik-plovidba@pu.t-com.hr

 Internet address: www.uljanikplovidba.com

 Municipality/city code and name: 359 PULA

 County code and name: 18 ISTARSKA

 Number of employees: 30  
 (quarter end)

 Consolidated report: YES

 Business activity (NKD) code: 5020

Entities in consolidation (according to IFRS):

Registered seat:

Tax number (MB):

<b>ULJANIK PLOVIDBA D.D.</b>	<b>PULA</b>	<b>03292754</b>
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<b>UNITED SHIPPING SERVICES ONE INC.</b>	<b>MONROVIA, LIBERIA</b>	
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<b>REAL D.O.O.</b>	<b>PULA</b>	<b>2044471</b>
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 Bookkeeping service: 

 Contact person: BOJANA MIHAJLOVIĆ

(unosi se samo prezime i ime osobe za kontakt)

 Telephone: 052 492546

 Facsimile: 052 492598

 E-mail address: bojana.mihajlovic@uljanikplovidba.com

 Name and family name: DRAGUTIN PAVLETIĆ

(person authorized to represent the company)

Documents to be published:

1. Financial Statements (Balance Sheet, Profit and Loss Account, Cash Flow Statement, Change in Capital Statement and Notes to Financial Statements)
2. Statement of persons responsible for the drawing-up of financial statements
3. Report of the Management Board on the Company Status

**ULJANIK PLOVIDBA d.d.**

L.S.



(signature of authorized representative)

## CONSOLIDATED BALANCE SHEET

as of 31.12.2010.

in HRK

Position	AOP code	Previous period	Current period
1	2	3	4
<b>ASSETS</b>			
<b>A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL</b>	<b>001</b>		
<b>B) NON-CURRENT ASSETS</b>	<b>002</b>	1.388.179.242	1.510.061.679
I. INTANGIBLE ASSETS	<b>003</b>	2.080	0
II. PROPERTY, PLANT AND EQUIPMENT	<b>004</b>	1.383.248.451	1.505.398.402
III. LONG-TERM FINANCIAL ASSETS	<b>005</b>	4.106.810	4.106.848
IV. RECEIVABLES	<b>006</b>	821.901	556.429
V. DEFERRED TAX ASSET	<b>007</b>		
<b>C) CURRENT ASSETS</b>	<b>008</b>	56.549.288	52.971.213
I. INVENTORIES	<b>009</b>	3.268.849	4.101.965
II. TRADE RECEIVABLES	<b>010</b>	5.283.730	6.540.692
III. SHORT-TERM FINANCIAL ASSETS	<b>011</b>	10.995.081	13.691.753
IV. CASH AND CASH EQUIVALENTS	<b>012</b>	37.001.628	28.636.803
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>013</b>	2.112.702	26.783
<b>E) LOSS ABOVE SUBSCRIBED CAPITAL</b>	<b>014</b>		
<b>F) TOTAL ASSETS</b>	<b>015</b>	1.446.841.232	1.563.059.675
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>016</b>		
<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES</b>	<b>017</b>	548.528.514	621.536.472
I. SHARE (SUBSCRIBED) CAPITAL	<b>018</b>	232.000.000	232.000.000
II. CAPITAL RESERVES	<b>019</b>	-1.720.661	-5.132.712
III. LEGAL RESERVES	<b>020</b>	9.537.798	12.596.730
IV. REVALUATION RESERVES	<b>021</b>	0	29.191.670
V. RETAINED PROFIT	<b>022</b>	256.549.911	257.361.402
VI. LOSS CARRIED FORWARD	<b>023</b>		
VII. PROFIT FOR THE YEAR	<b>024</b>	52.161.466	95.519.382
VIII. LOSS FOR THE YEAR	<b>025</b>		
IX. MINORITY INTEREST	<b>026</b>		
<b>B) PROVISIONS</b>	<b>027</b>	1.805.697	1.945.865
<b>C) NON-CURRENT LIABILITIES</b>	<b>028</b>	681.640.502	725.975.705
<b>D) CURRENT LIABILITIES</b>	<b>029</b>	149.144.989	142.135.584
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>030</b>	65.721.530	71.466.049
<b>F) TOTAL EQUITY AND LIABILITIES</b>	<b>031</b>	1.446.841.232	1.563.059.675
<b>G) OFF BALANCE SHEET ITEMS</b>	<b>032</b>		
<b>BALANCE SHEET SUPPLEMENT (to be completed by entities that prepare consolidated financial statement)</b>			
<b>CAPITAL AND RESERVES</b>			
1. Attributable to majority owners	<b>033</b>	548.528.514	621.536.472
2. Attributable to minority interest	<b>034</b>		

## CONSOLIDATED INCOME STATEMENT

for the period 01.01. to 31.12.2010.

in HRK

Position	AOP code	Previous period		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
<b>I. OPERATING INCOME</b>	<b>035</b>	231.074.232	51.483.114	265.740.272	53.495.352
1. Sales revenue	<b>036</b>	227.412.352	50.023.814	234.827.914	52.532.518
2. Income from own consumption of products, goods and services	<b>037</b>				
3. Other operating income	<b>038</b>	3.661.880	1.459.300	30.912.358	962.834
<b>II. OPERATING EXPENSES</b>	<b>039</b>	182.626.283	52.179.024	198.684.460	48.756.316
1. Decrease of inventories in work in progress and finished products	<b>040</b>				
2. Increase of inventories in work in progress and finished products	<b>041</b>				
3. Material expenses	<b>042</b>	37.258.385	11.879.238	34.476.522	7.779.327
4. Staff costs	<b>043</b>	52.133.693	12.671.232	59.607.018	15.154.266
5. Depreciation and amortisation	<b>044</b>	74.629.356	18.688.047	87.785.824	21.584.987
6. Other expenses	<b>045</b>				
7. Impairment and charges	<b>046</b>	4.707.764	4.707.764	645.945	645.945
8. Provisions	<b>047</b>			227.700	
9. Other operating expenses	<b>048</b>	13.897.085	4.232.743	15.941.451	3.591.791
<b>III. FINANCIAL INCOME</b>	<b>049</b>	35.966.306	849.482	67.797.146	28.493.273
1. Interest, exchange rate fluctuations, dividend and similar from associated companies	<b>050</b>				
2. Interest, exchange rate fluctuations, dividend and similar from non-associated companies	<b>051</b>	35.966.306	849.482	67.797.146	28.493.273
3. Income from investments in associates and joint ventures	<b>052</b>				
4. Unrealised gains (income)	<b>053</b>				
5. Other financial revenue	<b>054</b>				
<b>IV. FINANCIAL EXPENSES</b>	<b>055</b>	30.537.451	5.185.048	39.097.223	8.828.964
1. Interest, exchange rate fluctuations and other costs with associated companies	<b>056</b>				
2. Interest, exchange rate fluctuations and other costs with non-associated companies	<b>057</b>	30.537.451	5.185.048	39.097.223	8.828.964
3. Unrealised losses (costs) from finance assets	<b>058</b>				
4. Other financial expenses	<b>059</b>				
<b>V. EXTRAORDINARY - OTHER INCOME</b>	<b>060</b>				
<b>VI. EXTRAORDINARY - OTHER EXPENSES</b>	<b>061</b>				
<b>VII. TOTAL INCOME</b>	<b>062</b>	267.040.538	52.332.596	333.537.418	81.988.625
<b>VIII. TOTAL EXPENSES</b>	<b>063</b>	213.163.734	57.364.072	237.781.683	57.585.280
<b>IX. PROFIT BEFORE TAXES</b>	<b>064</b>	53.876.804	0	95.755.735	24.403.345
<b>X. LOSS BEFORE TAXES</b>	<b>065</b>	0	5.031.476	0	0
<b>XI. TAXATION</b>	<b>066</b>	1.715.338	428.835	236.353	59.088
<b>XII. NET PROFIT FOR THE PERIOD</b>	<b>067</b>	52.161.466	0	95.519.382	24.344.257
<b>XIII. LOSS FOR THE PERIOD</b>	<b>068</b>	0	5.460.311	0	0
<b>SUPPLEMENT TO INCOME STATEMENT (to be completed by companies that prepare consolidated financial statements)</b>					
<b>XIV.* NET PROFIT ATTRIBUTABLE TO MAJORITY OWNERS</b>	<b>069</b>	52.161.466	0	95.519.382	24.344.257
<b>XV.* NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST</b>	<b>070</b>				
<b>XVI.* LOSS ATTRIBUTABLE TO MAJORITY OWNERS</b>	<b>071</b>		5.460.311		
<b>XVII.* LOSS ATTRIBUTABLE TO MINORITY INTEREST</b>	<b>072</b>				

## CONSOLIDATED CASH FLOW STATEMENT - Indirect method

for the period 1.1.2010 to 31.12.2010

in HRK

Position	AOP code	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	073	53.876.804	95.755.735
2. Depreciation and amortisation	074	79.337.120	87.785.824
3. Increase in short-term liabilities	075	2.297.196	2.431.367
4. Decrease in short-term receivables	076		
5. Decrease in inventories	077		
6. Other increase of cash flow	078	21.982.468	7.970.606
<b>I. Total increase of cash flow from operating activities</b>	<b>079</b>	<b>157.493.588</b>	<b>193.943.532</b>
1. Decrease in short-term liabilities	080		
2. Increase in short-term receivables	081	351.300	1.256.962
3. Increase in inventories	082	153.013	833.116
4. Other decrease in cash flow	083	1.820.921	81.239.896
<b>II. Total decrease in cash flow from operating activities</b>	<b>084</b>	<b>2.325.234</b>	<b>83.329.974</b>
<b>A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>085</b>	<b>155.168.354</b>	<b>110.613.558</b>
<b>A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>086</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash proceeds from sale of non-current tangible and intangible assets	087		132.184.917
2. Cash proceeds from sale of equity and debt security instruments	088		
3. Cash proceeds from interest payment	089		
4. Cash proceeds of dividend payment	090		
5. Other cash proceeds from investing activities	091	38.507.899	
<b>III. Total cash inflow from investing activities</b>	<b>092</b>	<b>38.507.899</b>	<b>132.184.917</b>
1. Cash outflow for acquisition of non-current tangible and intangible assets	093	280.658.295	204.977.546
2. Cash outflow for acquisition of equity and debt security instruments	094	101.600	
3. Other cash outflows from investing activities	095		
<b>IV. Total cash outflow from investing activities</b>	<b>096</b>	<b>280.759.895</b>	<b>204.977.546</b>
<b>B1) NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>097</b>	<b>0</b>	<b>0</b>
<b>B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>098</b>	<b>242.251.996</b>	<b>72.792.629</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Proceeds from issue of equity securities and debt securities	099		50.000.000
2. Proceeds from loans and borrowings	100	186.161.220	280.443.578
3. Other cash inflows from financing activities	101	392.553	265.472
<b>V. Total cash inflows from financing activities</b>	<b>102</b>	<b>186.553.773</b>	<b>330.709.050</b>
1. Repayment of loans and bonds	103	99.644.051	295.549.147
2. Dividends paid	104	22.807.558	23.046.304
3. Repayment of finance lease	105		
4. Purchase of treasury shares	106	1.975.430	2.415.321
5. Other cash outflows from financing activities	107	35.185.316	55.884.032
<b>VI. Total cash outflows from financing activities</b>	<b>108</b>	<b>159.612.355</b>	<b>376.894.804</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>109</b>	<b>26.941.418</b>	<b>0</b>
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>110</b>	<b>0</b>	<b>46.185.754</b>
Total increases of cash flows	111	0	0
Total decreases of cash flows	112	60.142.224	8.364.825
Cash and cash equivalents at the beginning of period	113	97.143.852	37.001.628
Increase of cash and cash equivalents	114		0
Decrease of cash and cash equivalents	115	60.142.224	8.364.825
Cash and cash equivalents at the end of period	116	37.001.628	28.636.803

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

from 1.1.2010 to 31.12.2010

in HRK

Position	AOP code	Previous period	Increase	Decrease	Current period
1	2	31.12. previous year		3	4
1. Subscribed share capital	117	232.000.000			232.000.000
2. Capital reserves	118	-1.720.661		3.412.051	-5.132.712
3. Net income reserves	119	9.537.798	-4.783.098	-7.842.030	12.596.730
4. Retained earnings or loss carried forward	120	308.711.377	26.945.891	78.295.866	257.361.402
5. Net profit (loss) for the period	121		95.519.382		95.519.382
6. Revaluation of property, plant and equipment	122				0
7. Revaluation of intangible assets	123				0
8. Revaluation of available for sale financial assets	124				0
9. Other revaluation	125				0
10. Foreign exchange differences from investments abroad	126		67.206.054	38.014.384	29.191.670
11. Current and deferred taxes (part)	127				0
12. Protection of cash flow	128				0
13. Change of accounting policies	129				0
14. Change of prior period error	130				0
15. Other changes in equity	131				0
<b>16. Total increase or decrease of equity</b>	<b>132</b>	548.528.514	184.888.229	111.880.271	621.536.472
16a. Attributable to majority owners	133	548.528.514	184.888.229	111.880.271	621.536.472
16b. Attributable to minority interest	134				

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2010**

ULJANIK PLOVIDBA, pomorski promet, d.d. Pula, was established in Croatia. The company is registered at the Commercial Court in Pazin.

Uljanik Plovidba d.d. Pula is the 100% owner of its subsidiary UNITED SHIPPING SERVICES ONE INC., registered in Liberia and the 100% owner of the company REAL d.o.o., Pula.

The ownership structure as at 31<sup>st</sup> December 2010 is composed of small shareholders.

The registered office of the Company is at Pula, Carrarina 6, Croatia.

The principal activities of the Company are international maritime transport, providing of services in maritime transport and travel agency operations;

As at 31<sup>st</sup> December 2010 the Group had 30 employees (2009: 29).

The consolidated financial statements for the Group have been prepared in accordance with the International Financial Reporting Standards ('IFRS'), the application of which has been approved by the Croatian Financial Reporting Standards Board.

The financial statements for the Group have been prepared in Croatian currency, kuna (KN), which is the reporting currency of the Group.

The financial statements for the Group have been prepared using the historical cost convention with the exception for the valuation of the vessels by using the fair value.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires from the management to make certain key accounting estimates and judgments in the applying of the accounting policies of the Company.

Subsidiaries are all entities over which the Group Uljanik Plovidba is entitled to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control commences and excluded from consolidation once the control terminates.

The consolidated financial statements of the Group consist of consolidated data from the annual financial statements of Uljanik Plovidba d.d. Pula, Real d.o.o. Pula and the consolidated financial statements of the Group United Shipping Services One. The effects of all intra-group transactions have been eliminated on consolidation.

The following are the notes explaining single categories in the financial statements of the Group:



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2010

1. Operating income for the year 2010 amounts to 265 mil KN while in the year 2009 the same amounted to 231 mil KN. Freight revenues are a bit lower in comparison to the year 2009 due to the situation on the shipping market, however, because of the rise in USD exchange rate, they show an increase when converted to KN. Other income have been increased in the year 2010 due to revenue related to the sale of vessel FR8 Adria and recording of applicable amount of the deferred income on the basis of received government grants for vessels construction.
2. Operating expenses have increased in 2010 with respect to the year 2009 due to the commencement of commissioning of the new tanker Verige in March 2010 and due to the costs of initial outfit of newbuilding 710 – tanker vessel Pomer which has not been delivered until the end of the year.
3. Financial income has increased in comparison to the year 2009 due to the increased transfer of retained profit from previous years and significant foreign exchange gains registered in year 2010. Financial expenses for the year 2010 – interests related to foreign subsidiaries' loans are lower with respect to year 2009 for the reason of further decrease in LIBOR but also due to the lower amount of outstanding loans. However, significant foreign exchange losses (12,2 mil versus 3,6 mil) have resulted in higher total financial expenses in 2010 with respect to year 2009. In 2010 the financial expenses have been increased also for the amount of expenses related to writing off the stake in the company Istria Consult. Net financial income in 2010 amounts to 28,7 mil KN (in 2009: 5,4 mil KN).
4. Non-current assets (property, plant and equipment) have been increased in the first quarter of 2010 what is related to the new tanker vessel Verige which was delivered by the 3.MAJ Shipyard Rijeka on 9<sup>th</sup> March 2010 when also its commissioning began. Tanker vessel FR8 Adria was sold in April 2010. As at 31.12.2010 the book value of the vessels amounts to 1.476 mil KN.
5. In the period from 1.01. to 31.12.2010 the Company purchased treasury shares in the total amount of 6.845 thousand KN and sold treasury shares in the amount of 7.842 thousand KN.
6. Revaluation reserves have been increased for 29.192 thousand KN with respect to balance as at 31.12.2009 which amount corresponds to the adjustment of the investment in the foreign subsidiary at the mean rate of exchange for USD as at 31.12.2010.
7. Current liabilities are mostly referring to short-term borrowings which also include the current portion of long-term borrowings. Such borrowings amount to 115,8 mil KN what is lower than in year 2009 when the same amounted to 125,2 mil KN. All short-term borrowings in foreign currencies were converted in KN by applying the mean rate of exchange of the Croatian National bank as at 31<sup>st</sup> December 2010. Other current liabilities are mostly related to amounts owed to Charterers, brokers and vessels' crew, calculated interests payable and other. Pursuant to the decision of the Company Director dated 16<sup>th</sup> April 2010 and with

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2010

the consent of the Supervisory Board, the Company set up a Program for the issuing of commercial bills. The first tranche of commercial bills in the amount of 50.000.000,00 KN was issued on 3<sup>rd</sup> May 2010 and repaid on 29<sup>th</sup> October 2010.

8. The deferred income was increased for the value of the government grant for newbuilding 709-Verige in the total amount of 22.272 thousand KN, pursuant to the Resolution of the Government of the Republic of Croatia on the adoption of the Programme of construction of vessels for Croatian ship-owners and the Grant Agreement for hulls 708 and 709, entered into on 13<sup>th</sup> February 2009. Also, in the period from January-December 2010 the applicable amount of income from grants from previous years in the amount of 16.546 thousand KN was recorded with the proportional decrease of the deferred income, in accordance with the deferred income recognition plan.
9. The presented financial statements are subject to change and they represent the preliminary unaudited financial statements until the final annual financial statements are accepted by the Management.
10. At the meeting of the Supervisory board held on 17<sup>th</sup> March 2010 the resolution on the payment of an interim dividend in the amount of 20.00 KN per share was passed. Payment was effected on 16<sup>th</sup> April 2010. On 16<sup>th</sup> July 2010 the General Assembly was held which passed the resolution on sharing of the profit for the year 2009. The total amount of the dividend payable to the shareholders established at the Assembly amounted to 21,500,000.00 KN. Since an amount of 10,797,560.00 KN had already been paid as interim dividend, the remaining dividend due amounted to 10,702,440.00 KN. Moreover, the resolution on the division of a part of the profit to the Management and the employees of the Company in the form of a one-off division of treasury shares in the total amount of 1,546,304 KN as well as allocation of the profit to legal reserves in the amount of 2,062,202 KN was also passed at the Assembly.

For the GROUP ULJANIK PLOVIDBA Pula

A handwritten signature in black ink, appearing to read 'D. Pavletić', is written over a faint, circular stamp or watermark.

Dragutin Pavletić  
Director of ULJANIK PLOVIDBA d.d.

Pula, 17<sup>th</sup> January 2011

## MANAGEMENT REPORT FOR THE YEAR 2010

The business activity of ULJANIK PLOVIDBA (Company) and its foreign subsidiaries in the 01-12/2010 period was regular and within the planned parameters. There has been continuity in all business activities particularly those related to further growth of the tanker fleet (by taking delivery of vessel Verige) and regular exploitation of all vessels. In this period the Company:

- maintained regular and stable operation of the Company,
  - took delivery of m/t VERIGE in 3. MAJ Shipyard in Rijeka and sold m/t FR8 Adria,
  - continued with construction of newbuildings in 3. MAJ Shipyard in Rijeka (hull 710 – m/t Pomer and hull 713) and in ULJANIK Shipyard in Pula (hull 488),
  - maintained constant employment of vessels with the continuation of the Company's fleet high efficiency trend,
  - recorded full performance of the Charterers of all vessels and full collection of freights,
  - realised the preliminary consolidated operating income in the amount of 48,3 mil USD (with respect to 43,9 mil USD in the year 2009) and operating expenses in the amount of 36,1 mil USD (with respect to 32,3 mil USD in 2009),
  - maintained high efficiency of vessels' management,
  - proceeded with full implementation of the safety and quality system on the vessels and in the office, with continuous increase in the quality and expertise of the employees and maintenance of a high level of professionalism,
  - fulfilled all its loan payment obligations (with no reprogramming) with the positive effects of low interest rates,
  - kept vessels' operating expenses high due to the Company's policy for maintaining seamen wages,
  - maintained the personnel structure both at sea and on shore.
- In the year 2010 the company also faced:
- more strict conditions of business operation due to the global crisis in both sectors but particularly in tanker sector,
  - difficult financial service caused by the financial crisis,
  - high risk for navigation in certain areas such as Somalia, Aden and West Coast of Africa.

A review of the functions in the company is given below:

### **1. ECONOMIC / FINANCIAL ASPECT**

In the year 2010 the company realised operating income in the amount of 265 mil KN with respect to 231 mil KN in the year 2009. Freight revenues are a bit lower than in 2009 due to the direct impact of the crisis in the shipping market however, because of the rise in USD exchange rate, they show an increase when converted to KN. Other income have been

increased in 2010 due to revenue related to the sale of vessel FR8 Adria and recording of applicable amount of the deferred income based on the received government grants.

In 2010 the total operating expenses have been increased to 198,7 mil KN due to the commencement of commissioning of the new tanker Verige in March 2010 and due to the costs of initial outfit and “delivery” of m/t Pomer, delivery of which, however, has still not been materialised.

In the year 2010 the Company realized a consolidated net profit in the amount of 95,5 mil KN (17,4 mil USD with respect to 12,6 mil USD in 2009).

## **2. PERSONNEL**

As at 31.12.2010 the Company had 30 employees, meaning there has been an increase for one employee. The Company employs exclusively Croatian seafarers on all vessels in its fleet.

## **3. TECHNICAL ASPECT**

No significant technical stoppages were recorded in this period for any of the vessels. The company keeps maintaining high efficiency of vessel exploitation.

## **4. ACQUISITION OF TREASURY SHARES**

In the period from 1<sup>st</sup> January 2010, the Company acquired and disposed of treasury shares in accordance with art. 233, section 3, point 2 of the Companies Act (acquisition and disposal of shares for the requirements of Company employees). The company acquired 11550 treasury shares and disposed of 5650 treasury shares. Pursuant to the resolution of the General Assembly dated 16<sup>th</sup> July 2010, 2067 shares were divided as part of the profit share scheme to the employees and the Director of the Company.

## **5. IMPORTANT EVENTS IN 2010**

In accordance with the Development Strategy of ULJANIK PLOVIDBA d.d. until 2015, the company entered into four contracts for construction of bulk carriers, through its fully owned subsidiary ULJANIK SHIPMANAGEMENT Inc. Monrovia with ULJANIK BRODOGRADILIŠTE d.d. on 18<sup>th</sup> January 2010 and 28<sup>th</sup> June 2010. The newbuildings have been assigned hull numbers 488, 489, 490 and 491. The delivery of the vessels has been scheduled for the end of 2011 and during 2012. The company intends to finance the construction of the said vessels by applying for grants from the Croatian Government's economy recovery measures in addition to traditional sources of financing.

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Director

On 9<sup>th</sup> March 2010 the company took delivery of hull n. 709 – m/t VERIGE from 3.MAJ Shipyard, a product carrier for the transportation of petroleum products and chemicals of 51,800 DWT. The vessel's commercial exploitation began after delivery.

On 24<sup>th</sup> March 2010 the company sold its stake in the company ISTRIA CONSULT d.o.o. Pula.

Pursuant to the resolution of the Director dated 17<sup>th</sup> March 2010 and with the consent of the Supervisory Board, on 16<sup>th</sup> April 2010 the company effected payment of interim dividends for the year 2009 in the amount of 20.00 KN per share.

Pursuant to the resolution of the Director dated 16<sup>th</sup> April 2010 and with the consent of the Supervisory Board, the Company set up a Program for the issuing of commercial bills ("Program"). The total value of the Program is 150 mil KN and it enables the Company to issue several tranches, as instruments of short-term financing, up to the total value of the Program. The duration of the Program is five years and the Arranger and sole Dealer is Raiffeisenbank Austria d.d. The first tranche of commercial bills in the amount of 50,000,000.00 KN has been listed on the Official Market of the Zagreb Stock Exchange on 5<sup>th</sup> May 2010.

On 21<sup>st</sup> April 2010 the shares were listed on the Official market of the Zagreb Stock Exchange. On the same day the Zagreb Stock Exchange and Raiffeisenbank Austria d.d. entered into an Agreement on Market Making obligations for the shares ULJANIK PLOVIDBA (ULPL-R-A).

On 6<sup>th</sup> July 2010 m/t POMER (newbuilding 710) was launched at 3.MAJ Shipyard in Rijeka.

On 16<sup>th</sup> July 2010 a General Assembly of the Company was held at which the resolution was passed on the sharing of profits, which included the payment of dividend to the Shareholders. The total amount destined for payments to the shareholders from the business activity of the Company in the year 2009 amounted to 21,500,000.00 KN, of which 10,797,560.00 were paid as interim dividend, while the remaining dividend due amounted to 10,702,440.00 KN.

Pursuant to the resolution of the General Assembly the Company has paid off dividends to the shareholders who consigned the bank account opening documentation, according to the amendments of the Income Tax Law.

On 26<sup>th</sup> October 2010, the 3.MAJ Shipyard from Rijeka did not deliver m/t POMER to the Buyer despite its contract obligations and delivery notice. The dispute related to delivery of the vessel is still trying to be resolved by an agreement between the parties.

The first tranche of the commercial bills which has been set up in accordance with the Program for the issuing of commercial bills from 16<sup>th</sup> April 2010 was repaid on 29<sup>th</sup> October 2010.

## **6. COMPANY GROWTH**

The Strategy of development of ULJANIK PLOVIDBA d.d. until the year 2015 envisages the continuation of the primary maritime activity in two sectors, transport of dry cargo and transport of petroleum products and chemicals. Accordingly, the Company has on order two additional tankers from 3.MAJ Shipyard (newbuildings 710 and 713) and four dry cargo vessels from ULJANIK BRODOGRADILIŠTE (newbuildings 488-491).

The Company intends to continue participating on the new and second hand vessel market with the purpose to optimise its fleet and fleet efficiency. Even though its principal business will continue to be operation and management of its own fleet, the development of the Company shall also be aimed at ship management for other ship owners.

## **7. COMPANY ACTIVITIES CONCERNING RESEARCH AND DEVELOPMENT**

Within its ship management operations the Company continuously engages in research which is primarily connected with the introduction of new technical solutions and technologies related to vessel exploitation.

## **8. BUSINESS RISKS**

It is well-known that the principal activities that the Company engages in, i.e. international maritime transport and ship management are among the most risky activities and that they are directly connected with significant business risks, of which the currently most risky are:

- global economic trends;
- the risk of interest rate increase;
- significant oscillations in the value of the vessels;
- the risk of strict conditions of business operation;
- long and uncertain period of return on capital;
- fluctuation in the basic costs of business operation;
- workforce fluctuation.

During the present global economic crisis, it is evident that global economic trends are very significant for this branch. Spreading of the financial crisis to the real sector resulted in slowing down of all economies in the world and accordingly the volume of transport has been reduced. All sectors of maritime transport have been affected. It is not realistic to expect an increased trade in goods until the economic activities in the most significant economies of the world primarily USA and China become more intensive. The economic indicators in the last quarter of 2010 are showing recovery of the USA and EU economies (apart from maintaining the unemployment rate high) and in addition to the continuous stable growth of China, India, Brazil and Australia, this is confirming the indication for a global recovery in the year 2011.

The risk of interest rate increase does not represent a significant risk as most of income and costs are related to USD. The interest rates were kept on low level what is very positive and has an important effect in the time of significant investment process. Probably there will

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Director

be corrections in the reference interest rates when business activities become more intensive. I find the further fluctuations in USD exchange rate with respect to other currencies very uncertain.

In the period of crisis, the investment in vessels is very risky due to:

- high amounts needed for building / purchasing vessels,
- long and uncertain period of return on capital,
- significant fluctuations in vessels' prices

The costs related to maritime transport, particularly maintenance, supply, insurance and wages have bigger increase than the income.

The risk of maritime workforce fluctuation is in direct relation with the economic situation in the Republic of Croatia, global supply and demand for such profession, fluctuations in currencies' exchange rates but also with other fluctuations related to maritime activity. Although it is possible to have the workforce fluctuations directed by Company's policy, particularly by developing own workforce as well as by wages policy, on long term it is very uncertain to predict the fluctuations in this sector, especially in Croatia. There is a continuous distance of young people from the maritime profession and all local ship owners are already facing problems in providing the appropriate workforce.

#### **CORPORATE MANAGEMENT CODE**

The Company fully complies with its Corporate Management Code.

#### **SPECIAL NOTE**

The provided financial statements for the year 2010 are preliminary due to the inability to collect all financial documents in short period of time owing to the specifics of the international maritime transport. For this reason, we reserve the right to amend the same within the final annual financial statements. Special attention is to be paid to the effects of impairment related to vessels' value, in accordance with the IAS 36.

Pula, 17<sup>th</sup> January 2011

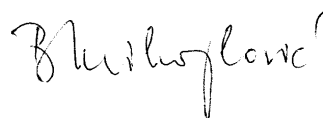
A handwritten signature in black ink, appearing to read 'D. Pavletić', with a large, stylized initial 'D'.

Dragutin Pavletić, Director

## STATEMENT OF THE PERSON RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Unaudited consolidated financial reports of GROUP ULJANIK PLOVIDBA for the period January – December 2010, to the best of my knowledge, have been prepared according to International Financial Reporting Standards and they contain an overall and true presentation of assets, liabilities, losses and profits, the financial position and activities of ULJANIK PLOVIDBA d.d. and the companies included in the consolidation. The same represent the preliminary unaudited financial statements which are subject to changes up to their acceptance by the Management.

Financial-accounting manager



Bojana Mihajlović

Pula, 17 January, 2011