



ULJANIK PLOVIDBA d.d.

PRELIMINARY UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY - DECEMBER 2010

Pula, January 2011

CONTENT:

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

Notes

Management Report

Statement of the person responsible for preparing Financial Statements

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Reporting period:

1.1.2010

to

31.12.2010

Quarterly Financial Statements-TFI-PODTax 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: **NO**Business activity (NKD) code: **5020**

Entities in consolidation (according to IFRS):

Registered seat:

Tax number (MB):

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)

Dokuments 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)

BALANCE SHEET

as of

31.12.2010.

in HRK

Position	AOP code	Previous period	Current period
1	2	3	4
ASSETS			
A) RECEIVABLES FOR SUBSCRIBED NOT PAID CAPITAL	001		
B) NON-CURRENT ASSETS	002	310.691.290	413.004.875
I. INTANGIBLE ASSETS	003	569	
II. PROPERTY, PLANT AND EQUIPMENT	004	3.782.375	3.812.654
III. LONG-TERM FINANCIAL ASSETS	005	304.416.040	389.953.716
IV. RECEIVABLES	006	2.492.306	19.238.505
V. DEFERRED TAX ASSET	007		
C) CURRENT ASSETS	008	39.627.376	47.928.938
I. INVENTORIES	009		
II. TRADE RECEIVABLES	010	21.754.526	21.788.302
III. SHORT-TERM FINANCIAL ASSETS	011	17.633.812	26.015.901
IV. CASH AND CASH EQUIVALENTS	012	239.038	124.735
D) PREPAID EXPENSES AND ACCRUED INCOME	013	26.834	26.783
E) LOSS ABOVE SUBSCRIBED CAPITAL	014		
F) TOTAL ASSETS	015	350.345.500	460.960.596
G) OFF BALANCE SHEET ITEMS			
LIABILITIES			
A) CAPITAL AND RESERVES	017	326.217.053	402.546.798
I. SHARE (SUBSCRIBED) CAPITAL	018	232.000.000	232.000.000
II. CAPITAL RESERVES	019	-1.720.661	-5.132.712
III. LEGAL RESERVES	020	9.537.798	12.596.730
IV. REVALUATION RESERVES	021	0	29.191.670
V. RETAINED PROFIT	022	31.769.506	61.291.409
VI. LOSS CARRIED FORWARD	023		
VII. PROFIT FOR THE YEAR	024	54.630.410	72.599.701
VIII. LOSS FOR THE YEAR	025		
IX. MINORITY INTEREST	026		
B) PROVISIONS	027	1.805.697	1.945.865
C) NON-CURRENT LIABILITIES	028	2.799.115	19.628.088
D) CURRENT LIABILITIES	029	19.378.778	36.744.406
E) ACCRUALS AND DEFERRED INCOME	030	144.857	95.439
F) TOTAL EQUITY AND LIABILITIES	031	350.345.500	460.960.596
G) OFF BALANCE SHEET ITEMS			
BALANCE SHEET SUPPLEMENT (to be completed by entities that prepare consolidated financial statement)			
CAPITAL AND RESERVES			
1. Attributable to majority owners	033		
2. Attributable to minority interest	034		

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
I. OPERATING INCOME	035	35.588.707	14.115.631	35.937.440	3.345.822
1. Sales revenue	036	13.241.656	3.042.302	13.574.831	3.343.824
2. Income from own consumption of products, goods and services	037				
3. Other operating income	038	22.347.051	11.073.329	22.362.609	1.998
II. OPERATING EXPENSES	039	11.337.155	2.757.911	13.583.256	3.598.777
1. Decrease of inventories in work in progress and finished products	040				
2. Increase of inventories in work in progress and finished products	041				
3. Material expenses	042	656.302	117.608	759.950	161.991
4. Staff costs	043	8.127.350	1.982.465	8.686.239	2.168.443
5. Depreciation and amortisation	044	225.191	53.482	206.434	57.088
6. Other expenses	045	2.328.312	604.356	3.056.988	565.310
7. Impairment and charges	046			645.945	645.945
8. Provisions	047			227.700	
9. Other operating expenses	048				
III. FINANCIAL INCOME	049	35.477.546	531.131	68.122.715	28.727.004
1. Interest, exchange rate differences, dividend and similar from associated companies	050	25.614.315		53.187.360	26.379.745
2. Interest, exchange rate differences, dividend and similar from non-associated companies	051	9.863.231	531.131	14.935.355	2.347.259
3. Income from investments in associates and joint ventures	052				
4. Unrealised gains (income)	053				
5. Other financial revenue	054				
IV. FINANCIAL EXPENSES	055	3.383.350	544.115	17.640.845	3.144.313
1. Interest, exchange rate fluctuations and other costs with associated companies	056				
2. Interest, exchange rate fluctuations and other costs with non-associated companies	057	3.383.350	544.115	15.806.752	1.310.220
3. Unrealised losses (costs) from finance assets	058			1.834.093	1.834.093
4. Other financial expenses	059				
V. EXTRAORDINARY - OTHER INCOME	060				
VI. EXTRAORDINARY - OTHER EXPENSES	061				
VII. TOTAL INCOME	062	71.066.253	14.646.762	104.060.155	32.072.826
VIII. TOTAL EXPENSES	063	14.720.505	3.302.026	31.224.101	6.743.090
IX. PROFIT BEFORE TAXES	064	56.345.748	11.344.736	72.836.054	25.329.736
X. LOSS BEFORE TAXES	065	0	0	0	0
XI. TAXATION	066	1.715.338	428.835	236.353	59.088
XII. NET PROFIT FOR THE PERIOD	067	54.630.410	10.915.901	72.599.701	25.270.648
XIII. LOSS FOR THE PERIOD	068	0	0	0	0
SUPPLEMENT TO INCOME STATEMENT (to be completed by companies that prepare consolidated financial statements)					
XIV.* NET PROFIT ATTRIBUTABLE TO MAJORITY OWNERS	069				
XV.* NET PROFIT ATTRIBUTABLE TO MINORITY INTEREST	070				
XVI.* LOSS ATTRIBUTABLE TO MAJORITY OWNERS	071				
XVII.* LOSS ATTRIBUTABLE TO MINORITY INTEREST	072				

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
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	073	56.345.748	72.836.054
2. Depreciation and amortisation	074	225.191	206.434
3. Increase in short-term liabilities	075		687.124
4. Decrease in short-term receivables	076		
5. Decrease in inventories	077		
6. Other increase of cash flow	078	81.189	140.219
I. Total increase of cash flow from operating activities	079	56.652.128	73.869.831
1. Decrease in short-term liabilities	080	875.620	
2. Increase in short-term payables	081	13.169.047	33.775
3. Increase in inventories	082		
4. Other decrease in cash flow	083	1.806.019	285.771
II. Total decrease in cash flow from operating activities	084	15.850.686	319.546
A1) NET INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES	085	40.801.442	73.550.285
A2) NET DECREASE IN CASH FLOW FROM OPERATING ACTIVITIES	086	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash proceeds from sale of non-current tangible and intangible assets	087		
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		
III. Total cash inflow from investing activities	092	0	0
1. Cash outflow for acquisition of non-current tangible and intangible assets	093	96.800	236.146
2. Cash outflow for acquisition of equity and debt security instruments	094	83.418.567	56.346.005
3. Other cash outflows from investing activities	095		
IV. Total cash outflow from investing activities	096	83.515.367	56.582.151
B1) NET CASH FLOW FROM INVESTING ACTIVITIES	097	0	0
B2) NET CASH OUTFLOW FROM INVESTING ACTIVITIES	098	83.515.367	56.582.151
CASH FLOW FROM FINANCING ACTIVITIES			
1. Proceeds from issue of equity securities and debt securities	099		50.000.000
2. Proceeds from loans and borrowings	100	14.409.464	46.317.610
3. Other cash inflows from financing activities	101	1.568.316	
V. Total cash inflows from financing activities	102	15.977.780	96.317.610
1. Repayment of loans and bonds	103	1.454.176	62.810.134
2. Dividends paid	104	22.807.558	23.046.304
3. Repayment of finance lease	105		
4. Purchase of treasury shares	106	1.975.431	2.415.321
5. Other cash outflows from financing activities	107	9.736.187	25.128.287
VI. Total cash outflows from financing activities	108	35.973.352	113.400.046
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES	109	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES	110	19.995.572	17.082.436
Total increases of cash flows	111	0	0
Total decreases of cash flows	112	62.709.497	114.302
Cash and cash equivalents at the beginning of period	113	62.948.534	239.037
Increase of cash and cash equivalents	114		0
Decrease of cash and cash equivalents	115	62.709.497	114.302
Cash and cash equivalents at the end of period	116	239.037	124.735

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	86.399.916		25.108.507	61.291.409
5. Net profit (loss) for the period	121		72.599.701		72.599.701
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
16. Total increase or decrease of equity	132	326.217.053	135.022.657	58.692.912	402.546.798
16a. Attributable to majority owners	133				
16b. Attributable to minority interest	134				

NOTES TO THE FINANCIAL STATEMENTS AS AT 31.12.2010

GENERAL INFORMATION

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 31st 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 31st December 2010 the Company had 30 employees (2009: 29).

The financial statements for the Company have been prepared in accordance with the Law on Accounting and the International Financial Reporting Standards ('IFRS'), the application of which has been approved by the Croatian Financial Reporting Standards Board, and in accordance with the Regulation on the Structure and Content of the Annual Accounts.

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

1. Operating income for the year 2010 is on the level of the last year's income since same as in 2009, it has been recorded the received grant for the construction of the new tanker Verige in the amount of 22.2 mil 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 hull 709 entered into 13th February 2009. Operating expenses are amounting to 13.5 mil KN (in 2009: 11.3 mil KN) and this increase is mostly referring to the costs of current assets value adjustment and costs of bank services related to the issuing of commercial bills.
2. In the period January-December 2010 the Company realised net financial income in the amount of 28.7 mil KN while in the same period of 2009 the net financial income amounted to 5.4 mil KN. In 2010 the financial expenses have been increased due to significant foreign exchange losses incurred due to the adjustment of the loan obligations expressed in USD into their counter-value in KN according to the mean rate of exchange of the Croatian National Bank at the end of the accounting period. The financial income has been increased as a result of significant foreign exchange gains and increased transfer of retained profit from foreign subsidiary pursuant to the resolutions of the Supervisory Board in 2010.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31.12.2010

3. The long-term financial assets have been increased for the value of the received government grant funds which have been recorded in the assets as investment into a subsidiary and due to the adjustment of the value of the investment into the foreign subsidiary into its counter-value in KN according to the mean rate of exchange for the USD at the end of the accounting period. On 31st December 2010 the investments in foreign subsidiary United Shipping Services One Inc. amounted to 69.716.040 USD i.e. 388.196.479 KN.
4. The increase in long-term liabilities refers to the obtained long-term loan which was, after it has been obtained, granted to the foreign subsidiary with the same conditions for the purpose of financing of the vessel. Long-term receivables have been increased for the same amount in the mother company. The long-term USD loans have been expressed in their equivalent value in KN according to the mean rate of exchange of the Croatian National Bank as at 31.12.2010.
5. Short-term liabilities were increased in the year 2010 due to the increase of the value of short-term loan liabilities. The foreign currency loans have been disclosed in their KN equivalent according to the mean rate of exchange of the Croatian National Bank as at 31.12.2010. Pursuant to the decision of the Director dated 16th April 2010 and with the consent of the Supervisory Board, the Company set up a Program for the issuing of commercial bills. The total value of the Program is 150 mil KN. The first tranche of commercial bills in the amount of 50.000.000 KN has been listed on the Official Market of the Zagreb Stock Exchange on 5th May 2010 and has been repaid on 29th October 2010.
6. In 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.
7. Revaluation reserves that were created on the basis of the adjustment of the investment in the foreign subsidiary, at the mean rate of exchange for the USD as at 31.12.2010 amount to 29.192 thousand KN.
8. At the meeting of the Supervisory Board held on 17th 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 16th April 2010. On 16th 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 KN. Since an amount of 10.797.560 KN had already been paid as interim dividend, the remaining dividend due amounted to 10.702.440 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.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31.12.2010

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.

For ULJANIK PLOVIDBA d.d. Pula

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

Dragutin Pavletić
Director of ULJANIK PLOVIDBA d.d.

Pula, 17th 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 1st 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 16th 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 18th January 2010 and 28th 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.

ULJANIK PLOVIDBA d.d.
Director

On 9th 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 24th March 2010 the company sold its stake in the company ISTRIA CONSULT d.o.o. Pula.

Pursuant to the resolution of the Director dated 17th March 2010 and with the consent of the Supervisory Board, on 16th 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 16th 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 5th May 2010.

On 21st 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 6th July 2010 m/t POMER (newbuilding 710) was launched at 3.MAJ Shipyard in Rijeka.

On 16th 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 26th 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 16th April 2010 was repaid on 29th 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

ULJANIK PLOVIDBA d.d.
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, 17th January 2011

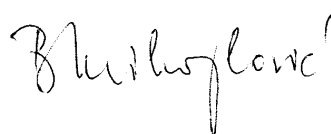
A handwritten signature in black ink, appearing to read 'D. Pavletić', with a large, stylized initial 'D'.

Dragutin Pavletić, Director

STATEMENT OF THE PERSON RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Unaudited financial reports of ULJANIK PLOVIDBA d.d. (hereafter: Company) 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 the Company. 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