



GROUP ULJANIK PLOVIDBA

CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY - SEPTEMBER 2011

Pula, October 2011

CONTENT:

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

Notes

Management Report

Statement of the person responsible for preparing Financial Statements

Attachment 1.

Reporting period:

01.01.2011.

to

30.09.2011.

Quarterly financial statement of the entrepreneur - TFI-POD

Tax number (MB): 03292754

Company 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 adress: uljanik-plovidba@pu.t-com.hr

Internet adress: www.uljanikplovidba.com

Municipality/city code and name: 359 PULA

County code and name: 18 ISTARSKA

Number of employees 32

Consolidated report: YES

(quarter end)
NKD code: 5020

Companies of the consolidation subject (according to IFRS):

Seat:

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

(please enter only contact person's family name and name)

Telephone: 052 211544

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Family name and name: DRAGUTIN PAVLETIĆ

(person authorized to represent the company)

Documents to be published:

1. Financial statements (balance sheet, profit and loss statement, cash flow statement, statement of changes in equity, and notes to financial statements)
2. Report of the Management Board on the Company Status
3. Statement of persons responsible for the drawing-up of financial statements

ULJANIK PLOVIDBA d.d.

M.P.

(signature of the person authorized to represent the company)



BALANCE SHEET
as of 30.09.2011.

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	1.643.441.966
I. INTANGIBLE ASSETS (004 to 009)	003	0	51.901
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	0	51.901
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	1.638.029.551
1. Land	011	121.829	121.829
2. Buildings	012	3.188.273	3.150.287
3. Plant and equipment	013	502.552	393.937
4. Instruments, plant inventories and transportation assets	014	1.473.712.006	1.628.985.287
5. Biological assets	015	3.354.803	3.374.264
6. Prepayments for tangible assets	016	22.273.008	2.003.947
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	4.929.020
1. Shares (stocks) in related parties	021		
2. Loans given to related parties	022		
3. Participating interests (shares)	023	4.929.028	4.929.020
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	431.494
1. Receivables from related parties	030		
2. Receivables based on trade loans	031		
3. Other receivables	032	556.429	431.494
V. DEFERRED TAX ASSETS	033		
C) SHORT- TERM ASSETS (035+043+050+058)	034	53.298.573	48.421.637
I. INVENTORIES (036 to 042)	035	4.845.345	4.221.167
1. Raw material	036	4.845.345	4.221.167
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	2.876.496
1. Receivables from related parties	044		
2. Accounts receivable	045	1.735.772	1.365.317
3. Receivables from participating entrepreneurs	046		
4. Receivables from employees and shareholders	047		
5. Receivables from government and other institutions	048	1.404.083	396.304
6. Other receivables	049	9.637.657	1.114.875
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	13.691.753	13.684.150
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	13.684.150
7. Other financial assets	057		
IV. CASH AT BANK AND IN CASHIER	058	21.983.963	27.639.824
D) PREPAID EXPENSES AND ACCRUED INCOME	059	26.783	7.552.016
E) TOTAL ASSETS (001+002+034+059)	060	1.561.963.284	1.699.415.619
F) OFF-BALANCE SHEET NOTES	061		

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	620.808.057	560.677.751
I. SUBSCRIBED CAPITAL	063	232.000.000	232.000.000
II. CAPITAL RESERVES	064	-5.132.712	-19.024.278
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	12.596.730	38.839.011
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	9.143.801
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071	29.191.670	23.744.552
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	255.499.719	295.898.715
1. Retained earnings	073	255.499.719	295.898.715
2. Accumulated loss	074		
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	96.652.650	-10.780.249
1. Profit for the current year	076	96.652.650	
2. Loss for the current year	077		10.780.249
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 to 082)	079	1.945.865	1.995.465
1. Provisions for pensions, severance pay and similar liabilities	080	1.945.865	1.995.465
2. Reserves for tax liabilities	081		
3. Other reserves	082		
C) LONG TERM LIABILITIES (084 to 092)	083	724.189.226	824.104.644
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	824.104.644
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	222.386.976
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	112.258.534
4. Liabilities for received prepayments	097		
5. Accounts payable	098	9.256.651	15.945.664
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	567.218
9. Liabilities for taxes, contributions and similar fees	102	0	0
10. Liabilities to share - holders	103	1.202.880	2.719.000
11. Liabilities for long term assets held for sale	104		
12. Other short - term liabilities	105	14.860.079	20.896.560
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	71.462.476	90.250.783
F) TOTAL CAPITAL AND LIABILITIES(062+079+083+093+106)	107	1.561.963.284	1.699.415.619
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	560.677.751
2. Attributed to minority interests	110		

PROFIT AND LOSS ACCOUNT
for period 01.01.2011. to 30.09.2011.

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	212.244.920	58.205.205	148.047.577	48.635.156
1. Sales revenues	112	182.295.396	56.857.036	144.220.062	47.261.266
2. Other operating revenues	113	29.949.524	1.348.169	3.827.515	1.373.890
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	149.928.144	47.833.823	154.346.886	51.942.536
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	26.697.195	7.104.539	25.196.587	9.245.450
a) Raw material and material costs	117	162.835	47.137	138.495	37.099
b) Costs of goods sold	118				
c) Other external costs	119	26.534.360	7.057.402	25.058.092	9.208.351
3. Staff costs (121 to 123)	120	44.452.752	14.432.081	46.849.685	16.273.187
a) Net salaries and wages	121	41.103.468	13.325.145	43.515.485	15.153.388
b) Costs for taxes and contributions from salaries	122	2.392.747	788.972	2.324.505	769.976
c) Contributions on gross salaries	123	956.537	317.964	1.009.695	349.823
4. Depreciation	124	66.200.837	22.405.609	69.754.058	23.993.588
5. Other costs	125	12.349.660	3.777.744	12.490.706	2.430.311
6. Impairment (127+128)	126	0	0	0	0
a) Impairment of long-term assets (excluding financial assets)	127				
b) Impairment of short-term assets (excluding financial assets)	128				
7. Provisions	129	227.700	113.850	55.850	
8. Other operating expenses	130				
III. FINANCIAL INCOME (132 to 136)	131	39.303.873	32.266.320	35.005.153	12.856.879
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132				
2. Interest income, foreign exchange gains, dividends and similar income from non-related	133	39.303.873	32.266.320	35.005.153	12.856.879
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	30.268.259	10.114.666	39.293.196	13.875.578
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	30.268.259	10.114.666	39.293.196	13.875.578
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	251.548.793	90.471.525	183.052.730	61.492.035
X. TOTAL EXPENSES (114+137+143 + 145)	147	180.196.403	57.948.489	193.640.082	65.818.114
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	71.352.390	32.523.036	-10.587.352	-4.326.079
1. Profit before taxation (146-147)	149	71.352.390	32.523.036	0	0
2. Loss before taxation (147-146)	150	0	0	10.587.352	4.326.079
XII. PROFIT TAX	151	1.286.503	428.835	192.897	64.299
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	70.065.887	32.094.201	-10.780.249	-4.390.378
1. Profit for the period(149-151)	153	70.065.887	32.094.201	0	0
2. Loss for the period (151-148)	154	0	0	10.780.249	4.390.378

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	70.065.887	32.094.201	-10.780.249	-4.390.378
2. Attributed to minority interests	156				

STATEMENT OF COMPREHENSIVE INCOME (IFRS)

I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	70.065.887	32.094.201	-10.780.249	-4.390.378
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)	158	14.779.298	-37.347.561	-5.447.118	27.052.529
1. Exchange differences on translation of foreign operations	159	14.779.298	-37.347.561	-5.447.118	27.052.529
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	2.955.860	7.469.512	-6.499.929	-1.726.500
IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)	167	11.823.438	-44.817.073	1.052.811	28.779.029
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)	168	81.889.325	-12.722.872	-9.727.438	24.388.651

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	81.889.325	-12.722.872	-9.727.438	24.388.651
2. Attributed to minority interests	170				

CASH FLOW STATEMENT - Indirect method
period 01.01.2011. to 30.09.2011.

Company: ULJANIK PLOVIDBA D.D.			
Position	AOP	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	71.352.390	-10.587.352
2. Depreciation	002	66.200.837	69.754.058
3. Increase in short-term liabilities	003	106.149	14.075.965
4. Decrease in short term receivables	004	822.473	9.901.016
5. Decrease in inventories	005		624.178
6. Other cash flow increases	006	8.931.208	18.837.906
I. Total increase in cash flow from operating activities (001 to 006)	007	147.413.057	102.605.771
1. Decrease in short - term liabilities	008		
2. Increase in short - term receivables	009		
3. Increase in inventories	010	1.356.099	
4. Other cash flow decreases	011	50.156.703	7.718.129
II. Total decrease in cash flow from operating activities (008 to 011)	012	51.512.802	7.718.129
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	95.900.255	94.887.642
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	204.066.477	216.031.869
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investing activities	023		
IV. Total cash outflows from investing activities (021 to 023)	024	204.066.477	216.031.869
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	71.881.560	216.031.869
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	227.727.566	189.429.455
3. Other cash inflows from financing activities	029	246.880	12.483.253
V. Total cash inflows from financing activities (027 to 029)	030	277.974.446	271.912.708
1. Cash outflows for repayment of loans and bonds	031	208.837.921	94.760.686
2. Dividends paid	032	25.108.506	34.725.629
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034	2.303.322	
5. Other cash outflows from financing activities	035	29.337.901	15.626.305
VI. Total cash outflows from financing activities (031 do 035)	036	265.587.650	145.112.620
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	12.386.796	126.800.088
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	0	0
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	36.405.491	5.655.861
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	0
Cash and cash equivalents at the beginning of period	041	37.001.628	21.983.963
Increase in cash and cash equivalents	042	36.405.491	5.655.861
Decrease in cash and cash equivalents	043	0	0
Cash and cash equivalents at the end of period	044	73.407.119	27.639.824

STATEMENT OF CHANGES IN EQUITY
from 1.1.2011 to 30.9.2011

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	-19.024.278
3. Reserves from profit	003	12.596.730	38.839.011
4. Retained earnings or accumulated loss	004	255.499.719	295.898.715
5. Profit / loss for the current year	005	96.652.650	-10.780.249
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	23.744.552
10. Total capital and reserves (AOP 001 to 009)	010	620.808.057	560.677.751
11. Currency gains and losses arising from net investments in foreign operations	011	29.191.670	-5.447.118
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	-54.683.188
17. Total increase or decrease in capital (AOP 011 to 016)	017	72.279.543	-60.130.306
17 a. Attributed to equity holders of parent company	018	72.279.543	-60.130.306
17 b. Attributed to minority interest	019		

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 CONSOLIDATED FINANCIAL STATEMENTS AS AT 30.09.2011

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 30th September 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 30th September 2011 the Group had 32 employees (30.09.2010: 29).

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

The financial statements for the Group have been prepared in Croatian currency, kuna (HRK), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30.09.2011

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

1. Operating income for the period I-IX 2011 amounts to 148.0 mil HRK while in the same period of the year 2010 the same amounted to 212.2 mil HRK. Freight revenues are lower in comparison to the year 2010 due to the continued lower level of freights on the shipping market, as well as, due to the regular dry docking of three vessels during the first quarter of 2011. Other operating income was higher in the period I-IX of the year 2010, due to the sale of the vessel FR8 Adria. On the other side, operating expenses were higher in 2011 in respect to the same period of 2010 due to additional extraordinary expenses related to taking delivery of the newbuildings (m/t Pomer and m/v Veruda).
2. Financial income for January – September 2011 has decreased in comparison to the year 2010 despite the higher foreign exchange gains, due to the lower amount of the retained profit that has been transferred from the foreign subsidiary in 2011. Financial expenses for the period I-IX 2011 are higher with respect to the same period of the year 2010, due to the higher foreign exchange losses and higher amount of interests in 2011 related to the new loans. Net financial expenses for the period I-IX 2011 amounted to 4.2 mil HRK (in 2010- net financial income amounted to 9.0 mil HRK). As a result of lower total operating income and realized net financial expenses on the other side, the Group generated a loss for the period I-IX 2011 of 10.7 mil HRK, compared to the profit of 70,0 mil HRK, realized for the same period of 2010.
3. Non-current assets have been increased in the first quarter of 2011 what is related to the new tanker vessel Pomer which commenced with commercial exploitation on 28th February 2011. As of 30.09.2011 net book value of the vessels totals to 296.5 mil. USD (1,629 mil HRK).
4. In the period from 1.01. to 30.09.2011 the Company purchased treasury shares in the total amount of 4,016 thousand HRK and disposed of treasury shares in the total of 30,259 thousand HRK.
5. Revaluation reserves have been decreased for 5,447 thousand HRK with respect to the 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 30.09.2011.
6. Long-term loans in USD have been expressed in the balance sheet in HRK at the mean rate of exchange for USD as at 30.09.2011.
7. 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 30st September 2011.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT
30.09.2011**

Other current liabilities are mostly related to amounts owed to Charterers, insurers, brokers and vessels' crew, calculated interests payable and other.

8. In the period from January-September 2011 the income from the government grants for the construction of vessels has been recognized in the applicable amount of 3,800 thousand HRK, with concurrently decrease of the deferred income in the balance sheet, in accordance with the deferred income recognition plan. At the same time the deferred income has been increased in 2011 for 22,563 thousand HRK, which amount represents the obtained subsidy for m/t Pomer.

For the GROUP ULJANIK PLOVIDBA Pula

A handwritten signature in black ink, appearing to read 'D. Pavletić', is positioned above the printed name.

Dragutin Pavletić
Director of ULJANIK PLOVIDBA d.d.

Pula, 30th October 2011

INTERIM MANAGEMENT REPORT FOR THE PERIOD 01-09/2011

The business activity of ULJANIK PLOVIDBA (the Company) and its foreign subsidiaries in the period I-IX 2011 was regular, although strongly affected by the negative fluctuations in the shipping market, both dry cargo and tanker, as well as by the reduced income directly related to Dry Docking of three vessels and extraordinary increased expenses related to taking delivery of m/t Pomer, delivery of m/v Veruda and expenses related to other vessels under construction. In this period the Company:

- maintained regular and stable operation of the Company,
- continued with the Program of fleet renewal, particularly MR tankers:
 - took delivery of m/t POMER,
 - continued with construction of newbuilding 713 – m/t Istra in the 3. MAJ Shipyard which is scheduled for launching in October 2011,
 - continued with construction of three 52,000 DWT Bulk Carriers in the ULJANIK Shipyard i.e.:
 - continued with construction of newbuilding 488 - m/v Veruda which is scheduled for delivery in October 2011,
 - launching of newbuilding 489 - m/v Stoja,
 - keel laying for newbuilding 490
- maintained constant employment of vessels with the continuation of the Company's fleet high efficiency trend,
- 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. ECONOMIC ASPECT

The commercial result for the period I-IX 2011 has significantly decreased as a direct consequence of Dry Docking of three vessels and current lower freights in the world's shipping market.

2. PERSONNEL

As at 30.09.2011 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-IX 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). The company acquired treasury shares in the amount of 4,016 thousand HRK and disposed of treasury shares in the amount of 30,259 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 the Director dated 17th 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.

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 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 the 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.

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 four Bulk Carriers in ULJANIK Shipyard (newbuildings 488-491). The Company intends to continue participating on the new and second hand vessel market with the purpose to optimise its fleet and fleet efficiency. Even though its principal business will continue to be operation and management of its own fleet, the development of the Company shall also be aimed at ship management for other ship owners.

7. COMPANY ACTIVITIES CONCERNING RESEARCH AND DEVELOPMENT

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

8. BUSINESS RISKS

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

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

9. CORPORATE MANAGEMENT CODE

The Company fully complies with its Corporate Management Code.

Pula, 30th October 2011

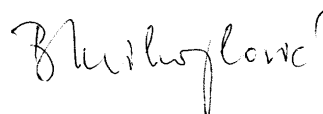


Dragutin Pavletić, Director

STATEMENT OF THE PERSON RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Unaudited consolidated financial reports of GROUP ULJANIK PLOVIDBA for the period January – September 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



Bojana Mihajlović

Pula, 30th October, 2011