



GROUP ULJANIK PLOVIDBA

**PRELIMINARY CONSOLIDATED UNAUDITED FINANCIAL
STATEMENTS**

FOR THE PERIOD

JANUARY - DECEMBER 2011

Pula, January 2012

CONTENT:

Preliminary Consolidated Financial Statements of GROUP ULJANIK
PLOVIDBA (unaudited) for the period January – December 2011

Notes

Management Report

Statement of the person responsible for preparing Financial Statements

APPENDIX 1.

Reporting period:

01.01.2011.

to

31.12.2011.

Quarterly Financial Statements-TFI-POD

 Tax number (MB): **03292754**

 Registration number (MBS): **040010793**

 Personal identification number (OIB): **49693360447**

 Issuing company: **ULJANIK PLOVIDBA D.D.**

 Postal code and place: **52100**
PULA

 Street and house number: **CARRARINA 6**

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

 Internet address: **www.uljanikplovidba.com**

 Municipality/city code and name: **359 PULA**

 County code and name: **18 ISTARSKA**

 Number of employees: **32**
 (quarter end)

 Consolidated report: **YES**

 Business activity (NKD) code: **5020**

Entities in consolidation (according to IFRS):

Registered seat:

Tax number (MB):

ULJANIK PLOVIDBA D.D.
PULA
3292754
UNITED SHIPPING SERVICES ONE INC.
MONROVIA, LIBERIA
REAL D.O.O.
PULA
2044471

Bookkeeping service:

 Contact person: **BOJANA MIHAJLOVIĆ**

(name and surname of the contact person)

 Telephone: **052 211544**

 Facsimile: **052 492598**

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

 Name and family name: **DRAGUTIN PAVLETIĆ**


(person authorized to represent the company)

Documents to be published:

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

ULJANIK PLOVIDBA d.d.

L.S.


 (signature of authorized representative)

BALANCE SHEET
as of 31.12.2011.

Company: ULJANIK PLOVIDBA D.D.			
Position	AOP	Previous period	Current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED AND NON - PAID CAPITAL	001		
B) LONG - TERM ASSETS (003+010+020+029+033)	002	1.508.637.928	1.893.777.258
I. INTANGIBLE ASSETS (004 to 009)	003	0	61.810
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	0	61.810
3. Goodwill	006		
4. Prepayments for purchase of intangible assets	007		
5. Intangible assets in preparation	008		
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 to 019)	010	1.503.152.471	1.888.382.408
1. Land	011	121.829	121.829
2. Buildings	012	3.188.273	3.137.625
3. Plant and equipment	013	502.552	369.143
4. Instruments, plant inventories and transportation assets	014	1.473.712.006	1.881.389.098
5. Biological assets	015	3.354.803	3.364.713
6. Prepayments for tangible assets	016	22.273.008	0
7. Tangible assets in preparation	017		
8. Other material assets	018		
9. Investment in buildings	019		
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	4.929.028	4.929.053
1. Shares (stocks) in related parties	021		
2. Loans given to related parties	022		
3. Participating interests (shares)	023	4.929.028	4.929.053
4. Loans to entrepreneurs in whom the entity hold participating interests	024		
5. Investment in securities	025		
6. Loans, deposits and similar assets	026		
7. Other long - term financial assets	027		
8. Investments accounted by equity method	028		
IV. RECEIVABLES (030 to 032)	029	556.429	403.987
1. Receivables from related parties	030		
2. Receivables based on trade loans	031		
3. Other receivables	032	556.429	403.987
V. DEFERRED TAX ASSETS	033		
C) SHORT- TERM ASSETS (035+043+050+058)	034	53.298.573	52.677.360
I. INVENTORIES (036 to 042)	035	4.845.345	4.606.547
1. Raw material	036	4.845.345	4.606.547
2. Work in progress	037		
3. Finished goods	038		
4. Merchandise	039		
5. Prepayments for inventories	040		
6. Long - term assets held for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	12.777.512	3.357.455
1. Receivables from related parties	044		
2. Accounts receivable	045	1.735.772	2.333.542
3. Receivables from participating entrepreneurs	046		
4. Receivables from employees and shareholders	047		
5. Receivables from government and other institutions	048	1.404.083	39.788
6. Other receivables	049	9.637.657	984.125
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	13.691.753	13.681.502
1. Shares (stocks) in related parties	051		
2. Loans given to related parties	052		
3. Participating interests (shares)	053		
4. Loans to entrepreneurs in whom the entity hold participating interests	054		
5. Investment in securities	055		
6. Loans, deposits and similar assets	056	13.691.753	13.681.502
7. Other financial assets	057		
IV. CASH AT BANK AND IN CASHIER	058	21.983.963	31.031.856
D) PREPAID EXPENSES AND ACCRUED INCOME	059	26.783	25.139
E) TOTAL ASSETS (001+002+034+059)	060	1.561.963.284	1.946.479.757
F) OFF-BALANCE SHEET NOTES	061		

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	620.808.057	619.838.922
I. SUBSCRIBED CAPITAL	063	232.000.000	232.000.000
II. CAPITAL RESERVES	064	-5.132.712	-19.217.000
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	12.596.730	37.877.082
1. Reserves prescribed by law	066	11.600.000	11.600.000
2. Reserves for treasury stocks	067	36.382.812	36.382.812
3. Treasury stocks and shares (deduction)	068	35.386.082	10.105.730
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071	29.191.670	47.798.639
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	255.499.719	291.448.280
1. Retained earnings	073	255.499.719	291.448.280
2. Accumulated loss	074		
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	96.652.650	-6.301.070
1. Profit for the current year	076	96.652.650	
2. Loss for the current year	077		6.301.070
VII. MINORITY INTEREST	078		36.232.991
B) PROVISIONS (080 to 082)	079	1.945.865	1.990.894
1. Provisions for pensions, severance pay and similar liabilities	080	1.945.865	1.990.894
2. Reserves for tax liabilities	081		
3. Other reserves	082		
C) LONG TERM LIABILITIES (084 to 092)	083	724.189.226	908.712.494
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits etc.	085		
3. Liabilities to banks and other financial institutions	086	724.189.226	908.712.494
4. Liabilities for received prepayments	087		
5. Accounts payable	088		
6. Liabilities arising from debt securities	089		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	090		
8. Other long-term liabilities	091		
9. Deferred tax liability	092		
D) SHORT - TERM LIABILITIES (094 to 105)	093	143.557.660	282.329.086
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits etc.	095		
3. Liabilities to banks and other financial institutions	096	117.505.183	166.735.108
4. Liabilities for received prepayments	097		
5. Accounts payable	098	9.256.651	17.060.380
6. Liabilities arising from debt securities	099		70.000.000
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100		
8. Liabilities to employees	101	732.867	386.976
9. Liabilities for taxes, contributions and similar fees	102	0	1.155.660
10. Liabilities to share - holders	103	1.202.880	2.614.254
11. Liabilities for long term assets held for sale	104		
12. Other short - term liabilities	105	14.860.079	24.376.708
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	71.462.476	133.608.361
F) TOTAL CAPITAL AND LIABILITIES(062+079+083+093+106)	107	1.561.963.284	1.946.479.757
G) OFF-BALANCE SHEET NOTES	108		
APPENDIX TO BALANCE SHEET (only for consolidated financial statements)			
A) CAPITAL AND RESERVES			
1. Attributed to equity holders of parent company	109	620.808.057	583.605.931
2. Attributed to minority interests	110	0	36.232.991

Napomena 1.: Dodatak bilanci popunjavaju poduzetnici koji sastavljaju konsolidirane financijske izvještaje.

PROFIT AND LOSS ACCOUNT
for period 01.01.2011. to 31.12.2011.

Company: ULJANIK PLOVIDBA D.D.

Position	AOP	Previous period		Current period	
		Cummulative	Periodical	Cummulative	Periodical
1	2	3	4	5	6
I. OPERATING REVENUES (112+113)	111	266.364.110	54.119.190	203.444.105	55.396.528
1. Sales revenues	112	234.628.394	52.332.998	198.222.690	54.002.628
2. Other operating revenues	113	31.735.716	1.786.192	5.221.415	1.393.900
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	200.818.038	50.889.894	219.270.910	64.924.024
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	34.044.130	7.346.935	40.630.983	15.434.396
a) Raw material and material costs	117	228.409	65.574	174.389	35.894
b) Costs of goods sold	118				
c) Other external costs	119	33.815.721	7.281.361	40.456.594	15.398.502
3. Staff costs (121 to 123)	120	59.744.547	15.291.795	65.446.416	18.596.731
a) Net salaries and wages	121	55.344.421	14.240.953	61.028.319	17.512.834
b) Costs for taxes and contributions from salaries	122	3.125.354	732.607	3.095.604	771.099
c) Contributions on gross salaries	123	1.274.772	318.235	1.322.493	312.798
4. Depreciation	124	87.812.906	21.612.069	96.717.202	26.963.144
5. Other costs	125	16.105.966	3.756.306	16.420.459	3.929.753
6. Impairment (127+128)	126	2.882.789	2.882.789	0	0
a) Impairment of long-term assets (excluding financial assets)	127	2.218.409	2.218.409		
b) Impairment of short-term assets (excluding financial assets)	128	664.380	664.380		
7. Provisions	129	227.700	0	55.850	0
8. Other operating expenses	130				
III. FINANCIAL INCOME (132 to 136)	131	68.652.639	29.348.766	60.977.257	25.972.104
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132	53.187.360	26.379.745	32.841.435	17.459.820
2. Interest income, foreign exchange gains, dividends and similar income from non-related	133	15.465.279	2.969.021	28.135.822	8.512.284
3. Share in income from affiliated entrepreneurs and participating interests	134				
4. Unrealized gains (income) from financial assets	135				
5. Other financial income	136				
IV. FINANCIAL EXPENSES (138 to 141)	137	37.288.865	7.020.606	50.992.570	11.699.374
1. Interest expenses, foreign exchange losses and similar expenses from related parties	138				
2. Interest expenses, foreign exchange losses and similar expenses from non - related parties	139	37.288.865	7.020.606	50.992.570	11.699.374
3. Unrealized losses (expenses) on financial assets	140				
4. Other financial expenses	141				
V. INCOME FROM INVESTMENT SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS	142				
VI. LOSS FROM INVESTMENT SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS	143				
VII. EXTRAORDINARY - OTHER INCOME	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL INCOME (111+131+142 + 144)	146	335.016.749	83.467.956	264.421.362	81.368.632
X. TOTAL EXPENSES (114+137+143 + 145)	147	238.106.903	57.910.500	270.263.480	76.623.398
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	96.909.846	25.557.456	-5.842.118	4.745.234
1. Profit before taxation (146-147)	149	96.909.846	25.557.456	0	4.745.234
2. Loss before taxation (147-146)	150	0	0	5.842.118	0
XII. PROFIT TAX	151	257.196	64.299	1.337.383	334.346
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	96.652.650	25.493.157	-7.179.501	4.410.888
1. Profit for the period(149-151)	153	96.652.650	25.493.157	0	4.410.888
2. Loss for the period (151-148)	154	0	0	7.179.501	0
APPENDIX TO P&L (only for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributed to equity holders of parent company	155	96.652.650	25.493.157	-6.301.070	5.289.319
2. Attributed to minority interests	156			-878.431	-878.431
STATEMENT OF COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	96.652.650	25.493.157	-7.179.501	4.410.888
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)	158	29.191.670	14.412.372	18.606.969	24.054.087
1. Exchange differences on translation of foreign operations	159	29.191.670	14.412.372	18.606.969	24.054.087
2. Movements in revaluation reserves of long-term tangible and intangible assets	160				
3. Profit or loss from revaluation of financial assets available for sale	161				
4. Gains or losses on efficient cash flow hedging	162				
5. Gains or losses on efficient hedge of a net investment in foreign countries	163				
6. Share in other comprehensive income / loss of associated companies	164				
7. Actuarial gains / losses on defined benefit plans	165				
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	5.838.334	2.882.474	3.721.394	4.810.817
IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)	167	23.353.336	11.529.898	14.885.575	19.243.270
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)	168	120.005.986	37.023.055	7.706.074	23.654.158
APPENDIX to Statement of comprehensive income (only for consolidated financial statements)					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
1. Attributed to equity holders of parent company	169	120.005.986	37.023.055	8.584.505	24.532.589
2. Attributed to minority interests	170			-878.431	-878.431

CASH FLOW STATEMENT - Indirect method
period 01.01.2011. to 31.12.2011.

Company: ULJANIK PLOVIDBA D.D.			
Naziv pozicije	AOP oznaka	Prethodno razdoblje	Tekuće razdoblje
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	96.909.846	-5.842.118
2. Depreciation	002	90.031.315	96.717.202
3. Increase in short-term liabilities	003	2.149.080	19.541.500
4. Decrease in short term receivables	004		9.420.059
5. Decrease in inventories	005		238.798
6. Other cash flow increases	006	7.985.468	99.303.982
I. Total increase in cash flow from operating activities (001 to 006)	007	197.075.709	219.379.423
1. Decrease in short - term liabilities	008		
2. Increase in short - term receivables	009	7.493.782	
3. Increase in inventories	010	1.576.496	
4. Other cash flow decreases	011	83.122.049	59.815.717
II. Total decrease in cash flow from operating activities (008 to 011)	012	92.192.327	59.815.717
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	104.883.382	159.563.706
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	015	132.184.917	0
2. Cash inflows from sale of equity and debt financial instruments	016		
3. Interest receipts	017		
4. Dividend receipts	018		
5. Other cash inflows from investing activities	019		
III. Total cash inflows from investing activities(015 to 019)	020	132.184.917	0
1. Cash outflows for purchase of long - term tangible and intangible assets	021	204.977.546	398.060.697
2. Cash outflows for purchase of equity and debt financial instruments	022	840.548	
3. Other cash outflows from investing activities	023		
IV. Total cash outflows from investing activities (021 to 023)	024	205.818.094	398.060.697
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES(020-024)	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES(024-020)	026	73.633.177	398.060.697
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	027	50.000.000	70.000.000
2. Cash inflows from loans, debentures, credits and other borrowings	028	280.361.462	368.393.813
3. Other cash inflows from financing activities	029	265.472	11.358.756
V. Total cash inflows from financing activities (027 to 029)	030	330.626.934	449.752.569
1. Cash outflows for repayment of loans and bonds	031	295.549.147	134.640.620
2. Dividends paid	032	23.046.304	34.725.630
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034	2.415.321	
5. Other cash outflows from financing activities	035	55.884.032	32.841.435
VI. Total cash outflows from financing activities (031 do 035)	036	376.894.804	202.207.685
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	0	247.544.884
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	46.267.870	0
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	0	9.047.893
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	15.017.665	0
Cash and cash equivalents at the beginning of period	041	37.001.628	21.983.963
Increase in cash and cash equivalents	042	0	9.047.893
Decrease in cash and cash equivalents	043	15.017.665	0
Cash and cash equivalents at the end of period	044	21.983.963	31.031.856

STATEMENT OF CHANGES IN EQUITY
from 1.1.2011 to 31.12.2011

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	232.000.000	232.000.000
2. Capital reserves	002	-5.132.712	-19.217.000
3. Reserves from profit	003	12.596.730	37.877.082
4. Retained earnings or accumulated loss	004	255.499.719	291.448.280
5. Profit / loss for the current year	005	96.652.650	-6.301.070
6. Revaluation of long - term tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008		
9. Other revaluation	009	29.191.670	47.798.639
10. Total capital and reserves (AOP 001 to 009)	010	620.808.057	583.605.931
11. Currency gains and losses arising from net investments in foreign operations	011	29.191.670	18.606.969
12. Current and deferred taxes (part)	012		
13. Cash flow hedging	013		
14. Changes in accounting policies	014		
15. Correction of significant errors in prior periods	015		
16. Other changes in capital	016	43.087.873	-55.809.095
17. Total increase or decrease in capital (AOP 011 to 016)	017	72.279.543	-37.202.126
17 a. Attributed to equity holders of parent company	018	72.279.543	-37.202.126
17 b. Attributed to minority interest	019	0	36.232.991

Items decreasing the capital are entered with a negative number sign

Data entered under AOP marks 001 to 009 are entered as situation on the Balance Sheet date

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2011

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 2011 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 Group had 32 employees (2010: 30).

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

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

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

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

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

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

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

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2011

1. Operating income for the year 2011 amounts to 203.4 mil HRK while in the year 2010 the same amounted to 266.3 mil HRK. Freight revenues are lower in comparison to the year 2010 due to the continued lower level of freights on the shipping market, furthermore, because of the downfall in the mean USD exchange rate in 2011, they show an additional decrease when converted to HRK. Other income was higher in the year 2010 due to revenue related to the sale of vessel and due to recognition of the deferred income on the basis of received government grants for vessels construction, while in the year 2011 there has not been any sale of the vessels.
2. Operating expenses have increased in 2011 with respect to the year 2010 due to the dry docking expenses of three vessels, then due to additional expenses related to commencement of commissioning of the new tanker Pomer in February 2011 and new bulk carrier Veruda, delivered in October 2011 and finally, due to the costs of initial outfit of newbuilding 713 – tanker vessel Istra and newbuilding 489 – bulk carrier Stoja.
3. Financial income has decreased in comparison to the year 2010 due to the lower amount of the transferred retained profit from previous years in spite of the significant increase of the foreign exchange gains registered in year 2011. Financial expenses for the year 2011 – interests are higher with respect to year 2010 related to the new loans in the parent company. However, significant foreign exchange losses (20.5 mil versus 13.1 mil in 2010) have resulted in higher total financial expenses in 2011 with respect to year 2010. Net financial income in 2011 amounts to 9.9 mil HRK (in 2010: 31.3 mil HRK).
4. Non-current assets (property, plant and equipment) have been increased in 2011. The new tanker vessel Pomer was delivered by 3.MAJ Shipyard Rijeka on 28th February 2011 when also its commissioning began. By the end of October 2011 the new bulk carrier Veruda was delivered by the shipyard Uljanik Brodogradilište Pula. As at 31.12.2011 the book value of the vessels amounts to 1,881 mil HRK.
5. In the period from 1.01. to 31.12.2011 the Company purchased treasury shares in the total amount of 5,361 thousand HRK and sold treasury shares in the amount of 30,642 thousand HRK.
6. Revaluation reserves have been increased for 18,607 thousand HRK with respect to balance as at 31.12.2010 which amount corresponds to the adjustment of the investment in the foreign subsidiary at the mean rate of exchange for USD as at 31.12.2011.
7. Current liabilities are mostly referring to short-term borrowings which also include the current portion of long-term borrowings. Such borrowings amount to 166.7 mil HRK what is higher than in year 2010 when the same amounted to 117.5 mil HRK. All short-term borrowings in foreign currencies were converted in HRK by applying the mean rate of exchange of the Croatian National bank as at 31st December 2011. Other current liabilities are mostly related to amounts owed

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2011

to Charterers, brokers and vessels' crew, calculated interests payable and other. Pursuant to the decision of the Company 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 second tranche of commercial bills in the amount of 70,000,000.00 HRK has been listed on the Official Market of the Zagreb Stock Exchange on 28th January 2011, with maturity of 364 days.

8. The deferred income was increased for the value of the government grant for newbuilding 710-Pomer in the total amount of 22.563 thousand HRK, pursuant to the Resolution of the Government of the Republic of Croatia on the adoption of the Program of construction of vessels for Croatian ship-owners and the Grant Agreement for hulls 710 and 713, entered into on 12th March 2009. Also, in the period from January-December 2011 the applicable amount of income from grants from previous years in the amount of 5.171 thousand HRK was recorded with the proportional decrease of the deferred income, in accordance with the deferred income recognition plan.
9. Based on the Shareholder Agreement concluded with United Shipping Services One Inc., Uljanik Brodogradilište acquired 45% ownership in foreign company United Shipping Services Twelve Inc., by transferring its receivable in the amount proportional to 45% of the purchase price of the vessel Veruda, into USS12 shareholder's capital. Consequently, the company United Shipping Services One Inc. holds 55% ownership in USS12.
10. At the meeting of the Supervisory board held on 4th March 2011 the resolution on the payment of an interim dividend in the amount of 35.00 HRK per share was passed. Payment was effected on 29th March 2011. On 24th August 2011 the General Assembly of the Company was held which passed the resolution on the sharing of profit for the year 2010. The resolution included division of a part of the profit to the Management and employees of the Company in the form of a one-off division of treasury shares in the amount of 1,725,629.41 HRK, dividend payable to the shareholders in the amount of 33,000,000.00 HRK as well as allocation of profit to retained profit in the amount of 37,837,311.81. The amount remaining after the payment of interim dividend, in the amount of 14,078,895.00 HRK was distributed in accordance with the resolution of the General Assembly and pursuant to the provisions of the Company's Statute, in treasury shares and in cash money, whereby the shareholders who on 16th day of September 2011 were holding 50 and more shares, received treasury shares while the other shareholders who were holding 49 and less shares, received cash money. The value of each treasury share was determined in the amount corresponding to the average price of the Company share realised at the Zagreb Stock Exchange on 16th September 2011, which price amounted to 453.00 HRK. The total number of treasury shares distributed for dividend is 28,102 while the number of treasury shares distributed to the Management and employees of the Company is 2,595.

**NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL
STATEMENTS AS AT 31.12.2011**

11. 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 the GROUP ULJANIK PLOVIDBA Pula



Dragutin Pavletić
Director of ULJANIK PLOVIDBA d.d.

Pula, 16th January 2012

MANAGEMENT REPORT FOR THE YEAR 2011

The business activity of ULJANIK PLOVIDBA (the Company) and its foreign subsidiaries in the period I-XII 2011 was regular, despite very complex circumstances in the world's shipping market in both dry cargo and tanker sectors, which incurred as a direct consequence of the global economic crisis. In this period the Company:

- maintained regular and stable business operation,
- continued with the Program of fleet renewal:
 - took delivery of m/t POMER and m/v VERUDA,
 - continued with construction of newbuilding 713 – m/t ISTRA in the 3. MAJ Shipyard which was launched in October 2011,
 - continued with construction of three 52.000 DWT Bulk Carriers in the ULJANIK Shipyard i.e.:
 - continued with construction of newbuilding 489 - m/v STOJA which is scheduled for delivery in mid February 2012,
 - keel laying for newbuilding 490 and commencement of construction of the newbuilding 491,
- maintained constant employment of vessels with the continuation of the Company's fleet high efficiency trend,
- realised decreased total freight revenue,
- arranged Dry Docking for three vessels (Marlera, Levan and Pula),
- fulfilled all its loan payment obligations (with no reprogramming) with the positive effects of low interest rates,
- 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,
- maintained high efficiency of vessels' management,
- maintained the personnel structure both at sea and on shore.

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

1. COMMERCIAL ASPECT

The commercial result for the period I-XII 2011 has significantly decreased as a direct consequence of decreased freights in the shipping market, Dry Docking of three vessels as well as direct expenses related to the construction and initial outfit of the new vessels in the fleet. At the same time, the mother company realised net profit of 57,3 mil HRK while the Uljanik Plovidba Group realised consolidated loss of 6,3 mil HRK.

2. PERSONNEL

As at 31.12.2011 the Company had 32 employees. The Company employs exclusively Croatian seafarers on all vessels in its fleet.

3. TECHNICAL ASPECT

Three vessels underwent regular Dry Docking while other vessels had no significant technical stoppages in this period. The company keeps maintaining high efficiency of vessel exploitation.

4. ACQUISITION OF TREASURY SHARES

In the period I-XII 2011, the Company acquired treasury shares in accordance with art. 233, section 1, point 2 of the Companies Act (acquisition for the requirements of Company employees) and from establishing of the Repurchasing of Own Shares Program in November 2011, also in accordance with art. 233, section 1 of the Companies Act. The company acquired treasury shares in the amount of 5.361 thousand HRK and disposed of treasury shares in the amount of 30.642 thousand HRK.

5. IMPORTANT EVENTS IN 2011

On 28th February 2011 in 3. MAJ Shipyard in Rijeka the Company took delivery of Hull no. 710 – m/t POMER, a product carrier for the transportation of petroleum products and chemicals of 51.800 DWT. The vessel's commercial exploitation began after delivery.

In accordance with the established Program for the issuing of commercial bills with the total value of 150 mil HRK which enables the Company to issue several tranches as instruments of short-term financing, the second tranche of commercial bills in the amount of 70.000.000,00 HRK has been listed on the Official Market of the Zagreb Stock Exchange on 28th January 2011, with maturity of 364 days.

Pursuant to the resolution of Director dated 4th March 2011 and with the consent of the Supervisory Board, on 29th March 2011 the Company effected payment of interim dividends for the year 2010 in the amount of 35,00 HRK per share.

On 17th June 2011 launching of the first (hull no. 488 – m/v VERUDA) of four ordered bulk carriers of 52.000 DWT took place in ULJANIK Shipyard in Pula.

On 24th August 2011 the General Assembly of the Company was held which passed the resolution on the sharing of profit for the year 2010. The resolution included division of a part of the profit to the Management and employees of the Company in the form of a one-off division of treasury shares in the amount of 1.725.629,41 HRK, dividend payable to the shareholders in the amount of 33.000.000,00 HRK as well as allocation of profit to retained profit in the amount of 37.837.311,81. The amount remaining after the payment of interim dividend, in the amount of 14.078.895,00 HRK was distributed in accordance with the resolution of the General Assembly and pursuant to the provisions of the Company's Statute, in treasury shares and in cash money, whereby the shareholders who on 16th day of September 2011 were holding 50 and more shares, received treasury shares while the other shareholders who were holding 49 and less shares, received cash money. The value of each treasury share was determined in the amount corresponding to the average price of the Company share realised at the Zagreb Stock Exchange on 16th September 2011, which price amounted to

D I R E C T O R

453,00 HRK. The total number of treasury shares distributed for dividend is 28.102 while the number of treasury shares distributed to the Management and employees of the Company is 2.595.

On 28th October 2011 the following events took place at the ULJANIK Shipyard in Pula: delivery of m/v VERUDA as a joint project of the Company and ULJANIK Shipyard, which commenced with commercial exploitation immediately thereafter, launching of the second vessel from the series (newbuilding 489 – m/v STOJA) and keel laying for the third bulk carrier from the series (newbuilding 490).

On 29th October 2011 launching of newbuilding 713 - m/t ISTRA, 51.800 DWT product carrier for the transportation of petroleum products and chemicals took place at the 3. MAJ Shipyard in Rijeka. The delivery of the vessel is expected in spring of 2012.

On 10th November 2011 the Company established the Repurchasing of Own Shares Program. Pursuant to the General Assembly resolution of 24th August 2011, the Program is stipulating the terms and conditions for acquiring own shares in accordance with the provisions of art. 233, section 1, of the Companies Act.

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 the last tanker vessel in 3. MAJ Shipyard (newbuilding 713) and three Bulk Carriers in ULJANIK Shipyard (newbuildings 489-491). 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 and changes in exchange rate between USD and other currencies;
- significant oscillations in the value of the vessels;
- the risk of strict conditions of business operation;

DIRECTOR

- long and uncertain period of return on capital;
- fluctuation in the basic costs of business operation;
- workforce fluctuation.

9. CORPORATE MANAGEMENT CODE

The Company fully complies with its Corporate Management Code.

Pula, 17th January 2012

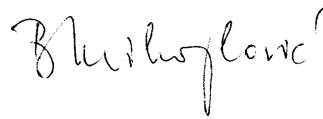


Dragutin Pavletić, Director

STATEMENT OF THE PERSON RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Unaudited consolidated financial reports of GROUP ULJANIK PLOVIDBA for the period January – December 2011, to the best of my knowledge, have been prepared according to International Financial Reporting Standards and they contain an overall and true presentation of assets, liabilities, losses and profits, the financial position and activities of ULJANIK PLOVIDBA d.d. and the companies included in the consolidation. The same represent the preliminary unaudited financial statements which are subject to changes up to their acceptance by the Management.

Financial-accounting manager



Bojana Mihajlović

Pula, 16th January, 2012