



**GROUP ULJANIK PLOVIDBA**

**PRELIMINARY CONSOLIDATED UNAUDITED FINANCIAL  
STATEMENTS**

**FOR THE PERIOD**

**JANUARY - DECEMBER 2012**

Pula, February 2013

**CONTENT:**

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

Notes

Management Report

Statement of the person responsible for preparing Financial Statements

**Attachment 1.**

Reporting period:

01.01.2012.

to

31.12.2012.

**Preliminary consolidated 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

Telefax: 052 492598

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

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.**

\_\_\_\_\_  
(signature of the person authorized to represent the company)

**CONSOLIDATED BALANCE SHEET**  
as of 31.12.2012.

Company: ULJANIK PLOVIDBA D.D.			
Position	AOP	Previous period	Current period
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED AND NON - PAID CAPITAL</b>	<b>001</b>		
<b>B) LONG - TERM ASSETS (003+010+020+029+033)</b>	<b>002</b>	1.893.377.527	2.028.374.353
I. INTANGIBLE ASSETS (004 to 009)	<b>003</b>	61.810	18.083
1. Assets development	<b>004</b>		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	<b>005</b>	61.810	18.083
3. Goodwill	<b>006</b>		
4. Prepayments for purchase of intangible assets	<b>007</b>		
5. Intangible assets in preparation	<b>008</b>		
6. Other intangible assets	<b>009</b>		
II. TANGIBLE ASSETS (011 to 019)	<b>010</b>	1.888.382.409	2.004.909.914
1. Land	<b>011</b>	121.829	121.829
2. Buildings	<b>012</b>	3.137.626	3.086.978
3. Plant and equipment	<b>013</b>	369.142	214.827
4. Instruments, plant inventories and transportation assets	<b>014</b>	1.881.389.099	1.998.159.774
5. Biological assets	<b>015</b>	3.364.713	3.326.506
6. Prepayments for tangible assets	<b>016</b>	0	0
7. Tangible assets in preparation	<b>017</b>		
8. Other material assets	<b>018</b>		
9. Investment in buildings	<b>019</b>		
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	<b>020</b>	4.521.896	5.961.887
1. Shares (stocks) in related parties	<b>021</b>		
2. Loans given to related parties	<b>022</b>		
3. Participating interests (shares)	<b>023</b>	4.521.896	5.961.887
4. Loans to entrepreneurs in whom the entity hold participating interests	<b>024</b>		
5. Investment in securities	<b>025</b>		
6. Loans, deposits and similar assets	<b>026</b>		
7. Other long - term financial assets	<b>027</b>		
8. Investments accounted by equity method	<b>028</b>		
IV. RECEIVABLES (030 to 032)	<b>029</b>	411.412	17.484.469
1. Receivables from related parties	<b>030</b>		
2. Receivables based on trade loans	<b>031</b>		
3. Other receivables	<b>032</b>	411.412	17.484.469
V. DEFERRED TAX ASSETS	<b>033</b>		
<b>C) SHORT- TERM ASSETS (035+043+050+058)</b>	<b>034</b>	53.915.112	144.159.666
I. INVENTORIES (036 to 042)	<b>035</b>	6.687.111	3.229.618
1. Raw material	<b>036</b>	6.687.111	3.229.618
2. Work in progress	<b>037</b>		
3. Finished goods	<b>038</b>		
4. Merchandise	<b>039</b>		
5. Prepayments for inventories	<b>040</b>		
6. Long - term assets held for sale	<b>041</b>		
7. Biological assets	<b>042</b>		
II. RECEIVABLES (044 to 049)	<b>043</b>	4.297.156	80.181.683
1. Receivables from related parties	<b>044</b>		
2. Accounts receivable	<b>045</b>	632.258	75.649.646
3. Receivables from participating entrepreneurs	<b>046</b>		
4. Receivables from employees and shareholders	<b>047</b>		
5. Receivables from government and other institutions	<b>048</b>	40.376	831.727
6. Other receivables	<b>049</b>	3.624.522	3.700.310
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	<b>050</b>	13.674.077	28.042.015
1. Shares (stocks) in related parties	<b>051</b>		
2. Loans given to related parties	<b>052</b>		
3. Participating interests (shares)	<b>053</b>		
4. Loans to entrepreneurs in whom the entity hold participating interests	<b>054</b>		
5. Investment in securities	<b>055</b>		
6. Loans, deposits and similar assets	<b>056</b>	13.674.077	28.042.015
7. Other financial assets	<b>057</b>		
IV. CASH AT BANK AND IN CASHIER	<b>058</b>	29.256.768	32.706.350
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	19.309	4.837
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	1.947.311.948	2.172.538.856
<b>F) OFF-BALANCE SHEET NOTES</b>	<b>061</b>		

<b>LIABILITIES AND CAPITAL</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	663.830.654	597.537.617
I. SUBSCRIBED CAPITAL	<b>063</b>	232.000.000	232.000.000
II. CAPITAL RESERVES	<b>064</b>	-19.217.000	-19.729.681
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	37.877.082	36.635.168
1. Reserves prescribed by law	<b>066</b>	11.600.000	14.466.350
2. Reserves for treasury stocks	<b>067</b>	36.382.812	36.382.812
3. Treasury stocks and shares (deduction)	<b>068</b>	10.105.730	14.213.994
4. Statutory reserves	<b>069</b>		
5. Other reserves	<b>070</b>		
IV. REVALUATION RESERVES	<b>071</b>	47.798.639	41.648.179
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	<b>072</b>	291.423.286	257.405.976
1. Retained earnings	<b>073</b>	291.423.286	257.405.976
2. Accumulated loss	<b>074</b>		
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	<b>075</b>	-6.927.270	-80.313.048
1. Profit for the current year	<b>076</b>		
2. Loss for the current year	<b>077</b>	6.927.270	80.313.048
VII. MINORITY INTEREST	<b>078</b>	80.875.917	129.891.023
<b>B) PROVISIONS (080 to 082)</b>	<b>079</b>	1.990.894	1.956.929
1. Provisions for pensions, severance pay and similar liabilities	<b>080</b>	1.990.894	1.956.929
2. Reserves for tax liabilities	<b>081</b>		
3. Other reserves	<b>082</b>		
<b>C) LONG TERM LIABILITIES (084 to 092)</b>	<b>083</b>	925.517.571	1.143.500.462
1. Liabilities to related parties	<b>084</b>		
2. Liabilities for loans, deposits etc.	<b>085</b>		
3. Liabilities to banks and other financial institutions	<b>086</b>	925.517.571	1.143.500.462
4. Liabilities for received prepayments	<b>087</b>		
5. Accounts payable	<b>088</b>		
6. Liabilities arising from debt securities	<b>089</b>		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	<b>090</b>		
8. Other long-term liabilities	<b>091</b>		
9. Deferred tax liability	<b>092</b>		
<b>D) SHORT - TERM LIABILITIES (094 to 105)</b>	<b>093</b>	267.017.956	314.575.866
1. Liabilities to related parties	<b>094</b>		
2. Liabilities for loans, deposits etc.	<b>095</b>		
3. Liabilities to banks and other financial institutions	<b>096</b>	149.930.031	253.339.984
4. Liabilities for received prepayments	<b>097</b>		
5. Accounts payable	<b>098</b>	17.859.794	21.892.994
6. Liabilities arising from debt securities	<b>099</b>	70.000.000	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	<b>100</b>		
8. Liabilities to employees	<b>101</b>	748.337	752.923
9. Liabilities for taxes, contributions and similar fees	<b>102</b>	809.587	0
10. Liabilities to share - holders	<b>103</b>	2.614.254	2.555.391
11. Liabilities for long term assets held for sale	<b>104</b>		
12. Other short - term liabilities	<b>105</b>	25.055.953	36.034.574
<b>E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD</b>	<b>106</b>	88.954.873	114.967.982
<b>F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	1.947.311.948	2.172.538.856
<b>G) OFF-BALANCE SHEET NOTES</b>	<b>108</b>		
<b>APPENDIX TO BALANCE SHEET (only for consolidated financial statements)</b>			
<b>A) CAPITAL AND RESERVES</b>			
1. Attributed to equity holders of parent company	<b>109</b>	582.954.737	467.646.594
2. Attributed to minority interests	<b>110</b>	80.875.917	129.891.023

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for period 01.01.2012. to 31.12.2012.

Company: ULJANIK PLOVIDBA D.D.

Position	AOP	Previous period		Current period	
		Cummulative	Periodical	Cummulative	Periodical
1	2	3	4	5	6
<b>I. OPERATING REVENUES (112+113)</b>	<b>111</b>	203.425.442	55.377.865	244.767.538	77.350.632
1. Sales revenues	112	198.204.027	53.983.965	215.597.545	52.475.071
2. Other operating revenues	113	5.221.415	1.393.900	29.169.993	24.875.561
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	219.473.986	65.127.100	301.737.743	104.206.149
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	40.790.066	15.593.479	40.473.395	9.895.130
a) Raw material and material costs	117	176.494	37.999	190.035	45.299
b) Costs of goods sold	118				
c) Other external costs	119	40.613.572	15.555.480	40.283.360	9.849.831
3. Staff costs (121 to 123)	120	65.433.391	18.583.706	85.622.563	24.438.179
a) Net salaries and wages	121	56.412.296	12.896.811	81.131.099	23.229.765
b) Costs for taxes and contributions from salaries	122	4.602.998	2.278.493	3.147.553	794.877
c) Contributions on gross salaries	123	4.418.097	3.408.402	1.343.911	413.537
4. Depreciation	124	96.710.778	26.956.720	125.330.205	32.694.455
5. Other costs	125	16.483.901	3.993.195	19.478.030	6.344.835
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	55.850	0	0	0
8. Other operating expenses	130			30.833.550	30.833.550
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>131</b>	60.986.606	25.981.453	47.863.300	1.323.882
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	60.986.606	25.981.453	47.863.300	1.323.882
3. Share in income from affiliated entrepreneurs and participating interests	134				
4. Unrealized gains (income) from financial assets	135				
5. Other financial income	136				
<b>IV. FINANCIAL EXPENSES (138 to 141)</b>	<b>137</b>	51.407.799	12.114.603	74.311.918	26.001.958
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	51.407.799	12.114.603	74.311.918	26.001.958
3. Unrealized losses (expenses) on financial assets	140				
4. Other financial expenses	141				
<b>V. INCOME FROM INVESTMENT SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS</b>	<b>142</b>				
<b>VI. LOSS FROM INVESTMENT SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS</b>	<b>143</b>				
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	264.412.048	81.359.318	292.630.838	78.674.514
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	270.881.785	77.241.703	376.049.661	130.208.107
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	-6.469.737	4.117.615	-83.418.823	-51.533.593
1. Profit before taxation (146-147)	149	0	4.117.615	0	0
2. Loss before taxation (147-146)	150	6.469.737	0	83.418.823	51.533.593
<b>XII. PROFIT TAX</b>	<b>151</b>	1.345.603	336.401	229.878	57.470
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	-7.815.340	3.781.214	-83.648.701	-51.591.063
1. Profit for the period(149-151)	153	0	3.781.214	0	0
2. Loss for the period (151-148)	154	7.815.340	0	83.648.701	51.591.063
<b>APPENDIX TO P&amp;L (only for consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributed to equity holders of parent company	155	-6.927.270	4.669.284	-80.313.048	-50.004.734
2. Attributed to minority interests	156	-888.070	-888.070	-3.335.653	-1.586.329
<b>STATEMENT OF COMPREHENSIVE INCOME (IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	-7.815.340	3.781.214	-83.648.701	-51.591.063
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)</b>	<b>158</b>	18.606.969	24.054.087	-6.150.460	-2.369.427
1. Exchange differences on translation of foreign operations	159	18.606.969	24.054.087	-6.150.460	-2.369.427
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				
<b>III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>166</b>	3.721.394	4.810.817	-1.230.092	-473.885
<b>IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)</b>	<b>167</b>	14.885.575	19.243.270	-4.920.368	-1.895.542
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)</b>	<b>168</b>	7.070.235	23.024.484	-88.569.069	-53.486.605
<b>APPENDIX to Statement of comprehensive income (only for consolidated financial statements)</b>					
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b>					
1. Attributed to equity holders of parent company	169	7.958.305	23.912.554	-85.233.416	-51.900.276
2. Attributed to minority interests	170	-888.070	-888.070	-3.335.653	-1.586.329

**CONSOLIDATED CASH FLOW STATEMENT - Indirect method**  
period 01.01.2012. to 31.12.2012.

Company: ULJANIK PLOVIDBA D.D.			
Position	AOP	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	-6.469.737	-83.418.823
2. Depreciation	002	96.710.778	125.330.205
3. Increase in short-term liabilities	003	21.035.448	14.147.957
4. Decrease in short term receivables	004	8.480.356	
5. Decrease in inventories	005		3.457.493
6. Other cash flow increases	006	17.544.900	79.177.840
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>007</b>	<b>137.301.745</b>	<b>138.694.672</b>
1. Decrease in short - term liabilities	008		
2. Increase in short - term receivables	009		75.884.527
3. Increase in inventories	010	1.841.766	
4. Other cash flow decreases	011	59.921.688	837.114
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>012</b>	<b>61.763.454</b>	<b>76.721.641</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	<b>75.538.291</b>	<b>61.973.031</b>
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)</b>	<b>014</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash flow from sale of long - term tangible and intangible assets	015		217.422.493
2. Cash inflows from sale of equity and debt financial instruments	016	11.196.064	
3. Interest receipts	017		
4. Dividend receipts	018		
5. Other cash inflows from investing activities	019	407.157	
<b>III. Total cash inflows from investing activities(015 to 019)</b>	<b>020</b>	<b>11.603.221</b>	<b>217.422.493</b>
1. Cash outflows for purchase of long - term tangible and intangible assets	021	398.060.696	519.693.285
2. Cash outflows for purchase of equity and debt financial instruments	022		1.440.000
3. Other cash outflows from investing activities	023		
<b>IV. Total cash outflows from investing activities (021 to 023)</b>	<b>024</b>	<b>398.060.696</b>	<b>521.133.285</b>
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES(020-024)</b>	<b>025</b>	<b>0</b>	<b>0</b>
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES(024-020)</b>	<b>026</b>	<b>386.457.475</b>	<b>303.710.792</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Cash receipts from issuance of equity and debt financial instruments	027	70.000.000	
2. Cash inflows from loans, debentures, credits and other borrowings	028	361.271.662	641.999.507
3. Other cash inflows from financing activities	029	82.005.861	52.350.759
<b>V. Total cash inflows from financing activities (027 to 029)</b>	<b>030</b>	<b>513.277.523</b>	<b>694.350.266</b>
1. Cash outflows for repayment of loans and bonds	031	127.518.469	320.606.663
2. Dividends paid	032	34.725.630	
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034		4.620.945
5. Other cash outflows from financing activities	035	32.841.435	123.935.315
<b>VI. Total cash outflows from financing activities (031 do 035)</b>	<b>036</b>	<b>195.085.534</b>	<b>449.162.923</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)</b>	<b>037</b>	<b>318.191.989</b>	<b>245.187.343</b>
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)</b>	<b>038</b>	<b>0</b>	<b>0</b>
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	7.272.805	3.449.582
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	0
Cash and cash equivalents at the beginning of period	041	21.983.963	29.256.768
Increase in cash and cash equivalents	042	7.272.805	3.449.582
Decrease in cash and cash equivalents	043	0	0
Cash and cash equivalents at the end of period	044	29.256.768	32.706.350

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

from 1.1.2012 to 31.12.2012

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	-19.729.681
3. Reserves from profit	003	37.877.082	36.635.168
4. Retained earnings or accumulated loss	004	291.423.286	257.405.976
5. Profit / loss for the current year	005	-6.927.270	-80.313.048
6. Revaluation of long - term tangible assets	006		
7. Revaluation of intangible assets	007	80.875.917	129.891.023
8. Revaluation of financial assets available for sale	008		
9. Other revaluation	009	47.798.639	41.648.179
<b>10. Total capital and reserves (AOP 001 to 009)</b>	<b>010</b>	663.830.654	597.537.617
11. Currency gains and losses arising from net investments in foreign operations	011	18.606.969	-6.150.460
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	-60.142.577
<b>17. Total increase or decrease in capital (AOP 011 to 016)</b>	<b>017</b>	43.022.597	-66.293.037
17 a. Attributed to equity holders of parent company	018	-37.853.320	-107.229.187
17 b. Attributed to minority interest	019	80.875.917	40.936.150

Items decreasing the capital are entered with a negative number sign

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



## **NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2012**

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 31<sup>th</sup> December 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 31<sup>th</sup> December 2012 the Group had 32 employees (2011: 32).

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

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

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

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

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

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

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

## NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2012

1. Operating income for the year 2012 amounts to 244.8 mil HRK while in the same period of 2011, it amounted to 203.4 mil HRK. Freight revenues expressed on USD are at the same level in comparison to the year 2011 despite the increasing number of vessels in exploitation, due to the continued lower level of freights on the shipping market in the current period, but they are higher when expressed in HRK due to the increase in the average USD exchange rate. Other income is hire in comparison to the year 2012 due to the recognition of the full amount of deferred income on the basis of received government grants for vessels Pula and Ebony after sale of m/t Pula and after leasing m/t Ebony.
2. Operating expenses have increased in the year 2012 with respect to the year 2011 due to additional regular costs of exploitation of new vessels: bulk carrier Stoja and tanker Istra that were delivered in the year 2012, and also due to the higher depreciation costs and writting-off of the vessels.
3. Financial income has decreased in comparison to the same period of 2011 due to the lower amount of transferred retained profit from previous years from the subsidiary and due to lower foreign exchange gains calculated in 2012. Financial expenses for the year 2012 are higher with respect to the same period of 2011 due to interest related to new loans and due to higher foreign exchange losses in the current year. Net financial loss in 2012 amounts to 26.4 mil HRK (net financial gain in 2011 amounts to 9.6 mil HRK).
4. Non-current assets (property, plant and equipment) have been increased in the period January-December 2012. On 15<sup>th</sup> February 2012 the new bulk carrier - Stoja was delivered by the shipyard Uljanik Brodogradilište Pula, afterwards, the new product carrier for the transportation of petroleum products and chemicals - Istra was delivered by 3.MAJ Rijeka Shipyard on 1<sup>st</sup> August 2012 when also its commissioning began. On 25<sup>th</sup> October the product tanker Pula was sold and forthwith taken into a long-term leaseback (Bare boat charter). As at 31.12.2012 the total book value of the vessels amounts to 1,998 mil HRK (348.9 mil USD).
5. Long-term financial assets has increased for 1,440 thousand HRK by Company's investing in Uljanik d.d. share capital.
6. In the period from 1.01. to 31.12.2012 the Company purchased treasury shares in the total amount of 5,043.8 thousand HRK and disposed of treasury shares in the amount of 935.5 thousand HRK.
7. Revaluation reserves have been decreased for 6,150 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 31.12.2012.
8. Current liabilities are mostly referring to short-term borrowings which also include the current portion of long-term borrowings. These liabilities have been increased from the amount of 149.9 mil HRK in 2011, to 253.3 mil HRK in

## NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2012

2012. 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 31<sup>th</sup> December 2012. Other current liabilities are mostly related to amounts owed to Charterers, brokers and vessels' crew, calculated interest payable and other accruals.

9. Long-term liabilities have increased in the year 2012 in relation to the new loans in Parent company which have been realized according to the HBOR Program for Economic Development, the new loans in the foreign companies relating to financing of new vessels as well for the long-term debt under long-term lease. Long-term loans in foreign currencies were converted in HRK by applying the mean rate of exchange of the Croatian National bank as at 31<sup>th</sup> December 2012. The loans have been repaid regularly.
10. The deferred income was increased for the amount of 23,860 thousand HRK – the government grant for the newbuilding 713 – m/t ISTRa, pursuant to the Resolution of the Government of the Republic of Croatia on the adoption of the Program of construction of vessels for Croatian ship-owners and the Grant Agreement for hulls 710 and 713, entered into force on 12<sup>th</sup> March 2009. In the period January-December 2012 the applicable amount of income from grants from previous years in the total of 29,071 thousand HRK was recorded with the proportional decrease of the deferred income, in accordance with the deferred income recognition plan.
11. Uljanik Brodogradilište d.d. acquired 45% ownership in foreign company United Shipping Services Thirteen Inc., according to the Shareholders agreement with foreign company United Shipping Services One Inc., by transferring a part of its receivable from the purchase price of the vessel Stoja, into USS13 shareholder's capital. Consequently, the company United Shipping Services One Inc. holds 55% ownership in USS13. The minority as at 31<sup>th</sup> December 2012 in the total amount of 129,8 mil HRK (31<sup>th</sup> 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.
12. On 19<sup>th</sup> September 2012 the General Assembly of the Company was held which passed the resolution on the sharing of profit for the year 2011. According to the same resolution the profit of USD 57,326,998.54 HRK was distributed as follows: 2,866,350.00 HRK to the legal reserves and 54,460,648.54 HRK to retained profit.
13. The presented financial statements are subject to change and they represent the preliminary unaudited financial statements until the final annual financial statements are accepted by the Management.

**NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL  
STATEMENTS AS AT 31.12.2012**

For the GROUP ULJANIK PLOVIDBA Pula



Dragutin Pavletić  
Director of ULJANIK PLOVIDBA d.d.

Pula, 15<sup>th</sup> February 2013

## MANAGEMENT REPORT FOR THE PERIOD 01-12/2012

The business activity of ULJANIK PLOVIDBA (the Company) and its foreign subsidiaries in the year 2012 was regular, although strongly affected by the negative fluctuations in the shipping market in both dry cargo and tanker sectors, 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 and also delivery of m/t Pula.

In this period the Company:

- a) realized commercial loss as a result of operating losses of all vessels, increased by over 5 million USD due to writing off of the vessels
- b) continued with the Program of fleet renewal:
  - took delivery of m/v STOJA – Supramax 52,000 DWT,
  - took delivery of m/v ISTRA in the 3.MAJ Shipyard,
  - continued with construction of two 52,000 DWT Bulk Carriers of 52,000 DWT in the ULJANIK Shipyard,
- c) maintained constant employment of vessels with the continuation of the Company's fleet high efficiency trend – average of 359 days per vessel,
- d) fulfilled all its loan payment obligations (over 46 mil USD in total) 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) full performance of Charterers with all vessels and with full collection of contracted freights,
- 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 result for the period I-XII 2012 has been under the direct impact of extremely low freight rates in the shipping market and integration into commercial exploitation of the new vessels in such low shipping market. The results are higher than in comparative period of 2011, solely because of 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 distinctively reduced in the same time.

## **2. PERSONNEL**

As at 31.12.2012 the Company had 32 employees. The Company employs exclusively Croatian seafarers on all vessels in its fleet.

## **3. TECHNICAL ASPECT**

In the period January-December 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. The average duration of off-hire per vessel in the year 2012 related to technical stoppages/maintenance was 0.42 days.

## **4. ACQUISITION OF TREASURY SHARES**

In the period I-XII 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 5,043.8 thousand HRK and disposed of treasury shares in the amount of 935.5 thousand HRK.

## **5. IMPORTANT EVENTS IN 2012**

On 15<sup>th</sup> 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.

On 24<sup>th</sup> 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 mid of the year 2013.

On 1<sup>th</sup> August 2012 in the 3.MAJ Shipyard in Rijeka the Company took delivery of Hull no. 713 – m/t ISTRA, a product carrier for the transportation of petroleum products and chemicals 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 26<sup>th</sup> January 2012 in the amount of 70,000,000.00 HRK. 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 31<sup>th</sup> January 2012, with maturity of 180 days. The third tranche was repaid in full on 26<sup>th</sup> July and no new tranche of commercial bills was issued.

On 25<sup>th</sup> October 2012 the delivery of m/t PULA of 47,300 DWT, built in 2006 in the 3.MAJ Shipyard in Rijeka, took place, pursuant to the agreement on the sale of the vessel. After delivery the vessel was taken into a long-term lease, with a purchase option.

## 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. 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
- the volatility of USD exchange rate relative to 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, 15<sup>th</sup> February 2013

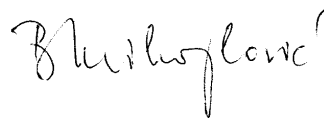
A handwritten signature in black ink, appearing to read 'D. Pavletić', enclosed in a large, loopy oval.

Dragutin Pavletić, Director

## **STATEMENT OF THE PERSON RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS**

Preliminary unaudited consolidated financial reports of GROUP ULJANIK PLOVIDBA for the period January – December 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. The same represent the preliminary unaudited financial statements which are subject to changes up to their acceptance by the Management.

Financial-accounting manager



Bojana Mihajlović

Pula, 15<sup>th</sup> February, 2013