



GROUP ULJANIK PLOVIDBA

**PRELIMINARY CONSOLIDATED UNAUDITED FINANCIAL
STATEMENTS**

FOR THE PERIOD

JANUARY - DECEMBER 2013

Pula, February 2014

CONTENT:

**Preliminary Consolidated Financial Statements of GROUP ULJANIK
PLOVIDBA (unaudited) for the period January – December 2013**

Notes

Management Report

Statement of the person responsible for preparing Financial Statements

Attachment 1.

Reporting period:

01.01.2013.

to

31.12.2013.

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 31.12.2013.

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	2.052.591.058	1.869.940.698
I. INTANGIBLE ASSETS (004 to 009)	003	18.083	3.713
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	18.083	3.713
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	2.029.652.910	1.846.340.326
1. Land	011	121.829	121.829
2. Buildings	012	3.086.978	3.036.330
3. Plant and equipment	013	214.827	200.116
4. Instruments, plant inventories and transportation assets	014	2.022.902.769	1.839.693.750
5. Biological assets	015	3.326.507	3.288.301
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	5.817.941	5.817.923
1. Shares (stocks) in related parties	021		
2. Loans given to related parties	022		
3. Participating interests (shares)	023	5.817.941	5.817.923
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	17.102.124	17.778.736
1. Receivables from related parties	030		
2. Receivables based on trade loans	031		
3. Other receivables	032	17.102.124	17.778.736
V. DEFERRED TAX ASSETS	033		
C) SHORT- TERM ASSETS (035+043+050+058)	034	129.378.271	99.646.261
I. INVENTORIES (036 to 042)	035	3.229.618	3.652.979
1. Raw material	036	3.229.618	3.652.979
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	76.677.632	63.268.808
1. Receivables from related parties	044		
2. Accounts receivable	045	72.090.649	61.792.968
3. Receivables from participating entrepreneurs	046		
4. Receivables from employees and shareholders	047		
5. Receivables from government and other institutions	048	886.672	622.901
6. Other receivables	049	3.700.311	852.939
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	16.765.012	6.017.155
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	16.765.012	6.017.155
7. Other financial assets	057		
IV. CASH AT BANK AND IN CASHIER	058	32.706.009	26.707.319
D) PREPAID EXPENSES AND ACCRUED INCOME	059	4.836	5.729
E) TOTAL ASSETS (001+002+034+059)	060	2.181.974.165	1.969.592.688
F) OFF-BALANCE SHEET NOTES	061		

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	602.594.126	519.263.960
I. SUBSCRIBED CAPITAL	063	232.000.000	232.000.000
II. CAPITAL RESERVES	064	-19.729.681	-20.238.433
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	36.635.168	38.361.100
1. Reserves prescribed by law	066	14.466.350	16.592.866
2. Reserves for treasury stocks	067	36.382.812	36.382.812
3. Treasury stocks and shares (deduction)	068	14.213.994	14.614.578
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071	41.648.179	27.768.244
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	257.000.255	179.915.402
1. Retained earnings	073	257.000.255	179.915.402
2. Accumulated loss	074		
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	-74.850.818	-86.185.428
1. Profit for the current year	076		
2. Loss for the current year	077	74.850.818	86.185.428
VII. MINORITY INTEREST	078	129.891.023	147.643.075
B) PROVISIONS (080 to 082)	079	1.956.929	1.932.007
1. Provisions for pensions, severance pay and similar liabilities	080	1.956.929	1.932.007
2. Reserves for tax liabilities	081		
3. Other reserves	082		
C) LONG TERM LIABILITIES (084 to 092)	083	1.164.183.526	1.183.693.660
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits etc.	085		
3. Liabilities to banks and other financial institutions	086	1.164.183.526	1.183.693.660
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	316.377.829	173.572.726
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits etc.	095		
3. Liabilities to banks and other financial institutions	096	254.203.919	123.436.217
4. Liabilities for received prepayments	097		
5. Accounts payable	098	21.892.994	13.537.092
6. Liabilities arising from debt securities	099	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100		
8. Liabilities to employees	101	752.923	770.252
9. Liabilities for taxes, contributions and similar fees	102	0	2.245
10. Liabilities to share - holders	103	2.555.391	2.546.327
11. Liabilities for long term assets held for sale	104		
12. Other short - term liabilities	105	36.972.602	33.280.593
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	96.861.755	91.130.335
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	107	2.181.974.165	1.969.592.688
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	472.703.103	371.620.885
2. Attributed to minority interests	110	129.891.023	147.643.075

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for period 01.01.2013. to 31.12.2013.

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	231.447.982	64.031.076	233.237.054	68.884.952
1. Sales revenues	112	215.597.544	52.475.070	227.454.411	67.403.041
2. Other operating revenues	113	15.850.438	11.556.006	5.782.643	1.481.911
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	280.056.818	82.525.224	258.211.185	71.206.405
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	40.473.394	9.895.129	31.183.359	8.888.530
a) Raw material and material costs	117	190.034	45.298	188.975	50.649
b) Costs of goods sold	118				
c) Other external costs	119	40.283.360	9.849.831	30.994.384	8.837.881
3. Staff costs (121 to 123)	120	85.618.144	24.433.760	83.643.215	22.703.729
a) Net salaries and wages	121	81.127.840	23.226.506	79.232.457	21.583.684
b) Costs for taxes and contributions from salaries	122	3.260.323	907.647	3.192.934	802.578
c) Contributions on gross salaries	123	1.229.981	299.607	1.217.824	317.467
4. Depreciation	124	127.043.185	34.407.435	124.003.683	32.230.901
5. Other costs	125	19.745.382	6.612.187	19.380.928	7.383.245
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	0	0
8. Other operating expenses	130	7.176.713	7.176.713	0	0
III. FINANCIAL INCOME (132 to 136)	131	47.925.870	1.386.452	19.299.439	1.674.804
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132		0		0
2. Interest income, foreign exchange gains, dividends and similar income from non-related	133	47.925.870	1.386.452	19.299.439	1.674.804
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	77.328.572	29.018.612	82.402.983	38.701.424
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	77.328.572	29.018.612	82.402.983	38.701.424
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	279.373.852	65.417.528	252.536.493	70.559.756
X. TOTAL EXPENSES (114+137+143 + 145)	147	357.385.390	111.543.836	340.614.168	109.907.829
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	-78.011.538	-46.126.308	-88.077.675	-39.348.073
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	78.011.538	46.126.308	88.077.675	39.348.073
XII. PROFIT TAX	151	174.933	-834.269	0	0
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-78.186.471	-45.292.039	-88.077.675	-39.348.073
1. Profit for the period(149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	78.186.471	45.292.039	88.077.675	39.348.073
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	-74.850.818	-43.705.710	-86.185.428	-40.216.597
2. Attributed to minority interests	156	-3.335.653	-1.586.329	-1.892.247	868.524
STATEMENT OF COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	-78.186.471	-45.292.039	-88.077.675	-39.348.073
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)	158	-6.150.460	-2.369.427	-13.879.935	-7.291.271
1. Exchange differences on translation of foreign operations	159	-6.150.460	-2.369.427	-13.879.935	-7.291.271
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	-1.230.092	-473.885	-2.775.987	-1.458.254
IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)	167	-4.920.368	-1.895.542	-11.103.948	-5.833.017
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)	168	-83.106.839	-47.187.581	-99.181.623	-45.181.090
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	-79.771.186	-45.601.252	-97.289.376	-46.049.614
2. Attributed to minority interests	170	-3.335.653	-1.586.329	-1.892.247	868.524

CONSOLIDATED CASH FLOW STATEMENT - Indirect method

period 01.01.2013. to 31.12.2013.

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	-78.011.538	-88.077.675
2. Depreciation	002	127.043.185	124.005.769
3. Increase in short-term liabilities	003	15.085.984	
4. Decrease in short term receivables	004		13.408.824
5. Decrease in inventories	005	3.457.493	
6. Other cash flow increases	006	37.116.678	45.411.431
I. Total increase in cash flow from operating activities (001 to 006)	007	104.691.802	94.748.349
1. Decrease in short - term liabilities	008		12.037.401
2. Increase in short - term receivables	009	72.380.476	
3. Increase in inventories	010		423.361
4. Other cash flow decreases	011	782.169	5.757.234
II. Total decrease in cash flow from operating activities (008 to 011)	012	73.162.645	18.217.996
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	31.529.157	76.530.353
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	94.397.004	
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	94.397.004	0
1. Cash outflows for purchase of long - term tangible and intangible assets	021	399.430.611	77.683
2. Cash outflows for purchase of equity and debt financial instruments	022	1.440.000	
3. Other cash outflows from investing activities	023		
IV. Total cash outflows from investing activities (021 to 023)	024	400.870.611	77.683
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	306.473.607	77.683
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	027		
2. Cash inflows from loans, debentures, credits and other borrowings	028	659.566.439	30.354.132
3. Other cash inflows from financing activities	029	52.350.759	54.352.677
V. Total cash inflows from financing activities (027 to 029)	030	711.917.198	84.706.809
1. Cash outflows for repayment of loans and bonds	031	316.626.596	165.572.221
2. Dividends paid	032		
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034	4.620.945	909.336
5. Other cash outflows from financing activities	035	112.275.966	676.612
VI. Total cash outflows from financing activities (031 do 035)	036	433.523.507	167.158.169
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	278.393.691	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	0	82.451.360
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	3.449.241	0
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	5.998.690
Cash and cash equivalents at the beginning of period	041	29.256.768	32.706.009
Increase in cash and cash equivalents	042	3.449.241	0
Decrease in cash and cash equivalents	043	0	5.998.690
Cash and cash equivalents at the end of period	044	32.706.009	26.707.319

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

from 1.1.2013 to 31.12.2013

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	232.000.000	232.000.000
2. Capital reserves	002	-19.729.681	-20.238.433
3. Reserves from profit	003	36.635.168	38.361.100
4. Retained earnings or accumulated loss	004	257.000.255	179.915.402
5. Profit / loss for the current year	005	-74.850.818	-86.185.428
6. Revaluation of long - term tangible assets	006		
7. Revaluation of intangible assets	007	129.891.023	147.643.075
8. Revaluation of financial assets available for sale	008		
9. Other revaluation	009	41.648.179	27.768.244
10. Total capital and reserves (AOP 001 to 009)	010	602.594.126	519.263.960
11. Currency gains and losses arising from net investments in foreign operations	011	-6.150.460	-13.879.935
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	-55.086.068	-69.450.231
17. Total increase or decrease in capital (AOP 011 to 016)	017	-61.236.528	-83.330.166
17 a. Attributed to equity holders of parent company	018	-110.251.634	-101.082.218
17 b. Attributed to minority interest	019	49.015.106	17.752.052

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 31.12.2013

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 31th December 2013 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 31th December 2013 the Group had 32 employees (2012: 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 31.12.2013

1. Operating income for the year 2013 amounts to 233.2 mil HRK while in the same period of 2012, it amounted to 231.4 mil HRK. Freight revenues expressed on USD increased by 8% in comparison to the year 2012 due to higher level of freights on the shipping market in last quarter of 2013. Starting from August 2013 the Group achieved revenue arising from the management of the vessel m/t Punta owned by the foreign company Maritime Transport Pula Three Inc. Other income was higher in the year 2012 due to the recognition of the full amount of deferred income on the basis of received government grants for the vessel Ebony after its disposal.
2. Operating expenses have decreased in the year 2013 (258.2 mil HRK) with respect to the year 2012 (280.0 mil HRK) due to the lower amount of the total operating expenses of the vessels, noting that m/t Ebony has been bareboat chartered from the end of 2012. Therefore the operating loss for 2013 has been lower for 24 mil HRK in comparison to the year 2012.
3. Financial income in the year 2013 (19.3 mil HRK) has decreased in comparison to 2012 (47.9 mil HRK) because in 2013 Company has not transferred profit from the subsidiary and due to lower foreign exchange gains calculated in 2013. Financial expenses for the year 2013 are higher with respect to the same period of 2012 due to higher interest expense, despite the lower foreign exchange losses in the current year. Net financial loss in 2013 amounts to 63.0 mil HRK (2012: 29.4 mil HRK). As a result of increased financial expenses the net loss of the Group for the year 2013 amounts to 86.1 mil HRK (2012: 74.8 mil HRK).
4. As at 31.12.2013 the total book value of the vessels amounts to 1,839.7 mil HRK (331.5 mil USD).
5. In the period from 1.01. to 31.12.2013 the Company purchased treasury shares in the total amount of 1,327.2 thousand HRK and disposed of treasury shares in the amount of 926.6 thousand HRK.
6. Revaluation reserves have been decreased for 13,880 thousand HRK with respect to the balance as at 31.12.2012, which amount corresponds to the adjustment of the investment in the foreign subsidiary at the mean rate of exchange for USD as at 31.12.2013.
7. Current liabilities are mostly referring to short-term borrowings which also include the current portion of long-term borrowings. These liabilities have been decreased from the amount of 254.2 mil HRK in 2012, to 123.4 mil HRK in 2013 due to the current portion of the reprogrammed loans which was included to the long-term debt, according to the repayment schedules. 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 31th December 2013. Other current liabilities are mostly related to amounts owed to Charterers, brokers and vessels' crew, calculated interest payable and other accruals.

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2013

8. Long-term liabilities have increased in the year 2013 in relation to the new loans in Parent company which have been realized according to the HBOR Program for Economic Development, and due to the current portion of the reprogrammed long-term loans transferred from the short-term debt (see Note 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 31th December 2013.
9. In the period January-December 2013 the applicable amount of income from grants from previous years in the total of 5,722 thousand HRK was recorded with the proportional decrease of the deferred income, in accordance with the deferred income recognition plan.
10. The minority as at 31th December 2013 in the total amount of 147.643 thousand HRK refers to the ownership of Uljanik Brodogradilište in foreign companies United Shipping Services Twelve Inc. and United Shipping Services Thirteen Inc.
11. On 30th August 2013 the General Assembly of the Company was held which passed the resolution on the sharing of profit for the year 2012. According to the same resolution the profit of USD 42,530,311.40 HRK was distributed as follows: 2,126,515.57 HRK to the legal reserves and 40,403,795.83 HRK to retained profit.
12. 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.

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, 14th February 2014

MANAGEMENT REPORT FOR THE PERIOD 01-12/2013

The business activity of ULJANIK PLOVIDBA (the Company) and its foreign subsidiaries in the year 2013 was regular, although strongly affected by the negative fluctuations in the shipping market in both dry cargo and tanker sectors.

In this period the Company:

- a) maintained regular and stable business operation, despite strong negative trends in the shipping market in dry cargo sector as well oil products and chemicals sector, in the period January-December 2013,
- b) realized commercial loss as a result of operating losses of vessels in connection to the negative developments in the global shipping market, with a strong influence of the high financial costs and foreign exchange losses, while maintaining high rates of depreciation,
- c) maintained the existing fleet,
- d) continued to deal with first class international Charterers, with full performance of the Charterers and full collection of freights,
- e) maintained constant employment of vessels with the continuation of the Company's fleet high efficiency trend,
- f) decreased operating expenses of the vessels,
- g) proceeded with full implementation of the safety and quality system on the vessels and in the office, with continuous increase in the quality and expertise of the employees and maintenance of a high level of professionalism,
- h) maintained high efficiency of vessels' management,
- i) maintained the personnel structure both at sea and on shore.

A review of the functions in the Company is given below:

1. COMMERCIAL ASPECT

The operating result for the reporting period has been under the direct impact of the low freight rates in the shipping market and has been slightly higher with respect to the year 2012, particularly due to the increase of the freight rates in the last quarter of 2013. The total result was lower due to lower financial income recorded in the current period. Significant savings have been achieved on the expenditure side primarily by reducing operating costs.

2. PERSONNEL

As at 31th December 2013 the Company had 32 employees. The Company employs exclusively Croatian seafarers on all vessels in its fleet.

3. TECHNICAL ASPECT

In the year 2013 significant work on the maintenance of the main engine, hull and cargo holds on the m/v Veruda was carried out by the Chinese shipyard, furthermore there were no significant technical stoppages in this period, resulting with 99.31% efficiency of the vessel exploitation.

4. ACQUISITION OF TREASURY SHARES

In the period I-XII 2013, 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 1,327.2 thousand HRK and disposed of treasury shares in the amount of 926.6 thousand HRK.

5. IMPORTANT EVENTS IN 2013

On 15th January 2013 the subsidiary United Shipping Sevices One Inc. has entered into a contract on the sale of 100% of its own shares in United Shipping Services Fifteen Inc. to Uljanik Brodogradilište d.d. Pula.

On 27th March 2013 the subsidiary United Shipping Sevices One Inc. has entered into a contract on the sale of 100% of its own shares in United Shipping Services Sixteen Inc. to Uljanik Brodogradilište d.d. Pula.

On 30th August 2013 the General Assembly was held which passed the resolution on sharing of the profit for the year 2012. The profit of USD 42,530,311.40 HRK was distributed as follows: 2,126,515.57 HRK to the legal reserves and 40,403,795.83 HRK to retained profit.

On 23th and 30th October 2013 the Company signed agreements on restructuring of financial indebtedness with the syndicate of banks.

On 1st August 2013 the vessel m/t Punta was taken in the full management by the Company.

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, 11th February 2014

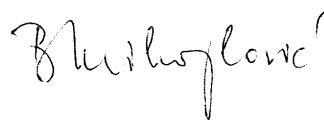
A handwritten signature in black ink, appearing to read "D. Pavletić", with a large, stylized initial "D" at the start.

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 2013, 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.

Accounting manager



Bojana Mihajlović

Pula, 14th February, 2014