ULJANIK PLOVIDBA

GROUP ULJANIK PLOVIDBA

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY - DECEMBER 2011

Pula, April 2012

CONTENT:

ULJANIK PLOVIDBA

GROUP ULJANIK PLOVIDBA
PULA

Audited annual consolidated financial statements for the year ended 31 December 2011

ULJANIK PLOVIDBA

CONTENTS

ULJANIK PLOVIDBA

RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Management of the Parent Company is responsible for ensuring that the 2011 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, 28th March 2012

REVIDAS

Revizija i konzalting d.o.o.

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 2011, which comprise the consolidated balance sheet as at 31 December 2011 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 33).

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 2011, 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, 29th March 2012

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

REVIJA I KONZALTING REVIDAS d.o.o. PULA

Sonja Košara
procurator

Jasna Duić-Bilić
certified auditor

GROUP ULJANIK PLOVIDBA , PULA

CONSOLIDATED INCOME STATEMENT WITH COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

(in HRK)	Notes	2011	2010
Sales	3	198,204,027	234,628,394
Other operating income	4	5,221,415	31,735,716
Operating income		**203,425,442**	**266,364,110**
Cost of raw material and supplies		*(176,494)*	*(228,409)*
Other external costs		*(40,613,572)*	*(33,815,721)*
Material costs	5	***(40,790,066)***	***(34,044,130)***
Staff costs	6	***(65,433,391)***	***(59,744,547)***
Depreciation	7	***(96,710,778)***	***(87,812,906)***
Value adjustment of property	8	-	***(2,882,789)***
Provisions for risks and charges		***(55,850)***	***(227,700)***
Other operating expenses	9	***(16,483,901)***	***(16,105,966)***
Operating expenses		**(219,473,986)**	**(200,818,038)**
Financial income	10	**60,986,606**	**68,652,639**
Financial expenses	11	**(51,407,799)**	**(37,288,865)**
TOTAL INCOME		**264,412,048**	**335,016,749**
TOTAL EXPENSES		**270,881,785**	**238,106,903**
(LOSS) / PROFIT BEFORE TAXATION		**(6,469,737)**	**96,909,846**
Loss of the minority interest		**888,070**	**-**
Income tax expense	12	(1,345,603)	(257,196)
(LOSS) / PROFIT FOR THE YEAR		**(6,927,270)**	**96,652,650**
Exchange differences on translating foreign operations	39	**18,606,969**	**29,191,670**
Tax on net other comprehensive income		**(3,721,394)**	**(5,838,334)**
Net other comprehensive income		**14,885,575**	**23,353,336**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,958,308**	**120,005,986**

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

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2011

(in HRK)	Notes	2011	2010
ASSETS			
Concessions, patents, licences, trade and service marks, software and other rights		61,810	-
Intangible assets	14	**61,810**	**-**
Land and biological assets		3,486,542	3,476,632
Buildings		3,137,626	3,188.273
Vessels		1,881,389,099	1,473,712,006
Other plant and equipment		369,142	502,552
Tangible assets	15	**1,888,382,409**	**1,480,879,463**
Prepayments for investments	16	**-**	**22,273,008**
Long-term financial assets	17	**4,521,896**	**4,929,028**
Long-term receivables	18	**411,412**	**556,429**
LONG TERM ASSETS		**1,893,377,527**	**1,508,637,927**
Inventories	19	**6,687,111**	**4,845,345**
Trade receivables	20	632,258	1,735,772
Amounts due from the state and other institutions	21	40,376	1,404,083
Other receivables	22	3,624,522	9,637,657
Receivables		**4,297,156**	**12,777,512**
Short-term financial assets	23	**13,674,077**	**13,691,753**
Cash and cash equivalents	24	**29,256,768**	**21,983,963**
CURRENT ASSETS		**53,915,112**	**53,298,573**
Prepaid expenses and accrued income	25	**19,309**	**26,783**
TOTAL ASSETS		**1,947,311,948**	**1,561,963,284**

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

CONSOLIDATED BALANCE SHEET - continued
AS OF 31 DECEMBER 2011

(in HRK)	Notes	2011	2010
EQUITY AND LIABILITIES			
Share capital	26	232,000,000	232,000,000
Capital reserves		(19,217,000)	(5,132,712)
Legal reserves	27	11,600,000	11,600,000
Reserves for Treasury shares	27	36,382,812	36,382,812
Treasury shares	27	(10,105,730)	(35,386,082)
Revaluation reserves	28	47,798,639	29,191,670
Retained profit	29	291,423,286	255,499,719
Profit of the year	30	(6,927,270)	96,652,650
Minority interest		80,875,917	-
CAPITAL AND RESERVES	39	**663,830,654**	**620,808,057**
Provisions for retirement costs, severance pays and similar liabilities	31	1,990,894	1,945,865
LONG-TERM PROVISIONS		**1,990,894**	**1,945,865**
Amounts due to banks and other financial institutions	32	925,517,571	724,189,226
LONG-TERM LIABILITIES		**925,517,571**	**724,189,226**
Amounts due to banks and other financial institutions	33	149,930,031	117,505,183
Commercial bills	35	70,000,000	-
Trade payables	36	17,859,794	9,256,651
Amounts due to employees		748,337	732,867
Taxes, contributions and other duties payable	37	809,587	-
Dividends payable	38	2,614,254	1,202,880
Other short-term liabilities	39	25,055,953	14,860,079
SHORT-TERM LIABILITIES		**267,017,956**	**143,557,660**
Accrued expenses and deferred income	40	**88,954,873**	**71,462,476**
TOTAL EQUITY AND LIABILITIES		**1,947,311,948**	**1,561,963,284**

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 2011

(in HRK)	Notes	2011	2010
Registered capital	26	232,000,000	232,000,000
Capital reserves		(19,217,000)	(5,132,712)
Reserves from net income	27	37,877,082	12,596,730
Revaluation of long-term assets	28	47,798,639	29,191,670
Retained profit	29	291,423,286	255,499,719
Profit of the year	30	(6,927,270)	96,652,650
	31	80,875,917	-
Total capital and reserves	41	**663,830,654**	**620,808,057**
Exchange differences on translating foreign operations	41	18,606,969	29,191,670
Other changes in capital	39	24,415,628	43,087,873
Total increase/(decrease) in capital		**43,022,597**	**72,279,543**

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 2011

(in HRK)	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) Profit before tax	**(6,469,737)**	**96,909,846**
Depreciation	96,710,778	90,031,315
Increase in current liabilities	21,035,448	2,149,080
Decrease in short-term receivables	8,480,356	-
Other increases in cash	17,544,900	7,985,468
Total increase in cash from operating activities	**137,301,745**	**197,075,709**
Increase in short-term receivables	-	(7,493,782)
Increase in inventories	(1,841,766)	(1,576,496)
Other decreases in cash	(59,514,531)	(83.962.597)
Total decrease in cash from operating activities	**(61,356,297)**	**(93.032.875)**
NET INCREASE IN CASH GENERATED FROM OPERATING ACTIVITIES	**75,945,448**	**104.042.834**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash receipts from sale of long-term intangible and tangible property	-	132,184,917
Cash receipts from sale of equity and debt instruments	11,196,064	-
Total cash receipts from investing activities	**11,196,064**	**132,184,917**
Cash paid for purchases of tangible and intangible assets	(398,060,696)	(204,977,546)
Total cash expenses from investing activities	**(398,060,696)**	**(204,977,546)**
NET DECREASE IN CASH FROM INVESTING ACTIVITIES	**(386,864,632)**	**(72.792.629)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts from issuance of equity and debt instruments	70,000,000	50,000,000
Cash receipts from the loan principal, debentures, advances and other loans	361,271,662	280,361,462
Other cash receipts from financial activities	82,005,861	265,472
Total cash receipts from financial activities	**513,277,523**	**330,626,934**
Cash expenses for the repayment of loan principal and bonds	(127,518,469)	(295,549,147)
Cash expenses for the payments of dividends	(34,725,630)	(23,046,304)
Cash expenses for the purchase of treasury shares	-	(2,415,321)
Other cash expenses from financial activities	(32,841,435)	(55,884,032)
Total cash expenses from financial activities	**(195,085,534)**	**(376,894,804)**
NET INCREASE IN CASH FROM FINANCING ACTIVITIES	**318,191,989**	-
NET DECREASE IN CASH FROM FINANCING ACTIVITIES	-	**(46,267,870)**
Cash and cash equivalents at beginning of period	**21,983,963**	**37,001,628**
Increase in cash and cash equivalents	**7,272,805**	-
Decrease in cash and cash equivalents	-	**(15,017,665)**
Cash and cash equivalents at end of period	**29,256,768**	**21,983,963**

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 Services Seventeen 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, 2007 and 2009, the subsidiaries United Shipping Services Two Inc., United Shipping Services Five Inc., United Shipping Services Seven Inc. and United Shipping Adriatic Inc., became “sleeping” companies.

The ownership structure as at 31 December 2011 is shown in Note 26.

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

As at 31 December 2011, the number of staff employed by the Group Uljanik Plovidba, Pula was 31 (2010: 30).

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 2011 and 31 December 2010, the exchange rate for USD 1 was HRK 5.819940 and HRK 5.568252, 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)	2011	2010
Domestic revenue	405,343	411,872
Foreign revenue /i/	197,798,684	234,216,522
	198,204,027	**234,628,394**

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

4. OTHER OPERATING REVENUES

(in HRK)	2011	2010
Income from sale of the vessel (Note 15)	-	15,020,527
Transferred part of deferred income (Note 40)	5,171,053	16,545,997
Income from reversal of provisions (Note 32)	10,820	87,532
Write-off of trade payables	-	74,801
Other revenues	39,542	6,859
	5,221,415	**31,735,716**

5. COST OF MATERIAL AND SERVICES

(in HRK)	2011	2010
Raw materials and supplies	96,357	145,911
Energy	72,306	68,940
Spare parts and small inventory	7,831	13,558
Raw materials and supplies	**176,494**	**228,409**
Operating ship expenses and docking expenses	31,616,965	24,223,798
Transport, telephone, postage	387,521	357,357
Repairs and maintenance	8,559,421	9,114,528
Rental costs	12,263	87,102
Promotion costs	19,439	11,253
Other	17,963	21,683
Other external services	**40,613,572**	**33,815,721**
	40,790,066	**34,044,130**

6. STAFF COSTS

(in HRK)	2011	2010
Crew salaries based on contracts	56,412,296	51,058,308
Net salaries	4,602,998	4,286,113
Taxes and contributions *from* and *on* salary /i/	4,418,097	4,400,126
	65,433,391	**59,744,547**

/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)	2011	2010
Amortisation (Note 14)	25,644	2,080
Depreciation (Note 15)	96,685,134	87,810,826
	96,710,778	**87,812,906**

8. VALUE-ADJUSTMENT OF TANGIBLE ASSETS

(in HRK)	2011	2010
Impairment of ships (Note 15)	-	2,218,409
Impairment of financial assets	-	664,380
	-	**2,882,789**

9. OTHER EXPENSES

(in HRK)	2011	2010
Ship insurance	9,168,387	8,826,787
Fees for administration and management services abroad	4,545,751	4,225,545
Reimbursement of costs to employees /i/	409,877	557,442
Intellectual services	170,540	162,961
Entertainment	277,910	303,032
Supervisory board (gross fees)	176,922	176,922
Contributions and municipal levies	183,899	143,470
Bank charges	536,876	252,137
Depository services and broker commission	250,568	821,449
Insurance	271,265	269,887

(in HRK)	2010	2009
Donations	220,734	105,000
Other expenses	271,172	261,334
	16,483,901	**16,105,966**

/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)	2011	2010
Interest income	1,122,050	1,280,161
Foreign exchange gains	26,611,145	13,155,243
Transfer of the retained profit from United Shipping Services One Inc. /i/	32,841,435	53,187,360
Dividend income	411,976	189,327
Value adjustment of investments	-	840,548
	60,986,606	**68,652,639**

/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 2011 represents the transfer of the retained profit in the amount of USD 6,000,000 from United Shipping Services One Inc., based on the Supervisory Board Decisions dated on 25 July 2011 and 20 January 2012.

11. FINANCIAL EXPENSE

(in HRK)	2011	2010
Interest expense	30,505,978	24,167,822
Foreign exchange losses	20,494,664	13,121,043
Expense from value adjustment of the investments	407,157	-
	51,407,799	**37,888,865**

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)	2011	2010
Profit of the parent company before tax	**36,109,764**	**50,547,589**
Effect of tax disallowable expenses	3,892,223	4,203,434
Effect of non-taxable profit	(33,273,973)	(53,465,045)
Taxable profit for the year	**6,728,014**	**1,285,978**
Tax rate	20,00%	20.00%
Tax liability for the year	**1,345,603**	**257,196**

13. LOSSES / EARNINGS PER SHARE

Losses per share in the amount of HRK 12.23 (earnings in 2010: HRK 178.42) have been determined on the basis of the Group's consolidated loss in the amount of HRK 6,927,270 (consolidated net profit in 2010: HRK 96,652,650) and the weighted average of ordinary shares, reduced for treasury shares, that was 566,421 (2010: 541,703).

14. INTANGIBLE ASSETS

(in HRK)	Total
PURCHASE VALUE	
At 31 December 2009	**92,851**
Additions	-
At 31 December 2010	**92,851**
Additions	87,454
At 31 December 2011	**180,305**
ACCUMULATED AMORTISATION	
At 31 December 2009	**90,771**
Amortisation	2,080
At 31 December 2010	**92,851**
Amortisation	25,644
At 31 December 2011	**118,495**
NET BOOK VALUE	
At 31 December 2011	**61,810**
At 31 December 2010	-

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 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	-	(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**
Additions	48,116	45,212	420,152,922	420,246,250
Retirements, disposals and other	-	(83,485)	-	(83.485)
Exchange differences	-	-	105,804,546	105,804,546
At 31 December 2011	**8,690,791**	**1,554,511**	**2,293,162,230**	**2,303,407,532**
Accumulated depreciation				
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	-	-	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**
Depreciation charge for the year	88,853	178,622	96,417,659	96,685,134
Value adjustment	-	-		
Retirements, disposals and other /i/	-	(83,485)	-	(83,485)
Exchange differences	-	-	21,862,716	21,862,716
At 31 December 2011	**2,066,623**	**1,185,369**	**411,773,131**	**415,025,123**
Net book value				
At 31 December 2011	**6,624,168**	**369,142**	**1,881,389,099**	**1,888,382,409**
At 31 December 2010	**6,664,905**	**502,552**	**1,473,712,006**	**1,480,879,463**

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, Verige, Pomer and Veruda), it has been determinated that the total estimated value of the vessels at 31 December 2011 amounts from USD 257,000,000 to USD 259,500,000.

By comparing the estimated market value of the vessels Veruda, Ebony Point and Pula, as well as comparing the value of the vessels Levan, Volme, Marlera, Kastav, Verige and Pomer calculated using the estimated future cash flows and discounting them by applying the appropriate discount rates to their carrying values, it has been determined that the estimated values were lower than the carrying values of the vessels. Accordingly, there was no need for impairment.

16. PREPAYMENTS FOR INVESTMENTS

(in HRK)	2011	2010
Prepayments for vessels	-	22,273,008
	-	**22,273,008**

17. LONG-TERM FINANCIAL ASSETS

(in HRK)	Holding in %	2011	2010
Investments in subsidiaries and shares			
- United Shipping Adriatic Inc. (100 USD)	0,0007%	582	557
- Istarska kreditna banka d.d. Umag		8,300	8,300
- Istarska autocesta d.o.o. Pula /i/	23,425%	4,513,004	4,920,161
- Other investments (Ulda)		10	10
		4,521,896	**4,929,028**

/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 11).

18. LONG-TERM RECEIVABLES

(in HRK)	2011	2010
Bunarina d.o.o. Pula	257,003	257,003
Long term receivables from employees /i/	518,737	633,487
Other long-term receivables	-	37,692
Total long-term receivables	**775,740**	**928,182**
Current portion of long-term receivables (Note 23)	(364,328)	(371,753)
Long-term portion of receivables	**411,412**	**556,429**

/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)	2011	2010
Foodstuff, fuel and lubricant supplies on ships	6,687,111	4,845,345
	6,687,111	**4,845,345**

20. TRADE RECEIVABLES

(in HRK)	2011	2010
Domestic trade debtors	232,982	94,059
Foreign trade debtors	399,276	1,641,713
	632,258	**1,735,772**

21. AMOUNTS DUE FROM THE STATE AND OTHER INSTITUTIONS

(in HRK)	2011	2010
Income tax refund	-	1,334,763
VAT refund	40,071	55,793
Refund of contributions which do not depend on the operational result	305	13,527
	40,376	**1,404,083**

22. OTHER CURRENT ASSETS

(in HRK)	2011	2010
Advances to vessels for the current costs	829,644	781,988
Receivables from the insurers and agents of foreign companies	21,249	2,046,145
Interest receivables	-	96,823
Prepayments	-	51,215
Other receivables /i/	2,773,629	6,661,486
	3,624,522	**9,637,657**

/i/ In the stated amount, the amount of HRK 2,654,827 represents cash deposited at Bayerische Hypo und Vereinsbank AG, for the vessel "Marlera" (2010: HRK 6,640,140).

23. SHORT-TERM FINANCIAL ASSETS

(in HRK)	2011	2010
Short-term loans given to employees /i/	11,199,749	11,210,000
„Bunarina" d.o.o. Pula	10,000	10,000
Short-time deposit (Note 34)	500,000	500,000
Istarska autocesta d.o.o. Pula /ii/	1,600,000	1,600,000
	13,309,749	**13,320,000**
Plus: Current portion of long-term receivables (Note 18)	364,328	371,753
	13,674,077	**13,691,753**

/i/ Short-term loans given to employees were recorded in compliance with the concluded contracts and annexes. According to the annexes, the repayment date of the loans has been prolonged until 25 September 2012, with the interest rate of 8%. Refund of the loans is secured by bills of exchange and blank debenture notes.

/ii/ A non interest loan was given to Istarska autocesta d.o.o. Pula, based on the Loan Agreement concluded on 23 September 2010. According to the signed Annex, the repayment date of the loan has been prolonged until 23 September 2012.

24. CASH AND CASH EQUIVALENTS

(in HRK)	2011	2010
Current account balance	29,185,978	21,902,963
Foreign account balance	51,451	9,182
Cash in hand	19,339	71,818
	29,256,768	**21,983,963**

25. PREPAID EXPENSES AND ACCRUED INCOME

(in HRK)	2011	2010
Prepaid expenses	19,309	26,783
	19,309	**26,783**

26. SHARE CAPITAL

At 31 December 2011, the share capital of the Parent Company amounted to HRK 232,000,000 and consisted of 566,421 ordinary shares, with a nominal value of HRK 400 per share, and of 13,579 treasury shares.

In the ownership structure as at 31 December 2011, small shareholders accounted for 97.66% and treasury shares accounted for 2.34%.

27. CONSOLIDATED RESERVES FROM NET INCOME

(in HRK)	2011	2010
Legal reserves /i/	**11,600,000**	**11,600,000**
Capital reserves /i/	(19,217,000)	(5,132,712)
Reserves for treasury shares	36,382,812	36,382,812
Treasury shares (deductible item)	(10,105,730)	(35,386,082)
	26,277,082	**996,730**
	18,660,082	**12,596,730**

/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)	2011
At 31 December of the prior year	29,191,670
Decrease:	
Value adjustment of investments /i/	18,606,969
At 31 December of the current year	**47,798,639**

/i/ Reserves have been created on the basis of adjustments of the investments in foreign subsidiaries in 2011 (Note 39).

29. CONSOLIDATED RETAINED PROFIT

(in HRK)	2011
At 31 December of the prior year	255,499,719
Increase:	
Allocation part off profit for 2010	61,927,020
Adjustment for exchange differences	6,837,982
	324,264,721
Decrease:	
Transfer f the retained profit	(32,841,435)
At 31 December of the current year	**291,423,286**

30. CONSOLIDATED (LOSS) / PROFIT FOR THE CURRENT YEAR

In 2011, the Group generated a net consolidated profit in the amount of HRK 6.927.270 (2010: HRK 96,652,650).

31. MINORITY INTEREST

(in HRK)	2011.	2010.
Related Company: Uljanik Brodogradilište d.d. Pula		
% of minority interest /i/	45%	-
Share capital USD 14,062,545	81,843,168	-
Exchange differences	(79,181)	-
Loss of the current year	(888,070)	-
Net-capital of minority interest	**80,875,917**	**-**

Pursuant to the Agreement of the acquisition of shares and Contract of investment from 28th October 2011, Uljanik Shipyard d.d. Pula owns 45% in the ownership of the company United Shipping Services Twelve Inc..

32. LONG-TERM PROVISIONS

(in HRK)	2011	2010
Accrued commitments to employees /i/	1,990,894	1,945,865
	1,990,894	**1,945,865**

/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 914,940 (2010: HRK 890,380) and gross jubilee-awards amount to HRK 1,075,954 (2010: HRK 1,055,485). The increase in accrued commitments to employees amounts to net HRK 45,029. The income statement has been debited for the new provisions made in 2011 in the amount of HRK 55,850, and credited for cancelled provisions from the prior period in the amount of HRK 10,821 (Note 4).

32. LONG TERM LIABILITIES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

(in HRK)	Principal	2011	2010
Credit Suisse – United Shipping Services Six Inc.	22,755,000 USD	58,635,896	66,122,193
Credit Suisse – United Shipping Services Eight Inc.	29,969,576 USD	81,302,094	90,593,099
Raiffeisenbank Austria d.d. Zagreb	5.000.000 USD	18,914,805	23,665,071
HBOR – Uljanik Plovidba d.d.	2,200,000 USD	1,600,484	3,062,539
Bayerische Hypo und Vereinsbank AG – United Shipping Services Nine Inc.	40,137,500 USD	134,007,028	139,971,935
Credit Suisse – United Shipping Services Three Inc.	29,050,000 USD	107,086,896	112,478,690
Credit Suisse – United Shipping Services Four Inc.	30,450,000 USD	107,232,395	112,617,897
Credit Suisse – United Shipping Services Ten Inc.	28,800,000 USD	139,678,560	144,329,093
Credit Suisse- United Shipping Services Eleven Inc.	21.300.000 USD	109,502,171	112,673,579
"3. Maj Shipyard" d.d. Rijeka	7.700.000 USD	5,601,692	26,797,213
Raiffeisenbank Austria d.d. Zagreb /i/	12.500.000 USD	72,749,250	-
ABN AMRO Bank - United Shipping Services Fourteen Inc. /ii/	22.183.735 USD	122,616,603	-
ABN AMRO Bank - United Shipping Services Twelve Inc. /iii/	17.050.000 USD	99,229,977	-
Total long-term borrowings including current portion		**1,058,157,851**	**832,312,107**
Capitalized borrowing costs		(9,123,094)	(6,351,940)
Current portion of long-term borrowings (Note 34)		(123,517,186)	(101,770,941)
Long-term borrowings		**925,517,571**	**724,189,226**

/i/ Pursuant to the loan agreement concluded on 24th February 2011, the amount of USD 12,500,000 was allocated to the bank account of the Company for the purpose of financing the building of the new tanker "Pomer". The loan was approved for three years. The repayment of the loan is secured by blank bills of exchange, promissory notes, mortgage on real property owned by REAL d.o.o. Pula and lien on the shares in company "Istarska autocesta" d.o.o. Pula.

/ii/ In February 2011, the amount of USD 22,183,735 was remitted to United Shipping Services Fourteen Inc. by ABN AMRO Bank N.V. from Rotterdam, for the vessel Pomer. The contracted borrowing period expires in 7 years.

/iii/ In October 2011, the amount of USD 17,050,000 was remitted to United Shipping Services Twelve Inc. by ABN AMRO Bank N.V. from Rotterdam, for the vessel "Veruda". The contracted borrowing period expires in 7 years.

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", "Verige", "Pomer" and "Veruda". They are also secured by assignment of insurances and the pledging of earnings and retention accounts.

Repayment of long-term borrowings:

2012.	123,517,186
2013.	116,315,010
2014.	161,710,542
2015	83,286,851
2016-2020	573,328,262
	1,058,157,851

33. SHORT TERM BORROWINGS, DEPOSITS, ETC.

Short-term borrowings are as follows:

(in HRK)	2011	2010
Hypo Alpe-Adria Bank d.d., Zagreb /i/	1,962,381	538,387
Splitska banka d.d. Split /ii/	7,358,774	5,387,387
Raiffeisenbank Austria d.d. Zagreb /iii/	9,816,765	9,808,111
Raiffeisenbank Austria d.d. Zagreb /iv/	7,274,925	-
	26,412,845	15,734,242
Current portion of long-term borrowings (Note 33)	123,517,186	101,770,941
	149,930,031	**117,505,183**

/i/ 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. The overdraft facility is based on the Annex 3 to the basic loan agreement concluded on 27 October 2011, and expires on 4 November 2012. 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 23).

/ii/ Revolving borrowing in the form of an allowed overdraft facility up to the maximum allowed amount of USD 1,300,000 was agreed in the Annex 1 to the basic contract signed on 27 January 2011 for regular operations, with maturity on 28th January 2012. 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.

/iii/ On 21 October 2010 the Agreement of authorized overdraft facility in the amount of HRK 10,000,000 was signed. By signing the Annex 2 on 11h October 2011, the repayment date was prolonged until 15th October 2012. The repayment is secured by blank bills of exchange, promissory notes and the obligation to perform payment operations in a determinate amount of domestic and foreign currency transactions.

/iv/ The liability is recorded under the contract concluded on 17th November 2011 in the amount of USD 1,250,000, to be repaid as a one-time payment until the 31st May 2012. The repayment is secured by blank bills of exchange, promissory notes and the obligation to perform payment operations in a determinate amount of domestic and foreign currency transactions.

35. COMMERCIAL BILLS

(in HRK)	2011.	2010.
Commercial bills /i/	70,000,000	-
	70,000,000	**-**

/i/ In accordance to the Programme of issuance of commercial bills from 16th April 2010, on 28th January 2011, the company issued Tranche II of commercial bills in the amount of HRK 70,000,000 for a period of 364 days.

34. TRADE PAYABLES

(in HRK)	2011	2010
Domestic trade payables	423,174	233,180
Foreign trade payables	17,436,620	9,023,471
	17,859,794	**9,256,651**

35. TAXES, CONTRIBUTIONS AND OTHER DUTIES PAYABLE

(in HRK)	2011	2010
Income tax liability	802,518	-
Other	7,069	-
	809,587	**-**

36. DIVIDENDS PAYABLE

(in HRK)	2011	2010
Outstanding dividends payable	2,614,254	1,202,880
	2,614,254	**1,202,880**

37. OTHER SHORT-TERM LIABILITIES

(in HRK)	2011	2010
Due to brokers and ship lessees	10,394,627	6,036,482
Due to crew	5,446,315	4,018,258
Interest payable	4,542,816	2,777,088
Due to agents	1,584,694	366,816
Accruals and other liabilities	3,087,501	1,661,435
	25,055,953	**14,860,079**

38. DEFERRED INCOME

(in HRK)	2011	2010
Deferred income /i/	88,694,908	71,303,124
Other	259,965	159,352
	88,954,873	**71,462,476**

/i/ Increase in deferred revenue in the amount of HRK 22,562,837 was recorded based on government grants received in 2011 for the vessel "Pomer". At the same time, the amount of HRK 5,171,053 was included in the income statement in proportion to the depreciation for the year 2011 for the vessels "Ebony Point", "Pula", "Kastav", "Verige" and "Pomer" (Note 4).

39. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in HRK)	Share capital	Capital reserves	Treasury shares	Revaluation and other reserves	Retained profit	Minority interest	Total
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**
Value adjustment of the investments	-	-		18,606,969	-	-	18.606.969
Purchase of treasury shares	-	-	(5,361,482)	-	-	-	(5.361.482)
Sale of treasury shares	-	-	30,641,834	-	-	-	30.641.834
Capital losses	-	(14,084,288)		-	-	-	(14.084.288)
Transfer of the retained profit from USSO	-			-	(32,841,435)	-	(32.841.435)
Allocation of profit for 2010	-			-	(34,725,630)	-	(34.725.630)
Loss for 2011	-			-	(6,927,270)	-	(6.927.270)
Exchange differences	-			-	6,837,982	-	6.837.982
Minority interest	-			-	-	80,875,917	80.875.917
At 31 December 2011	**232,000,000**	**19,217,000**	**10,105,730**	**95,781,451**	**284,496,016**	**80,875,917**	**663,830,654**

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 Group 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.

The carrying value of vessels is in compliance with world market value of vessels or with the values obtained by using the estimated future cash flows and discounting them by applying the appropriate discount rate.

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 handover of the vessel Stoja took place on 15th February 2012 – the ship was marked as Newbuilding No. 489 and its construction was contracted on 18th January 2010, while the vessel Punta was launched on 24th March 2012, marked as Newbuilding No. 490. Furthermore, in accordance with the Construction contract of the vessel Istra marked as newbuilding 713, delivery is expected in April 2012.

The company intends to finance the construction of the mentioned vessels by availing itself of the funds from the programme of revitalization of the economy of the Republic of Croatia in addition to its traditional sources of financing.

According to the Programme of issuing of commercial bills of the Company from 16 April 2010, on 26 January 2012 Uljanik Plovidba d.d. issued Tranche III of the commercial bills in the amount of HRK 35,000,000 on a period of 182 days. We mention that Uljanik Plovidba d.d. on 28 January 2011 issued Tranche II of the commercial bills in the amount of HRK 70 million on a period of 364 days.

Revenue from issuance of commercial bills is used to refinance short-term financial obligations.

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.

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 28th March 2011.

44. AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year 2011 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

DIRECTOR

Pula, 28.03.2012

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:

a) maintained regular and stable business operation,
b) continued with the Program of fleet renewal:
   - took delivery of m/t POMER and m/v VERUDA during 2011 as well as the delivery of m/v STOJA in February 2012,
   - continued with construction of newbuilding 713 – m/t ISTRA in the 3. MAJ Shipyard which is scheduled for delivery in April 2012,
   - continued with construction of two 52,000 DWT Bulk Carriers in the ULJANIK Shipyard i.e.:
     - o newbuilding 490 - m/v PUNTA which was lounched in March 2012, scheduled for delivery in September 2012,
     - o newbuilding 491, scheduled for delivery in first quarter of 2013,
c) maintained constant employment of vessels with the continuation of the Company's fleet high efficiency trend,
d) realised decreased total freight revenue,
e) arranged Dry Docking for three vessels (Marlera, Levan and Pula),
f) fulfilled all its loan payment obligations (with no reprogramming) with the positive effects of lower interest rates,
g) 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,
h) maintained high efficiency of vessels' management,
i) 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 6.9 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

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.

On 15th February 2012 the delivery of m/v STOJA took place at the ULJANIK Shipyard in Pula, as a joint project of the Company and ULJANIK Shipyard, which commenced with commercial exploitation immediately thereafter.

On 24th March 2012 the launching of newbuilding 490 – m/t PUNTA took place at the ULJANIK Shipyard in Pula, as a joint project of the Company and ULJANIK Shipyard. The delivery of the vessel is expected in September 2012.

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 (newbuliding 713) and two Bulk Carriers in ULJANIK Shipyard (newbuildings 490 and 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;
- 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, 28th March 2012

Dragutin Pavletić, Director

STATEMENT OF THE PERSON RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Audited 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.

Financial-accounting manager

B Mihajlović

Bojana Mihajlović

Pula, 12th April, 2012

ULJANIK PLOVIDBA
Carrarina 6, 52100 Pula
OIB 49693360447

At the meeting of ULJANIK PLOVIDBA d.d.'s SUPERVISORY BOARD held on the 11th April 2012., the following

RESOLUTIONS

have been passed

1. The Report on the state and business activity of the Company in 2011. is accepted

1.1. A draft proposal is addressed to the General Meeting of the Company in order to pass a separate resolution of acceptance of the Report on the state and business activity of the Company in 2011.

2. Approval is given to the yearly financial reports for 2011. for the Company and the Group

2.1. ULJANIK PLOVIDBA d.d.'s Profit and Loss Account for the year 2011. is set out as follows:

	2011.	2010.
INCOME	101.910.402,30	104.060.048,18
EXPENDITURE	43.237.800,89	31.239.911,41
GAIN	58.672.601,41	72.820.136,77
TAX	1.345.602,87	257.195,55
PROFIT	57.326.998,54	72.562.941,22

2.2. The consolidated Profit and Loss Account for ULJANIK PLOVIDBA d.d.'s Group is set out as follows:

	2011.	2010.
INCOME	264.412.048	335.016.749
EXPENDITURE	270.881.785	238.106.903
GAIN	-6.469.737	96.909.846
TAX	1.345.603	257.196
LOSS ATTRIBUTABLE TO MINORITY INTEREST	888.070	-
PROFIT	-6.927.270	96.652.650

2.3 Approval is given to the Company's Auditors' Report – REVIDAS revizija i konzalting d.o.o.

2.4. By giving approval to the yearly financial reports as proposed by the Management Board of the Company, the yearly financial reports are deemed to be determined in accordance with Article 300.d of the Corporations Act.

ULJANIK PLOVIDBA d.d.

In accordance with the Article 56. of ULJANIK PLOVIDBA d.d.'s Statute, the Director of the Company passes, on the 10th day of April 2012., the following

RESOLUTION

1. ULJANIK PLOVIDBA's net profit for 2011. in the amount of 57.326.998,54 kunas is distributed as follows:
   - the amount of 2.866.350,00 kunas as statutory reserves,
   - the amount of 500.000,00 kunas to the employees of the Company by way of a one-off distribution of treasury shares,
   - the amount of 573.269,98 kunas as a bonus to the Management Board of the Company by way of a one-off distribution of treasury shares,
   - the amount of 5.800.000,00 kunas is distributed as dividend to the shareholders of the Company,
   - the amount of 47.587.378,56 kunas as undistributed profit.

   The total dividend amount of 5.800.000,00 kunas will be payed in accordance with the provisions of the Company's Statute and the ownership accounts status held at the Central depository and clearing company at the date of passing of separate resolution at the General Meeting.

   The Company's Director is given the authority, on the basis of the financial reports of the Company and the profit allocation resolutions, to:

   - distribute the funds to the Company employees in the manner and according to criterias which he may independently define;
   - distribute the dividend to the shareholders of the Company in amounts and within the dates which he may independently define.

2. This Resolution is referred to the Supervisory Board of the Company with the view to defining the final proposal of the Resolution.