GROUP ULJANIK PLOVIDBA

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY - DECEMBER 2010

Pula, April 2011

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ULJANIK PLOVIDBA

GROUP ULJANIK PLOVIDBA
PULA

Audited annual consolidated financial statements for the year ended 31 December 2010

ULJANIK PLOVIDBA

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ULJANIK PLOVIDBA

RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Management of the Parent Company is responsible for ensuring that the 2010 consolidated financial statements are prepared in accordance with the Croatian Accounting Law and International Financial Reporting Standards ('IFRS'), as published by the Financial Reporting Standards Board, which give a true and fair view of the financial position, results of operations, changes in equity and cash flows of the Group for that period.

After making enquiries, the Board of the parent company has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Management has adopted the going concern basis in preparing the consolidated financial statements of the Group.

In the course of preparing of these consolidated financial statements, the responsibilities of the Management include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- the consolidated financial statements are prepared on the going concern basis unless such assumption is not appropriate.

The Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position and results of operations of the Group and must also ensure that the consolidated financial statements comply with the Croatian Accounting Law and International Financial Reporting Standards as published by the Financial Reporting Standards Board. The Management is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management by:

Dragutin Pavletić, director

ULJANIK PLOVIDBA d.d.

Carrarina 6
52100 Pula

Pula, 30th March 2011

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF GROUP ULJANIK PLOVIDBA PULA

We have audited the accompanying consolidated financial statements of the GROUP ULJANIK PLOVIDBA, Pula, for the year ended 31 December 2010, which comprise the consolidated balance sheet as at 31 December 2010 and the related consolidated income statement with comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes (set out on pages 3 to 32).

Management's Responsibility for the Consolidated Financial Statements

The Parent Company's Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying of appropriate accounting policies; and making of accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the preparation and fair presentation of the consolidated financial statements by the Group 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Parent Company's Management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of GROUP ULJANIK PLOVIDBA, Pula, as at 31 December 2010, the results of its operations, changes in its equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Revidas, revizija i konzalting, d.o.o.
Vukovarska 47
Pula

Pula, 31 March 2011

For and on behalf of Revidas d.o.o.:

Sonja Košara
procurator

REVIZIJA I KONZALTING REVIDAS d.o.o PULA

Sonja Košara
certified auditor

GROUP ULJANIK PLOVIDBA , PULA

CONSOLIDATED INCOME STATEMENT WITH COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

(in HRK)	Notes	2010	2009
Sales	3	234,628,394	227,412,352
Other operating income	4	31,735,716	3,661,880
Operating income		**266,364,110**	**231,074,232**
Cost of raw material and supplies		*(228,409)*	*(167,060)*
Other external costs		*(33,815,721)*	*(37,091,325)*
Material costs	5	***(34,044,130)***	**(37,258,385)**
Staff costs	6	***(59,744,547)***	***(52,133,693)***
Depreciation	7	***(87,812,906)***	***(74,629,356)***
Value adjustment of property	8	***(2,882,789)***	***(4,707,764)***
Provisions for risks and charges		***(227,700)***	-
Other operating expenses	9	***(16,105,966)***	***(13,897,085)***
Operating expenses		**(200,818,038)**	**(182,626,283)**
Financial income	10	**68,652,639**	**35,966,306**
Financial expenses	11	**37,288,865**	**30,537,451**
TOTAL INCOME		**335,016,749**	**267,040,538**
TOTAL EXPENSES		**238,106,903**	**213,163,734**
PROFIT BEFORE TAXATION		**96,909,846**	**53,876,804**
Income tax expense	12	(257,196)	(1,715,338)
PROFIT FOR THE YEAR		**96,652,650**	**52,161,466**
Exchange differences on translating foreign operations	39	**29,191,670**	**(9.964.389)**
Tax on net other comprehensive income		**(5,838,334)**	**1.992.878**
Net other comprehensive income		**23,353,336**	**(7.971.511)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		120,005,986	44.189.955

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

GROUP ULJANIK PLOVIDBA, PULA

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2010

(in HRK)	Notes	2010	2009
ASSETS			
Concessions, patents, licences, trade and service marks, software and other rights		-	2,080
Intangible assets	14	**-**	**2,080**
Land and biological assets		3,476,632	3,462,688
Buildings		3,188.273	3,238,920
Vessels		1,473,712,006	1,301,783,207
Other plant and equipment		502,552	421,624
Tangible assets	15	**1,480,879,463**	**1,308,906,439**
Prepayments for investments	16	**22,273,008**	**74,342,012**
Long-term financial assets	17	**4,929,028**	**4,106,810**
Long-term receivables	18	**556,429**	**821,901**
LONG TERM ASSETS		**1,508,637,927**	**1,388,179,242**
Inventories	19	**4,845,345**	**3,268,849**
Trade receivables	20	1,735,772	3,228,952
Amounts due from the state and other institutions	21	1,404,083	31,605
Other receivables	22	9,637,657	2,023,173
Receivables		**12,777,512**	**5,283,730**
Short-term financial assets	23	**13,691,753**	**10,995,081**
Cash and cash equivalents	24	**21,983,963**	**37,001,628**
CURRENT ASSETS		**53,298,573**	**56,549,288**
Prepaid expenses and accrued income	25	**26,783**	**2,112,702**
TOTAL ASSETS		**1,561,963,284**	**1,446,841,232**

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

CONSOLIDATED BALANCE SHEET - continued
AS OF 31 DECEMBER 2010

(in HRK)	Notes	2010	2009
EQUITY AND LIABILITIES			
Share capital	26	232,000,000	232,000,000
Capital reserves		(5,132,712)	(1,720,661)
Legal reserves	27	11,600,000	9,537,798
Reserves for Treasury shares	27	36,382,812	36,382,812
Treasury shares	27	(35,386,082)	(36,382,812)
Revaluation reserves	28	29,191,670	-
Retained profit	29	255,499,719	256,549,911
Profit of the year	30	96,652,650	52,161,466
CAPITAL AND RESERVES	39	**620,808,057**	**548,528,514**
Provisions for retirement costs, severance pays and similar liabilities	31	1,945,865	1,805,697
LONG-TERM PROVISIONS		**1,945,865**	**1,805,697**
Amounts due to banks and other financial institutions	32	724,189,226	681,640,502
LONG-TERM LIABILITIES		**724,189,226**	**681,640,502**
Amounts due to banks and other financial institutions	33	117,505,183	125,241,592
Trade payables	34	9,256,651	7,727,053
Amounts due to employees		732,867	666,455
Taxes, contributions and other duties payable	35	-	493,515
Dividends payable	36	1,202,880	316,679
Other short-term liabilities	37	14,860,079	14,699,695
SHORT-TERM LIABILITIES		**143,557,660**	**149,144,989**
Accrued expenses and deferred income	38	**71,462,476**	**65,721,530**
TOTAL EQUITY AND LIABILITIES		**1,561,963,284**	**1,446,841,232**

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

CONSOLIDATED STATEMENT OF CHANGES IN SHARHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

(in HRK)	Notes	2010	2009
Registered capital	26	232,000,000	232,000,000
Capital reserves		(5,132,712)	(1,720,661)
Reserves from net income	27	12,596,730	9,537,798
Revaluation of long-term assets	28	29,191,670	-
Retained profit	29	255,499,719	256,549,911
Profit of the year	30	96,652,650	52,161,466
Total capital and reserves	39	**620,808,057**	**548,528,514**
Exchange differences on translating foreign operations	39	29,191,670	(9.964.389)
Other changes in capital	39	43,087,873	(2.553.152)
Total increase/(decrease) in capital		**72,279,543**	**(12,517,541)**

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

GROUP ULJANIK PLOVIDBA, PULA

CONSOLIDATED CASH-FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

(in HRK)	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**96,909,846**	**53,876,804**
Depreciation	90,031,315	79,337,120
Increase in current liabilities	2,149,080	2,297,196
Other increases in cash	7,985,468	21,982,468
Total increase in cash from operating activities	**197,075,709**	**157,493,588**
Increase in short-term receivables	(7,493,782)	(351,300)
Increase in inventories	(1,576,496)	(153,013)
Other decreases in cash	(83,122,049)	(1,820,921)
Total decrease in cash from operating activities	**(92,192,327)**	**(2,325,234)**
NET INCREASE IN CASH GENERATED FROM OPERATING ACTIVITIES	**104,883,382**	**155,168,354**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash receipts from sale of long-term intangible and tangible property	132,184,917	-
Total cash receipts from investing activities	**132,184,917**	**-**
Cash paid for purchases of tangible and intangible assets	(204,977,546)	(242,150,396)
Cash paid for acquisition of equity and debt instruments	(840,548)	(101,600)
Total cash expenses from investing activities	**(205,818,094)**	**(242,251,996)**
NET DECREASE IN CASH FROM INVESTING ACTIVITIES	**(73,633,177)**	**(242,251,996)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts from issuance of equity and debt instruments	50,000,000	-
Cash receipts from the loan principal, debentures, advances and other loans	280,361,462	186,161,220
Other cash receipts from financial activities	265,472	392,553
Total cash receipts from financial activities	**330,626,934**	**186,553,773**
Cash expenses for the repayment of loan principal and bonds	(295,549,147)	(99,644,051)
Cash expenses for the payments of dividends	(23,046,304)	(22,807,558)
Cash expenses for the purchase of treasury shares	(2,415,321)	(1,975,430)
Other cash expenses from financial activities	(55,884,032)	(35,185,316)
Total cash expenses from financial activities	**(376,894,804)**	**(159,612,355)**
NET (DECREASE) / INCREASE IN CASH FROM FINANCING ACTIVITIES	**(46,267,870)**	**26,941,418**
Cash and cash equivalents at beginning of period	**37,001,628**	**97,143,852**
Decrease in cash and cash equivalents	**(15,017,665)**	**(60,142,224)**
Cash and cash equivalents at end of period	**21,983,963**	**37,001,628**

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

1. GENERAL

The Group Uljanik Plovidba, Pula and the related Group companies are as follows:

- Uljanik Plovidba d.d. Pula, registered for trade, travel agency operations, coastal and off-shore shipping services, international maritime transport etc.;
- United Shipping Services One Inc., Monrovia, Liberia, 100% owned by Uljanik Plovidba d.d. and the sole owner of the companies United Shipping Services Two Inc., United Shipping Services Three Inc., United Shipping Services Four Inc., United Shipping Services Five Inc., United Shipping Services Six Inc., United Shipping Services Seven Inc., United Shipping Services Eight Inc., United Shipping Services Nine Inc., United Shipping Services Ten Inc., United Shipping Services Eleven Inc., United Shipping Services Fourteen Inc., United Shipping Adriatic Inc., Uljanik Shipmanagement Inc. and Uljanik Tanker Management Inc., constitute the Group UNITED SHIPPING SERVICES ONE. The mentioned foreign companies' business activity is time-chartering of ships;
- Real d.o.o. Pula, registered for construction and agriculture, 100% owned by Uljanik Plovidba d.d.

After the sale of vessels in the years 2006 and 2007, the subsidiaries United Shipping Services Two Inc., United Shipping Services Five Inc. and United Shipping Adriatic Inc., became "sleeping" companies.

The ownership structure as at 31 December 2010 is shown in Note 26.

The registered office of the Group is in Pula, Carrarina 6, Croatia.

As at 31 December 2010, the number of staff employed by the Group Uljanik Plovidba, Pula was 30 (2009: 29).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Set out below are the principal accounting policies applied in the preparation of these consolidated financial statements. The accounting policies have been applied consistently to all the periods covered by the consolidated financial statements, except as stated otherwise.

2.1. Compliance Statement

The financial statements have been prepared in accordance with International Financial Reporting Standards that are accepted in the European Union.

2.2. Basis of preparation

The consolidated financial statements are prepared on an accrual basis of accounting whereby the effects of transactions and other events are recognized when they occur and they are reported in the financial statements of the period to which they relate and under the going concern assumption.

The consolidated financial statements of GROUP ULJANIK PLOVIDBA Pula have been prepared using the historical cost convention.

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.

2.3. Principles and methods of consolidation

a) Subsidiaries

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. Intra-group transactions between Group entities are eliminated at consolidation.

The consolidated financial statements of the Group consist of consolidated data from the year-end 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 at consolidation.

b) Transactions and minority interests

The Group is treating transactions with minority interests as transactions with the entities out of the Group. The results of sale to minority interests are gains/losses which are recognised in the Income statement.

2.4. Reporting currency

The consolidated financial statements of the Group have been prepared in Croatian kuna, which is the measurement i.e. reporting currency of the Group.

2.5. Revenue recognition

Revenue comprises the fair value of completed and billed services in the course of ordinary business. Revenue is stated at invoiced amounts net of value-added tax and any recognised discounts.

2.6. Financial income and expenses

Financial income consists of accrued interest on loans which is determined by using the effective interest method, and foreign exchange gains. Dividend income is recognized in the income statement as of the date on which the dividend is received.

Financial expenses comprise interest on borrowings and credits received determined using the effective interest method, foreign exchange losses, as well as losses on impairment and disposal of financial assets.

2.7. Transactions in foreign currencies

Transactions in currencies other than Croatian kuna are initially recorded at mean exchange rates of the Croatian National Bank ('the CNB') prevailing on the dates of the transactions. Monetary assets, receivables and liabilities denominated in foreign currencies are retranslated at mean exchange rates of the CNB prevailing on the balance sheet date. Profits and losses arising on exchange are included in the income statement for the year.

At 31 December 2010 and 31 December 2009, the exchange rate for USD 1 was HRK 5.57 and HRK 5.09, respectively.

2.8. Income tax

Income tax is determined on the basis of income reported in accordance with Croatian laws and regulations.

Income tax represents current and deferred taxes and is reported in the income statement.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is based on the expected recovery and settlement of the carrying amounts of assets and liabilities, using the tax rates enacted or substantially enacted by the balance sheet date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available to allow the tax asset to be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2.9. Intangible assets

Licences for software are capitalized at cost and the costs are attributable to bringing of the software in the condition for its intended use. These costs are amortized over their useful lives in a period of 5 years.

2.10. Property, plant and equipment

Items of property, plant and equipment are carried at historical cost less accumulated depreciation. Historical cost includes costs directly attributable to bringing an asset in a condition for its intended use. Subsequent improvements are capitalized or, if required, recognized as a separate asset only if future economic benefits will flow to the Company and if the cost of such asset can be measured reliably. All other improvements and maintenance costs are recognized in the income statement in the period in which they arise.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard performance, the expenditures are capitalized i.e. added to the carrying amount of the asset.

Fittings and equipment are classified as non-current assets if their individual useful lives are over one year and individual cost exceeds HRK 3,500.

Property, plant and equipment include land, building, vessels, office equipment and furniture.

According to the broker's valuation, the values of the ships have been adjusted to their market value.

When the market values exceed the carrying values they either need to be adjusted with the market values or value in use has to be calculated by estimating of future cash flows and discounting them by the use of the appropriate discount rate.

Gains and losses on disposal of assets are determined by comparing of the income and the carrying amounts of assets and are captured under "Other net gains/(losses)" in the income statement.

Depreciation of property, vessels, plant and equipment commences when the assets are put in use. Depreciation is provided on a straight-line basis so as to allocate the cost of an asset over its estimated useful life. Depreciation is provided for each asset until it is written-off or until it reaches its residual value, if material.

The estimated useful lives are as follows:

Buildings	100 years
Ships	20 years
Machinery and equipment	10 – 28 years
Inventory and accessories	2 – 10 years

Land is not depreciated because it is considered to have unlimited useful life.

2.11. Investments

Investments in securities are stated at cost. Dividend income is recognised on receipt. Any permanent decrease in value of a certain investment is recognised as expense in the period in which it has been established.

2.12. Trade receivables

Trade and other receivables are initially carried at fair value and are subsequently measured at cost, less any impairment losses. Receivables are impaired and impairment losses are incurred only if there is objective evidence of impairment, as a result of one or more events that occurred after the initial recognition of an asset that have an impact on the estimated future cash flows of the asset that can be reliably estimated. At each balance sheet date the Branch Office assesses whether there is objective evidence that an account receivable is impaired. At each balance sheet date, receivables are subject to an individual review to determine whether there is objective evidence that a trade receivable account might be impaired. If any such evidence exists, the carrying amount of the account receivable is reduced directly or through a separate allowance account. The related impairment loss is charged in the income statement for the year.

2.13. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks, as well as other high liquid instruments with maturities of up to three months.

2.14. Government grants

Government grants related to assets of the subsidiaries (vessels) are recorded as deferred income and recognised as income over the periods necessary to match them with the related costs on a systematic basis.

2.15. Borrowings

All borrowings directly attributable to the acquisition or construction of fixed assets are initially carried at fair value of cash received. In future periods, they are carried at amortised cost. Arrangement and commitments fees are capitalized and amortized over the facility period as an interest expense.

2.16. Employee benefits

(a) Retirement benefits

In the normal course of business, the Parent Company makes contributions on behalf of its employees who are members of mandatory pension funds, in accordance with applicable law. The mandatory pension contributions to the funds are included in the salary cost when they are calculated. The Group has no obligation to provide any post-retirement benefits to its employees.

b) Other long-term employee benefits

Other long-term employee benefits include jubilee-awards and termination benefits which fall due later than 12 months after the balance sheet date.

2.17. Provisions

Provisions are recognised when the related Companies that constitute the Group have a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be measured reliably.

Provisions are determined at the present value of costs expected to be incurred to settle an obligation that reflects the current market assessment of the time value of money and risks specific to the obligation.

2.18. Dividend distribution

Liabilities in respect of dividends payable to the shareholders are recognised in the financial statements in the period in which they are approved by the General Assembly of Shareholders.

2.20. Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.21. Subsequent events

Post-year-end events that provide additional information about the position of the Group at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3. REVENUES

(in HRK)	2010	2009
Domestic revenue	411,872	491,488
Foreign revenue /i/	234,216,522	226,920,864
	234,628,394	**227,412,352**

/i/ This amount represents the revenue of the foreign companies within the Group United Shipping Services One.

4. OTHER OPERATING REVENUES

(in HRK)	2010	2009
Income from sale of the vessel (Note 14)	15,020,527	-
Transferred part of deferred income (Note 38)	16,545,997	3,576,440
Income from reversal of provisions (Note 31)	87,532	71,859
Write-off of trade payables	74,801	-
Other revenues	6,859	13,581
	31,735,716	**3,661,880**

5. COST OF MATERIAL AND SERVICES

(in HRK)	2010	2009
Raw materials and supplies	145,911	94,463
Energy	68,940	63,579
Spare parts and small inventory	13,558	9,018
Raw materials and supplies	**228,409**	**167,060**
Operating ship expenses and docking expenses	24,223,798	27,531,758
Transport, telephone, postage	357,357	323,216
Repairs and maintenance	9,114,528	9,184,816
Rental costs	87,102	29,245
Promotion costs	11,253	2,418
Other	21,683	19,872
Other external services	**33,815,721**	**37,091,325**
	34,044,130	**37,258,385**

6. STAFF COSTS

(in HRK)	2010	2009
Crew salaries based on contracts	51,058,308	44,006,343
Net salaries	4,286,113	4,171,985
Taxes and contributions *from* and *on* salary /i/	4,400,126	3,955,365
	59,744,547	**52,133,693**

/i/ Taxes and contributions *from* and *on* salaries are included in defined pension contributions to mandatory pension funds in Croatia. They are determined at a percentage of the gross salary.

7. DEPRECIATION AND AMORTISATION

(in HRK)	2010	2009
Amortisation (Note 14)	2,080	11,063
Depreciation (Note 15)	87,810,826	74,618,293
	87,812,906	**74,629,356**

8. VALUE-ADJUSTMENT OF TANGIBLE ASSETS

(in HRK)	2010	2009
Impairment of ships (Note 15)	2,218,409	4,707,764
Impairment of financial assets	664,380	-
	2,882,789	**4.707.764**

9. OTHER EXPENSES

(in HRK)	2010	2009
Ship insurance	8,826,787	8,226,867
Fees for administration and management services abroad	4,225,545	3,348,159
Reimbursement of costs to employees /i/	557,442	568,288
Intellectual services	162,961	178,042
Entertainment	303,032	312,370
Supervisory board (gross fees)	176,922	176,881
Contributions and municipal levies	143,470	219,970
Bank charges	252,137	99,332
Depository services and broker commission	821,449	104,053
Insurance	269,887	256,848

(in HRK)	2010	2009
Donations	105,000	182,789
Other expenses	261,334	223,486
	16,105,966	**13,897,085**

/i/ Reimbursement of costs to employees comprise: allowances, benefits of using private cars for official purposes, the cost of transportation to work, termination benefits, jubilee awards and supports.

10. FINANCIAL INCOME

(in HRK)	2010	2009
Interest income	1,280,161	474,894
Foreign exchange gains	13,155,243	9,493,714
Transfer of the retained profit from United Shipping Services One Inc. /i/	53,187,360	25,614,315
Dividend income	189,327	49,794
Value adjustment of investments (Note 17)	840,548	333,589
	68,652,639	**35,966,306**

/i/ Income from investments in subsidiaries is recognised in the period in which the profits are transferred, according to the accounting policy. The stated income in 2010 represents the transfer of the retained profit in the amount of USD 10,000,000 from United Shipping Services One Inc., based on the Supervisory Board Decisions dated 15 September and 25 October 2010.

11. FINANCIAL EXPENSE

(in HRK)	2010	2009
Interest expense	24,167,822	26,899,016
Foreign exchange losses	13,121,043	3,638,435
	37,888,865	**30,537,451**

12. CORPORATE INCOME TAX

The reconciliation between the accounting profit and taxable profit of the Parent company is provided in the table below:

(in HRK)	2010	2009
Profit of the parent company before tax	**50,547,589**	**34,073,200**
Effect of tax disallowable expenses	4,203,434	246,443
Effect of non-taxable profit	(53,465,045)	(25,742,954)
Taxable profit/ (Tax loss) for the year	**1,285,978**	**8,576,689**
Tax rate	20.00%	20.00%
Tax liability for the year	**257,196**	**1,715,338**

13. EARNINGS PER SHARE

Earnings per share in the amount of HRK 178.42 (2009: HRK 95.61) have been determined on the basis of the Group's net profit in the amount of HRK 96,652,650 (2009: HRK 52,161,466 and the weighted average of ordinary shares, reduced for treasury shares, that was 541,703 (2009: 545,519).

14. INTANGIBLE ASSETS

(in HRK)	Total
PURCHASE VALUE	
At 31 December 2008	**92,851**
Additions	-
At 31 December 2009	**92,851**
Additions	-
At 31 December 2010	
ACCUMULATED AMORTISATION	
At 31 December 2008	**79,708**
Amortisation	11,063
At 31 December 2009	**90,771**
Amortisation	2,080
At 31 December 2010	**92,851**
NET BOOK VALUE	
At 31 December 2010	-
At 31 December 2009	**2,080**

Intangible assets consist of investments in software.

14. PROPERTY, PLANT AND EQUIPMENT

(in HRK)	Land and buildings	Plant and equipment	Vessels	Total
Cost				
At 31 December 2008	**8,421,470**	**1,568,382**	**1,268,810,720**	**1,278,800,572**
Additions	169,055	96,800	280,392,440	280,658,295
Retirements, disposals and other	-	(137,411)	-	(137,411)
Exchange differences	-	-	(22,326,681)	(22,326,681)
At 31 December 2009	**8,590,525**	**1,527,771**	**1,526,876,479**	**1,536,994,775**
Additions	52.150	236.146	256.758.254	257.046.550
Retirements, disposals and other /i/	-	(171.133)	(178.247.942)	(178.419.075)
Exchange differences	-	-	161.817.971	161.817.971
At 31 December 2010	**8.642.675**	**1.592.784**	**1.767.204.762**	**1.777.440.221**
Accumulated depreciation				
At 31 December 2008	**1,813,618**	**1,074,242**	**150,683,429**	**153,571,289**
Depreciation charge for the year	72,299	166,071	74,376,923	74,618,293
Value adjustment /i/	-	-	4,707,764	4,707,764
Retirements, disposals and other	-	(134,166)	-	(134,166)
Exchange differences	-	-	(4,674,844)	(4,674,844)
At 31 December 2009	**1,888,917**	**1,106,147**	**225,093,272**	**228,088,336**
Depreciation charge for the year	88,853	155,218	87,566,755	87,810,826
Value adjustment /ii/	-	-	2,218,409	2,218,409
Retirements, disposals and other /i/	-	(171,133)	(46,063,025)	(46,234,158)
Exchange differences	-	-	24,677,345	24,677,345
At 31 December 2010	**1,977,770**	**1,090,232**	**293,492,756**	**296,560,758**
Net book value				
At 31 December 2010	**6,664,905**	**502,552**	**1,473,712,006**	**1,480,879,463**
At 31 December 2009	**6,701,608**	**421,624**	**1,301,783,207**	**1,308,906,439**

/i/ During the year 2010, the vessel FR 8 Adria was sold. At the moment of sale, its carrying value was HRK 132,184,914. Net gain from sale in the amount of HRK equivalent to USD 2,545,920.50 was credited to other operating income (Note 4).

/ii/ Based on estimates obtained from the brokers for the market value of ships that make the fleet of the GROUP ULJANIK PLOVIDBA (vessels: Ebony Point, Pula, Kastav, Volme, Levan, Marlera and Verige), it has been determinated that the total estimated value of the vessels at 31 December 2010 amounts to USD 228,000,000.

By comparing the estimated market value of the vessels "Kastav", "Volme", "Levan", "Marlera" and "Verige" with their current carrying values, it has been determinated that the estimated values were lower than the carrying values of vessels. Accordingly, for the above mentioned ships, in accordance with the International Accounting Standard 36 - Impairment of property, the calculation of the value of property in use was made by estimating future cash flows and discounting them by using of the appropriate discount rate.

On the basis of the mentioned procedures, it was determined that the carrying value of the vessel Verige was higher than the calculated value in use, which led to an adjustment of its value to a lower figure - in the amount of USD 403,346 or HRK 2,218,409. The impairment of the vessel was recorded as an expense of current period.

16. PREPAYMENTS FOR INVESTMENTS

(in HRK)	2010	2009
Prepayments for vessels	22,273,008	74,342,012
	22,273,008	**74,342,012**

The amount of USD 4,000,000 was paid according to the dynamics of payment from the Contract concluded with the Shipyard "3. Maj" d.d. Rijeka, for the construction of a vessel (Hull No. 710).

17. LONG-TERM FINANCIAL ASSETS

(in HRK)	Holding in %	2010	2009
Investments in subsidiaries and shares			
- United Shipping Adriatic Inc. (100 USD)	0,0007%	557	509
- Istarska kreditna banka d.d. Umag		8,300	8,300
- Istarska autocesta d.o.o. Pula /i/	23,425%	4,920,161	4,079,613
- Other investments (Ulda)		10	18,388
		4,929,028	**4,106,810**

/i/ According to the provisions of IFRS, holding of 20% or more of the share capital is recorded by applying the equity method, meaning that the investments have been adjusted with the associate's equity, with parallel crediting of the income statement (Note 10).

18. LONG-TERM RECEIVABLES

(in HRK)	2010	2009
Bunarina d.o.o. Pula	257,003	700,938
Long term receivables from employees /i/	633,487	748,912
Other long-term receivables	37,692	198,004
Total long-term receivables	**928,182**	**1,647,854**
Current portion of long-term receivables (Note 23)	(371,753)	(825,953)
Long-term portion of receivables	**556,429**	**821,901**

/i/ These receivables refer to the sale of treasury shares to employees, with the repayment period from five to ten years.

19. INVENTORIES

(in HRK)	2010	2009
Foodstuff, fuel and lubricant supplies on ships	4,845,345	3,268,849
	4,845,345	**3,268,849**

20. TRADE RECEIVABLES

(in HRK)	2010	2009
Domestic trade debtors	94,059	339,172
Foreign trade debtors	1,641,713	2,889,780
	1,735,772	**3,228,952**

21. AMOUNTS DUE FROM THE STATE AND OTHER INSTITUTIONS

(in HRK)	2010	2009
Income tax refund	1,334,763	-
VAT refund	55,793	30,492
Refund of contributions which do not depend on the operational result	13,527	1,113
	1,404,083	**31,605**

22. OTHER CURRENT ASSETS

(in HRK)	2010	2009
Advances to vessels for the current costs	781,988	561,905
Receivables from the insurers and agents of foreign companies	2,046,145	1,253,906
Interest receivables	96,823	118,542
Prepayments	51,215	46,869
Other receivables */i/*	6,661,486	41,951
	9,637,657	**2,023,173**

/i/ In the stated amount, the amount of HRK 6,640,140 represents cash deposited at Bayerische Hypo und Vereinsbank AG, for the vessel "Marlera".

23. SHORT-TERM FINANCIAL ASSETS

(in HRK)	2010	2009
Short-term loans given to employees */i/*	11,210,000	9,610,000
„Bunarina" d.o.o. Pula	10,000	55,000
„Istria consult" d.o.o. Pula */ii/*	-	504,128
Short-time deposit (Note 33)	500,000	-
Istarska autocesta d.o.o. Pula */iii/*	1,600,000	-
	13,320,000	**10.169.128**
Plus: Current portion of long-term receivables (Note 18)	371,753	825.953
	13,691,753	**10.995.081**

/i/ Increase in short-term loans given to employees in the amount of HRK 1,600,000 was recorded in compliance with the concluded contracts. According to the signed Annexes, the repayment date of the loans from the year 2009 has been prolonged until 25 September 2011, with the interest rate of 8%. Refund of loans is secured by bills of exchange and blank debenture notes.

/ii/ According to the Management decision, the loan has been written-off because of the inability of collection (Note 8).

/iii/ A non interest loan was given to Istarska autocesta d.o.o. Pula, based on the Loan Agreement concluded on 23 September 2010, repayable in one year period.

24. CASH AND CASH EQUIVALENTS

(in HRK)	2010	2009
Current account balance	21,902,963	36,924,060
Foreign account balance	9,182	3,633
Cash in hand	71,818	73,935
	21,983,963	**37,001,628**

25. PREPAID EXPENSES AND ACCRUED INCOME

(in HRK)	2010	2009
Arrangement Fee paid in advance	-	2,085,868
Other	26,783	26,834
	26,783	**2,112,702**

26. SHARE CAPITAL

At 31 December 2010, the share capital of the Parent Company amounted to HRK 232,000,000 and consisted of 541,703 ordinary shares, with a nominal value of HRK 400 per share, and of 38,297 treasury shares.

In the ownership structure as at 31 December 2010, small shareholders accounted for 93.40% and treasury shares accounted for 6.60%.

27. CONSOLIDATED RESERVES FROM NET INCOME

(in HRK)	2010	2009
Legal reserves /i/	**11,600,000**	**9,537,798**
Reserves for treasury shares	36,382,812	36,382,812
Treasury shares (deductible item)	(35,386,082)	(36,382,812)
	996,730	-
	12,596,730	**9,537,798**

/i/ Under Croatian law, a legal reserve is formed of 5% of the profits of the year until such time that the total reserve balance, together with capital gains, reaches 5% of the Company's share capital. The legal reserves represent non-distributable reserves.

28. CONSOLIDATED REVALUATION RESERVES

(in HRK)	2010
At 31 December of the prior year	-
Decrease:	
Value adjustment of investments	29,191,670
At 31 December of the current year /i/	**29,191,670**

/i/ Reserves have been created on the basis of adjustments of the investments in foreign subsidiaries in 2010 (Note 39).

29. CONSOLIDATED RETAINED PROFIT

(in HRK)	2010
At 31 December of the prior year	256,549,911
Increase:	
Allocation part of profit for 2009	29,115,162
Adjustment for exchange differences	24,518,623
Adjustment of the retained profit according to the equity method	565,585
	54,199,370
Decrease:	
Transfer to legal reserves	(2,062,202)
Transfer f the retained profit	(53,187,360)
	(55,249,562)
At 31 December of the current year	**255,499,719**

30. CONSOLIDATED PROFIT FOR THE CURRENT YEAR

In 2010, the Group generated a net consolidated profit in the amount of HRK 96,652,650 (2009: HRK 52,161,466).

31. LONG-TERM PROVISIONS

(in HRK)	2010	2009
Accrued commitments to employees /i/	1,945,865	1,805,697
	1,945,865	**1,805,697**

/i/ The accrued commitments arise from provisions of the IAS 19. In the stated amount, according to the Company's Internal Act, gross termination benefits amount to HRK 890,380 (2009.: HRK 841,260) and gross jubilee-awards amount to HRK 1,055,485 (2009.: HRK 964,437). The increase in accrued commitments to employees amounts to net HRK 140,168. The income statement has been debited for the new provisions made in 2010 in the amount of HRK 227,700, and credited for cancelled provisions from the prior period in the amount of HRK 87,532 (Note 4).

32. LONG TERM LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(in HRK)	Principal	2010	2009
Credit Suisse – United Shipping Services Six Inc.	22,755,000 USD	66,122,193	69,596,177
Credit Suisse – United Shipping Services Seven Inc. /i/	22,755,000 USD	-	69,596,177
Credit Suisse – United Shipping Services Eight Inc.	29,969,576 USD	90,593,099	108,628,951
Raiffeisenbank Austria d.d. Zagreb /ii/	5.000.000 USD	23,665,071	-
HBOR – Uljanik Plovidba d.d.	2,200,000 USD	3,062,539	4,198,673
Bayerische Hypo und Vereinsbank AG – United Shipping Services Nine Inc. /i/	40,137,500 USD	139,971,935	153,378,779
Credit Suisse – United Shipping Services Three Inc.	29,050,000 USD	112,478,690	112,855,227
Credit Suisse – United Shipping Services Four Inc.	30,450,000 USD	112,617,897	112,091,833
Credit Suisse – United Shipping Services Ten Inc.	28,800,000 USD	144,329,093	141,686,112
Credit Suisse- United Shipping Services Eleven Inc. /iii/	21.300.000 USD	112,673,579	-

(in HRK)	Principal	2010	2009
"3. Maj Shipyard" d.d. Rijeka /iv/	7.700.000 USD	26,797,213	-
Total long-term borrowings including current portion		**832,312,107**	**772,031,929**
Capitalized borrowing costs		(6,351,940)	(4,534,937)
Current portion of long-term borrowings (Note 33)		(101,770,941)	(85,856,490)
Long-term borrowings		**724,189,226**	**681,640,502**

/i/ From gains realised by selling the ship "FR 8 Adria" in April 2010, the long-term borrowing of United Shipping Services Seven Inc. due to Credit Suisse has been totally repaid, and the long-term borrowings of United Shipping Services Seven Inc. and United Shipping Services Eight Inc. due to Credit Suisse have been reduced.

/ii/ Pursuant to the loan agreement concluded on 17th March 2010, the amount of USD 5,000,000 was allocated to the bank account of the Company for the purpose of financing of permanent working capital. The loan was approved for five years. The repayment of the loan is secured by blank bills of exchange, promissory notes and a deposit pledge for the amount of USD 1,000,000 by United Shipping Services One Inc. Monrovia, Liberia.

/iii/ In March 2010, pursuant to the loan agreement, Credit Suisse paid to United Shipping Services Eleven Inc. the amount of USD 21,300,000 for the vessel "Verige". The contracted borrowing period expires in 10 years.

/iv/ Liability in HRK equivalent to USD 7,700,000 is based on the Annex No.3 to the Contract of building of the vessel "Verige" (Hull No. 709) from the year 2006, signed on 9 March 2010 between "3.Maj" Shipyard d.d. Rijeka and United Shipping Services Eleven Inc., Monrovia, Liberia.

Long-term borrowings are secured by pledging of shares of the subsidiaries, by first priority mortgages over the ships "Ebony Point", "Pula", "Levan", "Volme", "Marlera", "Kastav" and "Verige". They are also secured by assignment of insurances and the pledging of earnings and retention accounts.

Repayment of long-term borrowings:

2011.	101,770,941
2012.	85,692,616
2013.	78,801,902
2014	104,833,480
2015-2020	461,213,168
	832,312,107

33. SHORT TERM BORROWINGS, DEPOSITS, ETC.

Short-term borrowings are as follows:

(in HRK)	2010	2009
3. Maj Shipyard d.d. Rijeka /i/	-	33,589,380
Hypo Alpe-Adria Bank d.d., Zagreb /ii/	538,387	5,795,722
Splitska banka d.d. Split /iii/	5,387,387	-
Raiffeisenbank Austria d.d. Zagreb /iv/	9,808,111	-
	15,734,242	39.385.102
Current portion of long-term borrowings (Note 32)	101,770,941	85,856,490
	117,505,183	**125,241,592**

/i/ In accordance with Annex No. 3 of the Shipbuilding Contract (Newbuilding 708) liability was fully settled on 4th May 2010.

/ii/ The stated liability refers to a loan approved on the principle of an overdraft facility up to the maximum allowed amount of HRK 2,000,000 (2009: HRK 6,000,000). The overdraft facility is based on the Annex 2 to the basic loan agreement from 2008, concluded on 28 October 2010, which expires on 4 November 2011. The repayment of the loan is secured by blank bills of exchange, blank promissory notes and by establishing of a lien on the deposit paid by Uljanik Plovidba d.d. Pula in the amount of HRK 500,000 (Note 22).

/iii/ Revolving borrowing in the form of an allowed overdraft facility up to the maximum allowed amount of USD 1,000,000 was agreed on 01 March 2010 for regular operations, with maturity on 28th January 2011. The repayment of the loan is secured by promissory notes, bills of exchange and a warranty by the related company United Shipping Services One Inc.

/iv/ On 21 October 2010 the Agreement of authorized overdraft facility in the amount of HRK 10,000,000 was signed. The loan will be used until 14th October 2011. The repayment is secured by blank bills of exchange, promissory notes and the obligation of payment operations in a determinate amount of domestic and foreign currency transactions.

34. TRADE PAYABLES

(in HRK)	2010	2009
Domestic trade payables	233,180	321,072
Foreign trade payables	9,023,471	7,405,981
	9,256,651	**7,727,053**

35. TAXES, CONTRIBUTIONS AND OTHER DUTIES PAYABLE

(in HRK)	2010	2009
Income tax liability	-	493,515
	-	**493,515**

36. DIVIDENDS PAYABLE

(in HRK)	2010	2009
Outstanding dividends payable	1,202,880	316,679
	1,202,880	**316,679**

37. OTHER SHORT-TERM LIABILITIES

(in HRK)	2010	2009
Due to brokers and ship lessees	6,036,482	4,332,577
Due to crew	4,018,258	3,823,802
Interest payable	2,777,088	3,013,321
Due to agents	366,816	620,490
Accruals and other liabilities	1,661,435	2,909,505
	14,860,079	**14,699,695**

38. DEFERRED INCOME

(in HRK)	2010	2009
Deferred income /i/	71,303,124	65,576,573
Other	159,352	144,957
	71,462,476	**65,721,530**

/i/ Increase in deferred revenue in the amount of HRK 22,272,548 was recorded based on government grants received in 2010 for the vessel "Verige". At the same time, the amount of HRK 16,545,997 was included in the income statement in proportion to the depreciation for the year 2010 for the vessels "Ebony Point", "FR8 Adria", "Pula", "Kastav" and "Verige" (Note 4).

39. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in HRK)	Share capital	Capital reserves	Treasury shares	Revaluation and other reserves	Retained profit	Total
At 31 December 2008	**232,000,000**	**175,548**	**(36,303,591)**	**47,591,999**	**317,582,099**	**561,046,055**
Transfer to revaluation reserves	-	-	-	6,675,980	(6,675,980)	-
Value adjustment of the investments	-	-	-	(9,964,389)	-	(9,964,389)
Purchase of treasury shares	-	-	(4,196,620)	-	-	(4,196,620)
Sale of treasury shares	-	-	4,117,399	-	-	4,117,399
Capital gains	-	(1,896,209)	-	-	-	(1,896,209)
Transfer of the retained profit from USSO	-	-	-	-	(25,614,315)	(25,614,315)
Transfer to reserves for treasury shares	-	-	-	79,221	(79,221)	-
Allocation of profit for 2008	-	-	-	1,537,799	(24,345,357)	(22,807,558)
Adjustment of the retained profit according to the equity method	-	-	-	-	231,989	231,989
Profit for 2009	-	-	-	-	52,161,466	52,161,466
Exchange differences	-	-	-	-	(4,549,304)	(4,549,304)
At 31 December 2009	**232,000,000**	**(1,720,661)**	**(36,382,812)**	**45,920,610**	**308,711,377**	**548,528,514**
Value adjustment of the investments	-	-	-	29,191,670	-	29,191,670
Purchase of treasury shares	-	-	(6,845.300)	-	-	(6,845,300)
Sale of treasury shares	-	-	7,842,030	-	-	7,842,030
Capital losses	-	(3,412,051)				(3,412,051)
Transfer of the retained profit from USSO	-	-	-	-	(53,187,360)	(53,187,360)
Allocation of profit for 2009	-	-	-	2,062,202	(25,108,506)	(23,046,304)
Adjustment of the retained profit according to the equity method	-	-	-	-	565,585	565,585
Profit for 2010	-	-	-	-	96,652,650	96,652,650
Exchange differences	-	-	-	-	24,518,623	24,518,623
At 31 December 2010	**232,000,000**	**(5,132,712)**	**(35,386,082**	**77,174,482**	**352,152,369**	**620,808,057**

40. FINANCIAL RISK MANAGEMENT

40.1. Financial risk factors

The Group's activities expose it to a variety of financial risks, including the currency risk, the interest rate risk and the liquidity risk which are managed by the Financial Department and the Management Board of the parent company.

/i/ Currency risk and interest rate risk

Foreign revenues are realized mainly in US dollars. Domestic sales are realized in Croatian Kuna.
Most of the long-term and short-term loans are with a currency clause, linked to USD and EUR. The changes in the exchange rates for USD and EUR affect the performance results of the Group. The Group is also exposed to the interest rate risk as most of the loans are at variable rates.

/ii/ Credit risk

Financial assets that potentially expose the Group to the credit risk consist of cash, trade receivables and other short-term receivables. The Group's cash is held with sound banks. Trade receivables are reduced by an allowance for uncollectible amounts. The credit risk concentration is limited due to the fact that most of the trade receivables, in accordance with the contracts, are collectible in advance.
In the opinion of the management, there is no additional credit risk that could affect the increase in the provisions for impairment of trade and other receivables.

/iii/ Liquidity risk

A prudent liquidity risk management implies maintaining sufficient levels of cash, ensuring availability of financial assets with an adequate amount by means of agreed credit lines and ability to settle all the obligations. The Finance Department monitors regularly the level of available sources of cash.

40.2. Fair value estimates

The carrying amounts of current assets (cash and trade receivables) and current liabilities (trade and other payables) approximate their fair value because of the short-term maturity of those assets and liabilities.

Fair values of fixed assets do not differ significantly from their book values as investments in foreign subsidiaries, which represent the major part of such values, are disclosed in the HRK equivalent using the US dollar exchange rate in effect on the balance sheet date.

41. EVENTS AFTER THE BALANCE SHEET DATE

In accordance with Uljanik Plovidba's Development Strategy until the year 2015, on 28 June 2010, the subsidiary Uljanik Shipmanagement Inc. Monrovia - Liberia (as agent for Uljanik Plovidba d.d.) signed two Shipbuilding Contracts for two new bulk cargo vessels, with Uljanik Shipyard d.d. Pula, Croatia. The newbuildings are numbered as No. 490 and No. 491. The delivery of vessels is scheduled for July and August 2013. The Company intends, in addition to traditional sources of financing, to finance these newbuildings by integrating them in the system of incentives to revive the economy of the Republic of Croatia.

In accordance with the Shipbuilding Contract, the delivery of the vessel "Pomer" (marked as newbuilding No. 710) was scheduled for the end of the October 2010. Because of a dispute concerning the delivery - related to the terms of closing of the financial structure, the delivery was carried out in the Shipyard "3.Maj" d.d. Rijeka on 28 February 2011, after the payment of the entire delivery instalment. The commercial exploitation of the vessel intended for transportation of oil products and chemicals began upon delivery.

According to the Programme of issuing of commercial bills of the Company from 16 April 2010, on 28 January 2011 Uljanik Plovidba d.d. issued Tranche II of the commercial bills in the amount of HRK 70 million on a period of 364 days.
We mention that Uljanik Plovidba d.d., from their own resources, on 29 October 2010 redeemed the Tranche I of the commercial bills in the amount of HRK 50 million, which was issued on 03 May 2010 for a period of 182 days.
Issues were conducted in collaboration with Raiffeinsenbank Austria d.d. Zagreb in the function of agent and dealer. The above-mentioned issues are included in the quotation of the official market of the Zagreb Stock Exchange.

At the Supervisory Board meeting held on 4th March 2011, the Decision of dividend prepayment in the amount of HRK 35.00 per share for each share of the Uljanik Plovidba was brought. Payment will be performed according to the preliminary results of operations for the year 2010.

42. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

a) Significant accounting estimates and sources of estimates

Income tax
The income tax calculation has been prepared on the basis of the current interpretation of applicable laws and regulations. The calculations serving as the basis for the income tax are subject to tax audit reviews by tax authorities.

Impairment of receivables
Receivables are assessed for impairment at each balance sheet date and during the year and reduced by the estimated amount of doubtful receivables. Each debtor is reviewed by reference to its status, the overdue receivables and the stage of litigation if any.

b) Significant accounting judgments used in the application of accounting standards

In addition to the accrued commitments to employees as disclosed in Note 31 the management is of the opinion that no other significant judgments should be disclosed in the consolidated financial statements.

43. PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on the preceding pages were prepared and authorized for issue by the management of the parent company on 29 March 2010.

44. AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year 2010 were audited by the audit firm REVIDAS d.o.o., Vukovarska 47, Pula.

For the **GROUP ULJANIK PLOVIDBA** Pula:

Dragutin Pavletić,
Director of Uljanik Plovidba d.d. Pula

ULJANIK PLOVIDBA d.d.
Director

Pula, 21.04.2011

MANAGEMENT REPORT
FOR THE YEAR 2010

The business activity of ULJANIK PLOVIDBA (the 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 consolidated operating income in the amount of 48,4 mil USD (with respect to 43,9 mil USD in the year 2009) and operating expenses in the amount of 36,5 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 266,3 mil HRK with respect to 231 mil HRK 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 HRK. 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 200,8 mil HRK 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 until the end of year 2010.

In the year 2010 the Company realized a consolidated net profit in the amount of 96,6 mil HRK (17,5 mil USD with respect to 52,1 mil HRK i.e. 9,9 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.

On 9th March 2010 the Company took delivery of hull no. 709 – m/t VERIGE, a product carrier for the transportation of petroleum products and chemicals of 51,800 DWT from 3.MAJ Shipyard. 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 HRK 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 ("the Program"). The total value of the Program is 150 mil HRK 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 HRK has been listed on the Official Market of the Zagreb Stock Exchange on 5th May 2010.

On 21st April 2010 the Company's 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 HRK, of which 10,797,560.00 HRK were paid as interim dividend, while the remaining dividend due amounted to 10,702,440.00 HRK.

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.

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.

On 28th February 2011 the Company took delivery of the Hull no. 710 – m/t POMER from 3.MAJ Shipyard. The vessel's commercial exploitation began thereafter.

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 ordered two additional tankers from 3.MAJ Shipyard (newbuildings 710 and 713) and four dry cargo vessels from ULJANIK Shipyard (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 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.

ULJANIK PLOVIDBA

Pula, 21.04.2011

ULJANIK PLOVIDBA d.d.
Director

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.

Pula, 21st April 2011

Dragutin Pavletić, Director

ULJANIK PLOVIDBA

STATEMENT OF THE PERSON RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Audited 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.

Financial-accounting manager

B Mihajlović

Bojana Mihajlović

Pula, 26th April, 2011

On the meetings of the SUPERVISORY BOARD of ULJANIK PLOVIDBA held on 21st and 26th April 2011, there have been brought the following

D E C I S I O N S

1. Director's Report on the status and business operations of the Company for the FY 2010 has been adopted.

1.1. The proposal of decision has been reffered to the General Assembly in order to bring a separate decision on adoption of the Director's Report on the status and business operations of the Company for the FY 2010.

2. Supervisory Board's Report on the performed supervision of business operations of the Company in FY 2010 has been adopted.

2.1. The proposal of decision has been reffered to the General Assembly in order to bring a separate decision on adoption of the Supervisory Board's Report on the performed supervision of business operations management of the Company in FY 2010.

3. The Annual financial statements for 2010 for the Company and the Group have been accepted.

3.1. Profit and loss account for 2010 for ULJANIK PLOVIDBA d.d. has been accepted as follows:

	2009	2010
TOTAL INCOME	71,066,252.92	104,060,048.18
TOTAL EXPENSES	14,720,505.04	31,239,911.41
PROFIT BEFORE TAX	56,345,747.88	72,820,136.77
INCOME TAX EXPENSE	1,715,337.68	257,195.55
NET PROFIT	54,630,410.20	72,562,941.22

3.2. Consolidated Profit and loss account for 2010 for the GROUP ULJANIK PLOVIDBA has been accepted as follows:

	2009	2010
TOTAL INCOME	267,040,538	335,016,749
TOTAL EXPENSES	213,163,734	238,106,903
PROFIT BEFORE TAX	53,876,804	96,909,846
INCOME TAX EXPENSE	1,715,338	257,196
NET PROFIT	52,161,466	96,652,650

3.3. The Auditor's Report of the independent Auditor - REVIDAS revizija i konzalting, d.o.o. has been accepted.

3.4. By acceptance of the Annual financial statements proposed by Management Board, Annual financial statements for 2010 deem to be adopted pursuant to the article 300.d of the Companies Act.

4. Net profit of the company ULJANIK PLOVIDBA for 2010 amounting to HRK 72,562,941.22 to be allocated as follows:

- HRK 1,000,000.00 to the employees in the form of one-off division of treasury shares
- HRK 725,629.41 to be allocated for pay-off of the stake in the profit to the Management Board in the form of one-off division of treasury shares
- HRK 33,000,000.00 to be allocated for dividends to shareholders, from which the amount of HRK 18,921,105.00 has been already paid as interim dividends
- HRK 37,837,311.81 to be allocated as non-distributed profit.

4.1. The total amount of dividends of HRK 33,000,000.00 to be allocated:

- HRK 18,921,105.00 paid off to shareholders as interim dividend on 29th March 2011;
- HRK 14,078,895.00 will be paid off pursuant to the provisions of the Articles of Incorporation and status on accounts of SKDD on the date of the Resolution of the General Assembly.

4.2. Based on adopted financial statements and decisions on the allocation of profit, The Supervisory Board authorise the Director of the Company to:

- allocate treasury shares to the employees according to criteria which he will determine independently
- allocate the dividend to shareholders of the Company in amounts and terms which he will determine independently

4.3. The Management Board and the Supervisory Board of the Company propose to the General Assembly to adopt the Decision on allocation of profit for 2010 and authorisation given to the Director of the Company.

5. The note of release has been given to the Director of the Company for 2010.

5.1. The proposal of the note of release has been reffered to the General Assembly in order to bring a separate decision on the note of release to the Director.

5.2. The proposal of the note of release to the members of the Supervisory Board has been reffered to the General Assembly in order to bring a separate decision on the note of release to the members of the Supervisory Board.

6. The Company appoints the certified Auditors' company for the year 2011: REVIDAS d.o.o. Pula, with the registered office of the company in Pula.

6.1. Supervisory Board of the Company proposes to the General Assembly to adopt the decision on the appointment of an independent Auditor of the Company for the year 2011.

7. Pursuant to the Article 233. para 1. of the Companies Act, the Decision on acquisition of Company's own shares has been proposed:
   a) period of authorisation for acquisition of 18 months
   b) the maximal number of its own shares that the Company can acquire is 20,000 (twenty thousand)
   c) The Company acquire its own shares on the organised capital market or by contractual transactions
   d) the price of the own shares that the Company acquires and disposes of represent a daily average price, namely, the current or the last realised average price on the Zagreb Stock Exchange.

7.1. The proposal of the Decision on acquisition of Company's own shares has been reffered to the General Assembly in order to bring a separate decision pursuant to the Article 233. para1. of the Companies Act.

8. Mr. Dragutin Pavletić has been appointed as President of the General Assembly.

ULJANIK PLOVIDBA D.D.

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Dragutin Pavletić, Director