



GROUP ULJANIK PLOVIDBA

CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY - JUNE 2012

Pula, July 2012

CONTENT:

**Consolidated Financial Statements of GROUP ULJANIK PLOVIDBA
(unaudited) for the period January – June 2012**

Notes

Management Report

Statement of the person responsible for preparing Financial Statements

Attachment 1.

Reporting period:

01.01.2012.

to

30.06.2012.

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 address: uljanik-plovidba@pu.t-com.hr

Internet address: www.uljanikplovidba.com

Municipality/city code and name: 359 PULA

County code and name: 18 ISTARSKA

Number of employees 32

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.



of the person authorized to represent the company)

BALANCE SHEET
as of 30.06.2012.

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	1.893.377.527	2.062.781.284
I. INTANGIBLE ASSETS (004 to 009)	003	61.810	40.222
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	61.810	40.222
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	1.888.382.409	2.057.861.401
1. Land	011	121.829	121.829
2. Buildings	012	3.137.626	3.112.302
3. Plant and equipment	013	369.142	274.150
4. Instruments, plant inventories and transportation assets	014	1.881.389.099	2.051.007.510
5. Biological assets	015	3.364.713	3.345.610
6. Prepayments for tangible assets	016	0	0
7. Tangible assets in preparation	017		
8. Other material assets	018		
9. Investment in buildings	019		
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	4.521.896	4.521.911
1. Shares (stocks) in related parties	021		
2. Loans given to related parties	022		
3. Participating interests (shares)	023	4.521.896	4.521.911
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	411.412	357.750
1. Receivables from related parties	030		
2. Receivables based on trade loans	031		
3. Other receivables	032	411.412	357.750
V. DEFERRED TAX ASSETS	033		
C) SHORT- TERM ASSETS (035+043+050+058)	034	53.915.112	55.440.204
I. INVENTORIES (036 to 042)	035	6.687.111	5.040.249
1. Raw material	036	6.687.111	5.040.249
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	4.297.156	8.831.276
1. Receivables from related parties	044		
2. Accounts receivable	045	632.258	4.566.737
3. Receivables from participating entrepreneurs	046		
4. Receivables from employees and shareholders	047		
5. Receivables from government and other institutions	048	40.376	72.552
6. Other receivables	049	3.624.522	4.191.987
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	13.674.077	13.668.735
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	13.674.077	13.668.735
7. Other financial assets	057		
IV. CASH AT BANK AND IN CASHIER	058	29.256.768	27.899.944
D) PREPAID EXPENSES AND ACCRUED INCOME	059	19.309	204
E) TOTAL ASSETS (001+002+034+059)	060	1.947.311.948	2.118.221.692
F) OFF-BALANCE SHEET NOTES	061		

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	663.830.654	722.878.996
I. SUBSCRIBED CAPITAL	063	232.000.000	232.000.000
II. CAPITAL RESERVES	064	-19.217.000	-19.217.000
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	37.877.082	35.907.430
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	10.105.730	12.075.382
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071	47.798.639	59.035.108
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	291.423.286	265.236.969
1. Retained earnings	073	291.423.286	265.236.969
2. Accumulated loss	074		
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	-6.927.270	-12.604.215
1. Profit for the current year	076		
2. Loss for the current year	077	6.927.270	12.604.215
VII. MINORITY INTEREST	078	80.875.917	162.520.704
B) PROVISIONS (080 to 082)	079	1.990.894	1.970.779
1. Provisions for pensions, severance pay and similar liabilities	080	1.990.894	1.970.779
2. Reserves for tax liabilities	081		
3. Other reserves	082		
C) LONG TERM LIABILITIES (084 to 092)	083	925.517.571	1.027.447.369
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits etc.	085		
3. Liabilities to banks and other financial institutions	086	925.517.571	1.027.447.369
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	267.017.956	279.695.918
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits etc.	095		
3. Liabilities to banks and other financial institutions	096	149.930.031	193.686.167
4. Liabilities for received prepayments	097		
5. Accounts payable	098	17.859.794	21.929.938
6. Liabilities arising from debt securities	099	70.000.000	35.000.000
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100		
8. Liabilities to employees	101	748.337	742.115
9. Liabilities for taxes, contributions and similar fees	102	809.587	427.101
10. Liabilities to share - holders	103	2.614.254	2.568.843
11. Liabilities for long term assets held for sale	104		
12. Other short - term liabilities	105	25.055.953	25.341.754
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	88.954.873	86.228.630
F) TOTAL CAPITAL AND LIABILITIES(062+079+083+093+106)	107	1.947.311.948	2.118.221.692
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	582.954.737	560.358.292
2. Attributed to minority interests	110	80.875.917	162.520.704

PROFIT AND LOSS ACCOUNT
for period 01.01.2012. to 30.06.2012.

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	99.412.421	49.481.399	110.367.716	59.579.045
1. Sales revenues	112	96.958.796	48.288.619	107.681.198	58.263.899
2. Other operating revenues	113	2.453.625	1.192.780	2.686.518	1.315.146
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	102.348.500	52.662.846	129.732.846	68.652.731
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	15.951.137	7.870.424	19.618.360	10.624.353
a) Raw material and material costs	117	101.396	37.266	106.525	36.449
b) Costs of goods sold	118				
c) Other external costs	119	15.849.741	7.833.158	19.511.835	10.587.904
3. Staff costs (121 to 123)	120	30.576.498	15.893.444	40.293.865	21.416.488
a) Net salaries and wages	121	28.362.097	14.792.997	38.087.284	20.327.556
b) Costs for taxes and contributions from salaries	122	1.554.529	772.325	1.569.424	783.955
c) Contributions on gross salaries	123	659.872	328.122	637.157	304.977
4. Depreciation	124	45.760.470	23.400.636	60.727.208	31.892.164
5. Other costs	125	10.060.395	5.498.342	9.093.413	4.719.726
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			0	0
8. Other operating expenses	130				
III. FINANCIAL INCOME (132 to 136)	131	22.148.274	18.181.011	40.940.129	13.235.544
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132				0
2. Interest income, foreign exchange gains, dividends and similar income from non-related	133	22.148.274	18.181.011	40.940.129	13.235.544
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	25.417.618	11.239.843	35.228.422	18.828.255
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	25.417.618	11.239.843	35.228.422	18.828.255
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	121.560.695	67.662.410	151.307.845	72.814.589
X. TOTAL EXPENSES (114+137+143 + 145)	147	127.766.118	63.902.689	164.961.268	87.480.986
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	-6.205.423	3.759.721	-13.653.423	-14.666.397
1. Profit before taxation (146-147)	149	0	3.759.721	0	0
2. Loss before taxation (147-146)	150	6.205.423	0	13.653.423	14.666.397
XII. PROFIT TAX	151	128.598	64.299	672.801	336.401
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-6.334.021	3.695.422	-14.326.224	-15.002.798
1. Profit for the period(149-151)	153	0	3.695.422	0	0
2. Loss for the period (151-148)	154	6.334.021	0	14.326.224	15.002.798
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	-6.334.021	3.695.422	-12.604.215	-12.953.416
2. Attributed to minority interests	156			-1.722.009	-2.049.382
STATEMENT OF COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	-6.334.021	3.695.422	-14.326.224	-15.002.798
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)	158	-32.499.647	-8.632.502	11.236.469	25.722.954
1. Exchange differences on translation of foreign operations	159	-32.499.647	-8.632.502	11.236.469	25.722.954
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	-6.499.929	-1.726.500	2.247.294	5.144.591
IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)	167	-25.999.718	-6.906.002	8.989.175	20.578.363
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)	168	-32.333.739	-3.210.580	-5.337.049	5.575.565
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	-32.333.739	-3.210.580	-3.615.040	7.624.947
2. Attributed to minority interests	170			-1.722.009	-2.049.382

CASH FLOW STATEMENT - Indirect method
period 01.01.2012. to 30.06.2012.

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	-6.205.423	-13.653.423
2. Depreciation	002	45.760.470	60.727.208
3. Increase in short-term liabilities	003	6.690.208	3.921.826
4. Decrease in short term receivables	004		
5. Decrease in inventories	005	1.084.497	1.646.862
6. Other cash flow increases	006	85.933.795	76.772
I. Total increase in cash flow from operating activities (001 to 006)	007	133.263.547	52.719.245
1. Decrease in short - term liabilities	008		
2. Increase in short - term receivables	009	14.113.800	4.534.120
3. Increase in inventories	010		
4. Other cash flow decreases	011	6.917.899	47.184.525
II. Total decrease in cash flow from operating activities (008 to 011)	012	21.031.699	51.718.645
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	112.231.848	1.000.600
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		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	0	0
1. Cash outflows for purchase of long - term tangible and intangible assets	021	214.915.977	172.005.186
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	214.915.977	172.005.186
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	214.915.977	172.005.186
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	027	70.000.000	35.000.000
2. Cash inflows from loans, debentures, credits and other borrowings	028	118.046.327	208.924.036
3. Other cash inflows from financing activities	029	100.478	83.425.800
V. Total cash inflows from financing activities (027 to 029)	030	188.146.805	327.349.836
1. Cash outflows for repayment of loans and bonds	031	63.668.109	63.238.102
2. Dividends paid	032		
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034	1.289.050	1.969.652
5. Other cash outflows from financing activities	035	15.381.615	92.494.320
VI. Total cash outflows from financing activities (031 do 035)	036	80.338.774	157.702.074
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	107.808.031	169.647.762
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	5.123.902	0
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	1.356.824
Cash and cash equivalents at the beginning of period	041	21.983.963	29.256.768
Increase in cash and cash equivalents	042	5.123.902	0
Decrease in cash and cash equivalents	043		1.356.824
Cash and cash equivalents at the end of period	044	27.107.865	27.899.944

STATEMENT OF CHANGES IN EQUITY
from 1.1.2012 to 30.6.2012

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	232.000.000	232.000.000
2. Capital reserves	002	-19.217.000	-19.217.000
3. Reserves from profit	003	37.877.082	35.907.430
4. Retained earnings or accumulated loss	004	291.423.286	265.236.969
5. Profit / loss for the current year	005	-6.927.270	-12.604.215
6. Revaluation of long - term tangible assets	006		
7. Revaluation of intangible assets	007	80.875.917	162.520.704
8. Revaluation of financial assets available for sale	008		
9. Other revaluation	009	47.798.639	59.035.108
10. Total capital and reserves (AOP 001 to 009)	010	663.830.654	722.878.996
11. Currency gains and losses arising from net investments in foreign operations	011	18.606.969	11.236.469
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	24.415.628	47.811.873
17. Total increase or decrease in capital (AOP 011 to 016)	017	43.022.597	59.048.342
17 a. Attributed to equity holders of parent company	018	-37.853.320	-22.596.445
17 b. Attributed to minority interest	019	80.875.917	81.644.787

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 30.06.2012

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 30st June 2012 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 30st June 2012 the Group had 32 employees (30.06.2011: 30).

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30.06.2012

1. Operating income for the first half of 2012 amounts to 110.3 mil HRK while in the same period of 2011, it amounted to 96.9 mil HRK. Freight revenues expressed on USD are slightly higher in comparison to the year 2011 despite the increasing number of vessels, due to the continued lower level of freights on the shipping market. Other income is mostly related to the recognition of the deferred income on the basis of received government grants for vessels construction.
2. Operating expenses have increased in the first half of 2012 (129. mil HRK) with respect to the year 2011 (102.3 mil HRK) due to operating expenses related to commissioning of two new bulk carriers Veruda and Stoja and due to the costs of initial outfit of other newbuildings.
3. Financial income in the first half of 2012 has increased in comparison to the same period of 2011 due to higher foreign exchange gains (18.0 mil KN in 2012 – 5.9 mil HRK in 2011), and due to higher amount of transferred retained profit from previous years from the subsidiary in 2012. Financial expenses for the first half of 2012 are higher with respect to the same period of 2011 due to higher foreign exchange losses (15.3 mil HRK in 2012 – 8.2 mil HRK in 2011) and the interest related to the new loans.
4. Non-current assets (property, plant and equipment) have been increased in the first half of 2012. On 15th February 2012 the new bulk carrier Stoja was delivered by the shipyard Uljanik Brodogradilište Pula when also its commissioning began. As at 30.06.2012 the book value of the vessels amounts to 343.4 mil USD (2,051.0 mil HRK).
5. In the period from 1.01. to 30.06.2012 the Company purchased treasury shares in the total amount of 1,969.6 thousand HRK.
6. Revaluation reserves have been increased for 11,236 thousand HRK with respect to balance as at 31.12.2011, which amount corresponds to the adjustment of the investment in the foreign subsidiary at the mean rate of exchange for USD as at 30.06.2012.
7. Long-term loans in USD were converted in HRK by applying the mean rate of exchange of the Croatian National bank as at 30st June 2012.
8. Current liabilities are mostly referring to short-term borrowings which also include the current portion of long-term borrowings. 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 June 2012.
Pursuant to the Program for the issuing of commercial bills in the total value of 150 mil HRK, the second tranche of commercial bills was repaid on 26th January 2012, while the third tranche in the amount of 35,000,000.00 HRK has been listed on the Official Market of the Zagreb Stock Exchange on 31th January 2012 with maturity of 180 days. The second tranche was repaid on 26th July 2012.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT
30.06.2012**

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

9. In the period January-June 2012 the applicable amount of income from grants from previous years in the amount of 2,679 thousand HRK was recorded with the proportional decrease of the deferred income, in accordance with the deferred income recognition plan. Government grant contracted for the newbuilding 713 – m/t ISTRa will be recorded as deferred income upon delivery of the vessel, which is scheduled for the beginning of August of 2012.
10. The minority as at 30st June 2012 in the amount of 162.5 mil HRK (31st December 2011 – 80.8 mil HRK) refers to the ownership of Uljanik Brodogradilište in foreign companies United Shipping Services Twelve Inc. and United Shipping Services Thirteen Inc.

For the GROUP ULJANIK PLOVIDBA Pula

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

Dragutin Pavletić
Director of ULJANIK PLOVIDBA d.d.

Pula, 27th July 2012

MANAGEMENT REPORT FOR THE PERIOD 01-06/2012

The business activity of ULJANIK PLOVIDBA (the Company) and its foreign subsidiaries in the first half of 2012 was regular, although strongly affected by the negative fluctuations in the shipping market in both dry cargo and tanker sectors, which incurred as a direct consequence of the global economic crisis and extraordinary increased expenses related to taking delivery of m/v Stoja and m/t Istra as well as the dry docking of m/v Volme.

In this period the Company:

- a) maintained regular and stable business operation,
- b) continued with the Program of fleet renewal:
 - took delivery of m/v STOJA – Supramax 52,000 DWT in February 2012,
 - completion of the construction of m/t ISTRA (newbuilding 713) in the 3. MAJ Shipyard,
 - continued with construction of two 52,000 DWT Bulk Carriers in the ULJANIK Shipyard,
- c) maintained constant employment of vessels with the continuation of the Company's fleet high efficiency trend,
- d) fulfilled all its loan payment obligations (with no reprogramming) with the positive effects of lower interest rates,
- e) decreased operating expenses of the vessels,
- f) 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,
- g) maintained high efficiency of vessels' management,
- h) postponed inclusion of deferred income on the basis of government grant for newbuilding m/t ISTRA up to the delivery of the vessel,
- 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-VI 2012 has been on the lower level in comparison to the year 2011, as a result of significantly decreased freights in the shipping market, despite the increased number of vessels. In addition to increased initial expenses related to commencement of commissioning of the new vessels, operating expenses of the vessels in exploitation have been reduced in the same time.

2. PERSONNEL

As at 30.06.2012 the Company had 32 employees. The Company employs exclusively Croatian seafarers on all vessels in its fleet.

3. TECHNICAL ASPECT

During second quarter of 2012 m/v Volme underwent regular Dry Docking; furthermore there were 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-VI 2012, the Company acquired treasury shares in accordance with art. 233, section 3, point 2 of the Companies Act. The company acquired treasury shares in the amount of 1,969.6 thousand HRK.

5. IMPORTANT EVENTS IN 2012

On 15th February 2012 in ULJANIK Shipyard in Pula the Company took delivery of Hull no. 489 – m/v STOJA, a bulk carrier of 52,000 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 was repaid on 26th January 2012. The third tranche in the amount of 35,000,000.00 HRK has been listed on the Official Market of the Zagreb Stock Exchange on 31th January 2012, with maturity of 180 days. The third tranche was repaid in full on 26th July and no new tranche of commercial bills was issued.

On 24th March 2012 the 52,000 DWT Bulk Carrier, Hull no. 489 – m/v PUNTA was launched in the ULJANIK Shipyard. The delivery of the vessel is scheduled for the end of the year 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 (newbuilding 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
- 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 July 2012

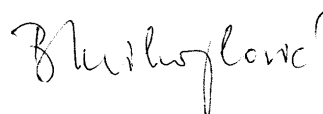


Dragutin Pavletić, Director

STATEMENT OF THE PERSON RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Unaudited consolidated financial reports of GROUP ULJANIK PLOVIDBA for the period January – June 2012, 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, 27th July, 2012