



GROUP ULJANIK PLOVIDBA

CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY - SEPTEMBER 2012

Pula, October 2012

CONTENT:

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

Notes

Management Report

Statement of the person responsible for preparing Financial Statements

Attachment 1.

Reporting period:

01.01.2012.

to

30.09.2012.

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.



(person authorized to represent the company)

BALANCE SHEET
as of 30.09.2012.

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	2.179.734.729
I. INTANGIBLE ASSETS (004 to 009)	003	61.810	29.015
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	61.810	29.015
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	2.174.852.905
1. Land	011	121.829	121.829
2. Buildings	012	3.137.626	3.099.640
3. Plant and equipment	013	369.142	247.539
4. Instruments, plant inventories and transportation assets	014	1.881.389.099	2.168.047.839
5. Biological assets	015	3.364.713	3.336.058
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	4.521.890
1. Shares (stocks) in related parties	021		
2. Loans given to related parties	022		
3. Participating interests (shares)	023	4.521.896	4.521.890
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	330.919
1. Receivables from related parties	030		
2. Receivables based on trade loans	031		
3. Other receivables	032	411.412	330.919
V. DEFERRED TAX ASSETS	033		
C) SHORT- TERM ASSETS (035+043+050+058)	034	53.915.112	61.363.342
I. INVENTORIES (036 to 042)	035	6.687.111	5.747.334
1. Raw material	036	6.687.111	5.747.334
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	5.580.412
1. Receivables from related parties	044		
2. Accounts receivable	045	632.258	1.654.775
3. Receivables from participating entrepreneurs	046		
4. Receivables from employees and shareholders	047		
5. Receivables from government and other institutions	048	40.376	71.475
6. Other receivables	049	3.624.522	3.854.162
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	13.674.077	16.666.113
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	16.666.113
7. Other financial assets	057		
IV. CASH AT BANK AND IN CASHIER	058	29.256.768	33.369.483
D) PREPAID EXPENSES AND ACCRUED INCOME	059	19.309	204
E) TOTAL ASSETS (001+002+034+059)	060	1.947.311.948	2.241.098.275
F) OFF-BALANCE SHEET NOTES	061		

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	663.830.654	650.676.112
I. SUBSCRIBED CAPITAL	063	232.000.000	232.000.000
II. CAPITAL RESERVES	064	-19.217.000	-19.729.681
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	37.877.082	37.726.659
1. Reserves prescribed by law	066	11.600.000	14.466.350
2. Reserves for treasury stocks	067	36.382.812	36.382.812
3. Treasury stocks and shares (deduction)	068	10.105.730	13.122.503
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071	47.798.639	44.017.606
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	291.423.286	255.694.313
1. Retained earnings	073	291.423.286	255.694.313
2. Accumulated loss	074		
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	-6.927.270	-31.145.108
1. Profit for the current year	076		
2. Loss for the current year	077	6.927.270	31.145.108
VII. MINORITY INTEREST	078	80.875.917	132.112.323
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	1.242.412.500
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	1.242.412.500
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	237.640.014
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	182.797.922
4. Liabilities for received prepayments	097		
5. Accounts payable	098	17.859.794	20.837.799
6. Liabilities arising from debt securities	099	70.000.000	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100		
8. Liabilities to employees	101	748.337	748.221
9. Liabilities for taxes, contributions and similar fees	102	809.587	363.741
10. Liabilities to share - holders	103	2.614.254	2.559.900
11. Liabilities for long term assets held for sale	104		
12. Other short - term liabilities	105	25.055.953	30.332.431
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	88.954.873	108.398.870
F) TOTAL CAPITAL AND LIABILITIES(062+079+083+093+106)	107	1.947.311.948	2.241.098.275
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	518.563.789
2. Attributed to minority interests	110	80.875.917	132.112.323

PROFIT AND LOSS ACCOUNT
for period 01.01.2012. to 30.09.2012.

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	148.047.577	48.635.156	167.416.906	57.049.190
1. Sales revenues	112	144.220.062	47.261.266	163.122.474	55.441.276
2. Other operating revenues	113	3.827.515	1.373.890	4.294.432	1.607.914
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	154.346.886	51.942.536	197.531.594	67.798.748
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	25.196.587	9.245.450	30.578.265	10.959.905
a) Raw material and material costs	117	138.495	37.099	144.736	38.211
b) Costs of goods sold	118				
c) Other external costs	119	25.058.092	9.208.351	30.433.529	10.921.694
3. Staff costs (121 to 123)	120	46.849.685	16.273.187	61.184.384	20.890.519
a) Net salaries and wages	121	43.515.485	15.153.388	57.901.334	19.814.050
b) Costs for taxes and contributions from salaries	122	2.324.505	769.976	2.352.676	783.252
c) Contributions on gross salaries	123	1.009.695	349.823	930.374	293.217
4. Depreciation	124	69.754.058	23.993.588	92.635.750	31.908.542
5. Other costs	125	12.490.706	2.430.311	13.133.195	4.039.782
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
8. Other operating expenses	130				
III. FINANCIAL INCOME (132 to 136)	131	35.005.153	12.856.879	46.539.418	5.599.289
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	35.005.153	12.856.879	46.539.418	5.599.289
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	39.293.196	13.875.578	48.309.960	13.081.538
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	39.293.196	13.875.578	48.309.960	13.081.538
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	183.052.730	61.492.035	213.956.324	62.648.479
X. TOTAL EXPENSES (114+137+143 + 145)	147	193.640.082	65.818.114	245.841.554	80.880.286
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	-10.587.352	-4.326.079	-31.885.230	-18.231.807
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	10.587.352	4.326.079	31.885.230	18.231.807
XII. PROFIT TAX	151	192.897	64.299	1.009.202	336.401
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-10.780.249	-4.390.378	-32.894.432	-18.568.208
1. Profit for the period(149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	10.780.249	4.390.378	32.894.432	18.568.208
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	-10.780.249	-4.390.378	-31.145.108	-18.540.893
2. Attributed to minority interests	156			-1.749.324	-27.315
STATEMENT OF COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	-10.780.249	-4.390.378	-32.894.432	-18.568.208
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)	158	-5.447.118	27.052.529	-3.781.033	-15.017.502
1. Exchange differences on translation of foreign operations	159	-5.447.118	27.052.529	-3.781.033	-15.017.502
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	-758.207	-3.003.500
IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)	167	1.052.811	28.779.029	-3.022.826	-12.014.002
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)	168	-9.727.438	24.388.651	-35.917.258	-30.582.210
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	-9.727.438	24.388.651	-34.167.934	-30.554.895
2. Attributed to minority interests	170			-1.749.324	-27.315

CASH FLOW STATEMENT - Indirect method
period 01.01.2012. to 30.09.2012.

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	-10.587.352	-31.885.230
2. Depreciation	002	69.754.058	92.635.750
3. Increase in short-term liabilities	003	14.075.965	7.754.166
4. Decrease in short term receivables	004	9.901.016	
5. Decrease in inventories	005	624.178	939.777
6. Other cash flow increases	006	18.837.906	33.171.472
I. Total increase in cash flow from operating activities (001 to 006)	007	102.605.771	102.615.935
1. Decrease in short - term liabilities	008		
2. Increase in short - term receivables	009		1.283.256
3. Increase in inventories	010		
4. Other cash flow decreases	011	7.718.129	1.602.587
II. Total decrease in cash flow from operating activities (008 to 011)	012	7.718.129	2.885.843
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	94.887.642	99.730.092
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	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	216.031.869	399.430.611
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	216.031.869	399.430.611
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	216.031.869	399.430.611
CASH FLOW FROM FINANCING ACTIVITIES			
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	189.429.455	468.550.840
3. Other cash inflows from financing activities	029	12.483.253	53.066.224
V. Total cash inflows from financing activities (027 to 029)	030	271.912.708	521.617.064
1. Cash outflows for repayment of loans and bonds	031	94.760.686	118.788.020
2. Dividends paid	032	34.725.629	
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034		3.529.454
5. Other cash outflows from financing activities	035	15.626.305	95.486.356
VI. Total cash outflows from financing activities (031 do 035)	036	145.112.620	217.803.830
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	126.800.088	303.813.234
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	5.655.861	4.112.715
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	5.655.861	4.112.715
Decrease in cash and cash equivalents	043	0	0
Cash and cash equivalents at the end of period	044	27.639.824	33.369.483

STATEMENT OF CHANGES IN EQUITY
from **1.1.2012** to **30.9.2012**

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	37.726.659
4. Retained earnings or accumulated loss	004	291.423.286	255.694.313
5. Profit / loss for the current year	005	-6.927.270	-31.145.108
6. Revaluation of long - term tangible assets	006		
7. Revaluation of intangible assets	007	80.875.917	132.112.323
8. Revaluation of financial assets available for sale	008		
9. Other revaluation	009	47.798.639	44.017.606
10. Total capital and reserves (AOP 001 to 009)	010	663.830.654	650.676.112
11. Currency gains and losses arising from net investments in foreign operations	011	18.606.969	-3.781.033
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	-9.373.509
17. Total increase or decrease in capital (AOP 011 to 016)	017	43.022.597	-13.154.542
17 a. Attributed to equity holders of parent company	018	-37.853.320	-66.140.272
17 b. Attributed to minority interest	019	80.875.917	52.985.730

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 30.09.2012

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 30th September 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 30th September 2012 the Group had 32 employees (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 30.09.2012

1. Operating income for the period I-IX 2012 amounts to 167.4 mil HRK while in the same period of 2011, it amounted to 148.0 mil HRK. Freight revenues expressed on USD are slightly higher 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. 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 period I-IX 2012 (197.5 mil HRK) with respect to the year 2011 (154.3 mil HRK) due to the costs of initial outfit and operating expenses related to commissioning of new vessels Veruda, Stoja and Istra in the year 2012.
3. Financial income has increased in comparison to the same period of 2011 due to higher foreign exchange gains (23.4 mil HRK in 2012 – 16.4 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 period January-September 2012 are higher with respect to the same period of 2011 due to higher foreign exchange losses (23.6 mil HRK in 2012 – 14.4 mil HRK in 2011).
4. Non-current assets (property, plant and equipment) have been increased in the period January-September 2012. On 15th 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 1st August 2012 when also its commissioning began. As at 30.09.2012 the total book value of the vessels amounts to 376.5 mil USD (2,168.0 mil HRK).
5. In the period from 1.01. to 30.09.2012 the Company purchased treasury shares in the total amount of 3,952.2 thousand HRK and disposed of treasury shares in the amount of 935.5 thousand HRK.
6. Revaluation reserves have been decreased for 3,781.0 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 30.09.2012.
7. Long-term loans in foreign currencies were converted in HRK by applying the mean rate of exchange of the Croatian National bank as at 30th September 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 30th September 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT
30.09.2012**

listed on the Official Market of the Zagreb Stock Exchange on 31st January 2012 with maturity of 180 days. The second tranche was repaid on 26th July 2012.

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

9. In the period January-September 2012 the applicable amount of income from grants from previous years in the total of 4,218 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 in the amount of 23,860 thousand HRK has been recorded as deferred income upon delivery of the vessel, which took place on 1th August 2012.
10. The minority as at 30th September 2012 in the amount of 132.1 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.
11. On 19th 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 was distributed as follows: 2,866,350.00 HRK to the legal reserves and 54,460,648.54 HRK to retained profit.

For the GROUP ULJANIK PLOVIDBA Pula

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Dragutin Pavletić
Director of ULJANIK PLOVIDBA d.d.

Pula, 29th October 2012

MANAGEMENT REPORT FOR THE PERIOD 01-09/2012

The business activity of ULJANIK PLOVIDBA (the Company) and its foreign subsidiaries in the third quarter 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 and also delivery of m/t Pula.

In this period the Company:

- a) maintained regular and stable business operation, despite the realized commercial loss
- 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,
- d) fulfilled all its loan payment obligations 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) 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 negative commercial result for the period I-IX 2012, which gets around planned amounts, has been under the direct impact of historically 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 30.09.2012 the Company had 32 employees. The Company employs exclusively Croatian seafarers on all vessels in its fleet.

3. TECHNICAL ASPECT

In the period January-September 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-IX 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 3,952 thousand HRK and disposed of treasury shares in the amount of 935.5 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.

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.

On 1th 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 26th 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 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 19th 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 was distributed as follows: 2,866,350.00 HRK to the legal reserves and 54,460,648.54 HRK to retained profit.

On 25th 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
- 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 2012

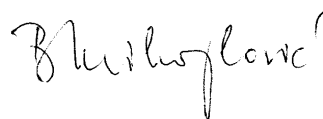
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Dragutin Pavletić, Director

STATEMENT OF THE PERSON RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Unaudited consolidated financial reports of GROUP ULJANIK PLOVIDBA for the period January – September 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, 29th October, 2012