



**ULJANIK PLOVIDBA d.d.**

**UNAUDITED FINANCIAL STATEMENTS**

**FOR THE PERIOD**

**JANUARY - JUNE 2014**

Pula, July 2014

## CONTENT:

Financial Statements of ULJANIK PLOVIDBA d.d.  
(unaudited) for the period January – June 2014

Notes

Management Report

Statement of the person responsible for preparing Financial Statements

**Attachment 1.**

Reporting period:

18

1.1.2014

to

30.6.2014

**Semiannual 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-ploidba@pu.t-com.hr**Internet address: **www.uljanikploidba.com**Municipality/city code and name: **359 PULA**County code and name: **18 ISTARSKA**Number of employees **32**

(quarter end)

Consolidated report: **NO**NKD code: **5020**

Companies of the consolidation subject (according to IFRS):

Seat:

MB:

Bookkeeping service:

Contact person: **VANESA PERUŠKO TOPIĆ**

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

Telephone: **052 211544**Telefax: **052 492598**E-mail address: **vanesa.topic@uljanikploidba.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)


**BALANCE SHEET**  
as of 30.06.2014.

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>	457.762.875	458.542.901
I. INTANGIBLE ASSETS (004 to 009)	<b>003</b>	3.713	2.321
1. Assets development	<b>004</b>		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	<b>005</b>	3.713	2.321
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>	3.358.275	3.329.534
1. Land	<b>011</b>	121.829	121.829
2. Buildings	<b>012</b>	3.036.330	3.011.007
3. Plant and equipment	<b>013</b>	143.015	144.757
4. Instruments, plant inventories and transportation assets	<b>014</b>	57.101	51.941
5. Biological assets	<b>015</b>		
6. Prepayments for tangible assets	<b>016</b>		
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>	441.234.875	442.271.377
1. Shares (stocks) in related parties	<b>021</b>	438.906.075	439.942.576
2. Loans given to related parties	<b>022</b>		
3. Participating interests (shares)	<b>023</b>	2.328.800	2.328.801
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>	13.166.012	12.939.669
1. Receivables from related parties	<b>030</b>	1.387.250	1.390.569
2. Receivables based on trade loans	<b>031</b>	11.778.762	11.549.100
3. Other receivables	<b>032</b>		
V. DEFERRED TAX ASSETS	<b>033</b>		
<b>C) SHORT- TERM ASSETS (035+043+050+058)</b>	<b>034</b>	214.304.016	213.678.462
I. INVENTORIES (036 to 042)	<b>035</b>	0	0
1. Raw material	<b>036</b>		
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>	103.292.201	107.971.552
1. Receivables from related parties	<b>044</b>	77.247.830	78.604.650
2. Accounts receivable	<b>045</b>	25.351.589	28.689.744
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>	615.404	584.122
6. Other receivables	<b>049</b>	77.378	93.036
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	<b>050</b>	110.595.295	105.543.504
1. Shares (stocks) in related parties	<b>051</b>		
2. Loans given to related parties	<b>052</b>	106.070.815	104.761.676
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>	4.524.480	781.828
7. Other financial assets	<b>057</b>		
IV. CASH AT BANK AND IN CASHIER	<b>058</b>	416.520	163.406
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	5.729	4.229
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	672.072.620	672.225.592
<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>	<b>466.436.978</b>	<b>469.428.500</b>
I. SUBSCRIBED CAPITAL	<b>063</b>	232.000.000	232.000.000
II. CAPITAL RESERVES	<b>064</b>	-20.238.433	-20.250.220
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	38.361.100	37.953.533
1. Reserves prescribed by law	<b>066</b>	16.592.866	16.592.866
2. Reserves for treasury stocks	<b>067</b>	36.382.812	36.382.812
3. Treasury stocks and shares (deduction)	<b>068</b>	14.614.578	15.022.145
4. Statutory reserves	<b>069</b>		
5. Other reserves	<b>070</b>		
IV. REVALUATION RESERVES	<b>071</b>	26.968.244	28.004.746
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	<b>072</b>	193.419.895	189.346.067
1. Retained earnings	<b>073</b>	193.419.895	189.346.067
2. Accumulated loss	<b>074</b>		
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	<b>075</b>	-4.073.828	2.374.374
1. Profit for the current year	<b>076</b>		2.374.374
2. Loss for the current year	<b>077</b>	4.073.828	0
VII. MINORITY INTEREST	<b>078</b>		
<b>B) PROVISIONS (080 to 082)</b>	<b>079</b>	<b>1.932.007</b>	<b>1.912.089</b>
1. Provisions for pensions, severance pay and similar liabilities	<b>080</b>	1.932.007	1.912.089
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>	<b>107.744.038</b>	<b>107.170.683</b>
1. Liabilities to related parties	<b>084</b>		
2. Liabilities for loans, deposits etc.	<b>085</b>	107.744.038	107.170.683
3. Liabilities to banks and other financial institutions	<b>086</b>		
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>	<b>95.958.377</b>	<b>93.709.031</b>
1. Liabilities to related parties	<b>094</b>		
2. Liabilities for loans, deposits etc.	<b>095</b>	62.917.521	60.717.521
3. Liabilities to banks and other financial institutions	<b>096</b>	28.272.886	27.418.040
4. Liabilities for received prepayments	<b>097</b>	138.844	138.844
5. Accounts payable	<b>098</b>	466.181	847.962
6. Liabilities arising from debt securities	<b>099</b>		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	<b>100</b>		
8. Liabilities to employees	<b>101</b>	770.252	829.035
9. Liabilities for taxes, contributions and similar fees	<b>102</b>		
10. Liabilities to share - holders	<b>103</b>	2.546.327	2.542.281
11. Liabilities for long term assets held for sale	<b>104</b>		
12. Other short - term liabilities	<b>105</b>	846.366	1.215.348
<b>E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD</b>	<b>106</b>	<b>1.220</b>	<b>5.289</b>
<b>F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	<b>672.072.620</b>	<b>672.225.592</b>
<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>		
2. Attributed to minority interests	<b>110</b>		

**PROFIT AND LOSS ACCOUNT**  
for period 01.01.2014. to 30.06.2014.

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>	<b>9.912.607</b>	<b>4.969.199</b>	<b>11.051.593</b>	<b>5.573.968</b>
1. Sales revenues	112	9.898.827	4.955.419	11.031.585	5.553.960
2. Other operating revenues	113	13.780	13.780	20.008	20.008
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>6.178.840</b>	<b>3.083.120</b>	<b>7.135.432</b>	<b>3.676.334</b>
1. Changes in the value of work in progress and finished goods	115				0
2. Material costs (117 to 119)	116	339.584	150.852	354.575	156.030
a) Raw material and material costs	117	89.419	32.790	108.911	39.981
b) Costs of goods sold	118				0
c) Other external costs	119	250.165	118.062	245.664	116.049
3. Staff costs (121 to 123)	120	4.533.074	2.284.231	4.878.798	2.500.092
a) Net salaries and wages	121	2.346.121	1.182.983	2.474.840	1.253.116
b) Costs for taxes and contributions from salaries	122	1.588.575	799.790	1.721.946	878.821
c) Contributions on gross salaries	123	598.378	301.458	682.012	368.155
4. Depreciation	124	81.160	36.639	74.354	36.176
5. Other costs	125	1.225.022	611.398	1.827.705	984.036
6. Impairment (127+128)	126				0
a) Impairment of long-term assets (excluding financial assets)	127				0
b) Impairment of short-term assets (excluding financial assets)	128				0
7. Provisions	129				0
8. Other operating expenses	130				0
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>131</b>	<b>12.000.303</b>	<b>4.297.206</b>	<b>3.589.624</b>	<b>1.699.926</b>
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	12.000.303	4.297.206	3.589.624	1.699.926
3. Share in income from affiliated entrepreneurs and participating interests	134				0
4. Unrealized gains (income) from financial assets	135				0
5. Other financial income	136				0
<b>IV. FINANCIAL EXPENSES (138 to 141)</b>	<b>137</b>	<b>14.216.666</b>	<b>9.715.486</b>	<b>5.131.411</b>	<b>2.884.711</b>
1. Interest expenses, foreign exchange losses and similar expenses from related parties	138				0
2. Interest expenses, foreign exchange losses and similar expenses from non - related parties	139	14.216.666	9.715.486	5.131.411	2.884.711
3. Unrealized losses (expenses) on financial assets	140				0
4. Other financial expenses	141				0
<b>V. INCOME FROM INVESTMENT SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS</b>	<b>142</b>				<b>0</b>
<b>VI. LOSS FROM INVESTMENT SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS</b>	<b>143</b>				<b>0</b>
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>				<b>0</b>
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				<b>0</b>
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	<b>21.912.910</b>	<b>9.266.405</b>	<b>14.641.217</b>	<b>7.273.894</b>
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	<b>20.395.506</b>	<b>12.798.606</b>	<b>12.266.843</b>	<b>6.561.045</b>
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	<b>1.517.404</b>	<b>-3.532.201</b>	<b>2.374.374</b>	<b>712.849</b>
1. Profit before taxation (146-147)	149	1.517.404	0	2.374.374	712.849
2. Loss before taxation (147-146)	150	0	3.532.201	0	0
<b>XII. PROFIT TAX</b>	<b>151</b>	<b>87.467</b>	<b>43.733</b>		<b>0</b>
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>1.429.937</b>	<b>-3.575.934</b>	<b>2.374.374</b>	<b>712.849</b>
1. Profit for the period(149-151)	153	1.429.937	0	2.374.374	712.849
2. Loss for the period (151-148)	154	0	3.575.934	0	0
<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				
2. Attributed to minority interests	156				
<b>STATEMENT OF COMPREHENSIVE INCOME (IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	<b>1.429.937</b>	<b>-3.575.934</b>	<b>2.374.374</b>	<b>712.849</b>
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)</b>	<b>158</b>	<b>-1.596.481</b>	<b>-16.586.458</b>	<b>1.036.502</b>	<b>-1.057.581</b>
1. Exchange differences on translation of foreign operations	159	-1.596.481	-16.586.458	1.036.502	-1.057.581
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>	<b>-319.296</b>	<b>-3.317.292</b>	<b>207.300</b>	<b>-211.516</b>
<b>IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)</b>	<b>167</b>	<b>-1.277.185</b>	<b>-13.269.166</b>	<b>829.202</b>	<b>-846.065</b>
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)</b>	<b>168</b>	<b>152.752</b>	<b>-16.845.100</b>	<b>3.203.576</b>	<b>-133.216</b>
<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				
2. Attributed to minority interests	170				

## CASH FLOW STATEMENT - Indirect method

period 01.01.2014. to 30.06.2014.

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	1.517.404	2.374.374
2. Depreciation	002	81.160	74.354
3. Increase in short-term liabilities	003	605.634	805.500
4. Decrease in short term receivables	004		
5. Decrease in inventories	005		
6. Other cash flow increases	006		5.569
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>007</b>	<b>2.204.198</b>	<b>3.259.797</b>
1. Decrease in short - term liabilities	008		
2. Increase in short - term receivables	009	5.482.933	4.679.351
3. Increase in inventories	010		
4. Other cash flow decreases	011	104.490	19.918
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>012</b>	<b>5.587.423</b>	<b>4.699.269</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	<b>0</b>	<b>0</b>
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)</b>	<b>014</b>	<b>3.383.225</b>	<b>1.439.472</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash flow from sale of long - term tangible and intangible assets	015		
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		
<b>III. Total cash inflows from investing activities(015 to 019)</b>	<b>020</b>	<b>0</b>	<b>0</b>
1. Cash outflows for purchase of long - term tangible and intangible assets	021	27.156	44.220
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investing activities	023		
<b>IV. Total cash outflows from investing activities (021 to 023)</b>	<b>024</b>	<b>27.156</b>	<b>44.220</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>27.156</b>	<b>44.220</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Cash receipts from issuance of equity and debt financial instruments	027		
2. Cash inflows from loans, debentures, credits and other borrowings	028	23.980.223	5.838.148
3. Other cash inflows from financing activities	029	7.873.711	678.133
<b>V. Total cash inflows from financing activities (027 to 029)</b>	<b>030</b>	<b>31.853.934</b>	<b>6.516.281</b>
1. Cash outflows for repayment of loans and bonds	031	27.847.789	2.866.348
2. Dividends paid	032		
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034	586.737	419.355
5. Other cash outflows from financing activities	035		2.000.000
<b>VI. Total cash outflows from financing activities (031 do 035)</b>	<b>036</b>	<b>28.434.526</b>	<b>5.285.703</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)</b>	<b>037</b>	<b>3.419.408</b>	<b>1.230.578</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	9.027	0
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	253.114
Cash and cash equivalents at the beginning of period	041	117.908	416.520
Increase in cash and cash equivalents	042	9.027	0
Decrease in cash and cash equivalents	043	0	253.114
Cash and cash equivalents at the end of period	044	126.935	163.406

## STATEMENT OF CHANGES IN EQUITY

from 1.1.2014 to 30.6.2014

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	232.000.000	232.000.000
2. Capital reserves	002	-20.238.433	-20.250.220
3. Reserves from profit	003	38.361.100	37.953.533
4. Retained earnings or accumulated loss	004	193.419.895	189.346.067
5. Profit / loss for the current year	005	-4.073.828	2.374.374
6. Revaluation of long - term tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008	-800.000	-800.000
9. Other revaluation	009	27.768.244	28.804.746
<b>10. Total capital and reserves (AOP 001 to 009)</b>	<b>010</b>	466.436.978	469.428.500
11. Currency gains and losses arising from net investments in foreign operations	011	-13.879.935	1.036.502
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	-5.585.164	1.955.020
<b>17. Total increase or decrease in capital (AOP 011 to 016)</b>	<b>017</b>	-19.465.099	2.991.522
17 a. Attributed to equity holders of parent company	018		
17 b. Attributed to minority interest	019		

Items decreasing the capital are entered with a negative number sign

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



## NOTES TO THE FINANCIAL STATEMENTS AS AT 30.06.2014

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### GENERAL INFORMATION

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 30<sup>th</sup> June 2014 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 30<sup>th</sup> June 2014 the Company had 32 employees (2013: 32).

The financial statements for the Company have been prepared in accordance with the Law on Accounting and the International Financial Reporting Standards ('IFRS'), the application of which has been approved by the Croatian Financial Reporting Standards Board, and in accordance with the Regulation on the Structure and Content of the Annual Accounts.

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

1. Operating income as well operating expenses for the first half of 2014 are slightly higher with respect to the same period in 2013, due to the increase in the volume of management services in the current period.
2. Financial income and expenses have significantly decreased in the first half of 2014 in comparison to the same period of 2013. The decrease in financial income and expenses is related to lower interest and lower foreign exchange gains and losses with respect to the same period of 2013.
3. The long-term financial assets have been increased due to the adjustment of the value of the investment into the foreign subsidiary into its counter-value in HRK according to the mean rate of exchange for the USD at the end of the accounting period (rate of exchange for USD at 30.06.2014: 5.562277 HRK; at 31.12.2013: 5.549000 HRK). As at 30<sup>th</sup> June 2014 the investments in foreign subsidiary United Shipping Services One Inc. amounted to 78,067,413 USD i.e. 434,232,575.78 HRK.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30.06.2014

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4. The long-term loans in foreign currency have been expressed in their equivalent value in HRK according to the mean rate of exchange of the Croatian National Bank as at 30<sup>th</sup> June 2014.
5. In the first half of 2014 the Company purchased treasury shares in the total amount of 429.2 thousand HRK and disposed of treasury shares in the amount of 21.6 thousand HRK.
6. Revaluation reserves that were created on the basis of the adjustment of the investment in the foreign subsidiary, at the mean rate of exchange for the USD as at 30<sup>th</sup> June 2014, amount to 28,005 thousand HRK.

For ULJANIK PLOVIDBA d.d. Pula

A handwritten signature in black ink, appearing to read 'D. Pavletić', with a large, stylized initial 'D'.

Dragutin Pavletić  
Director of ULJANIK PLOVIDBA d.d.

Pula, 25<sup>th</sup> July 2014

## MANAGEMENT REPORT FOR THE PERIOD 01-06/2014

The business activity of ULJANIK PLOVIDBA (the Company) and its foreign subsidiaries in the first half-year of 2014 was with full employment of vessels and high functioning management system. After a strong recovery at the end of the previous year, this year's trends are characterized by a strong and continuous decline in freight rates in dry cargo sector, which trends have been interrupted only at the end of July. In the petroleum products, oils and chemicals transportation sector the observed period can be assessed as stable with the freight rates on the same level as at the end of previous year. The developments in the maritime transport were undoubtedly influenced by the slowdown in all major economies, especially in China. Despite the negative developments in the shipping market in the first half-year of 2014, predictions until the end of the year and for the next two years are very optimistic for both dry cargo and tanker sector.

In this period the Company:

- a) maintained the existing fleet with a further reduction in credit exposure
- b) realized significant increase in revenue despite the dry docking performed on the three vessels with positive operating result for the vessels, but reported loss for the period caused by retained depreciation policy and financial liabilities,
- c) increased total expenses as a result of the direct impact of dry docking cost for three vessels, but keeping the same level of other operating expenses of the vessels
- d) maintained constant employment of vessels with the continuation of the Company's fleet high efficiency trend,
- e) fulfilled all its loan payment obligations with the positive effects of lower interest rates,
- 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, what also confirms the certificate received by the United States Coast Guard under their Qualship 21 Program;
- g) maintained high efficiency of vessels' management,
- h) collected all contracted freights from the Charterers of all vessels,
- 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 revenues for the first half of 2014 of 118.1 mil HRK compared to 105.1 mil HRK in the same period of 2013 has been under direct impact of the higher freight rates in the tanker shipping market. The operating result was influenced negatively by dry docking cost of the three vessels, as well as the positioning of the vessels and off-hire days during the dry docking period.

## **2. PERSONNEL**

As at 30.06.2014 the Company had 32 employees. The Company employs exclusively Croatian seafarers on all vessels in its fleet.

## **3. TECHNICAL ASPECT**

In the period January-June 2014 m/v Levan, m/v Marlera and m/t Kastav underwent dry docking. The company keeps maintaining high efficiency of vessel exploitation with all other vessels in the fleet.

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

In the period I-VI 2014, the Company acquired treasury shares in accordance with art. 233, section 3 of the Companies Act. The company acquired treasury shares in the amount of 429.2 thousand HRK and disposed of treasury shares in the amount of 21.6 thousand HRK.

## **5. IMPORTANT EVENTS IN 2014**

On 28<sup>th</sup> January 2014 two foreign subsidiaries were incorporated: ULJANIK SHIPMANAGEMENT PTE. Ltd. Singapore and ULJANIK TANKER MANAGEMENT PTE. Ltd. Singapore, in order to optimize the performance of ship management and expand economic activities in Asia, including direct access to potential investors.

## **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 (supramax) and transport of petroleum products and chemicals (product carriers). 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 AND ENVIRONMENTAL PROTECTION**

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. Special attention is focused on technical solutions that enable further savings in fuel consumption, reduce pollution and protect the environment. On the other hand, with a socially responsible business, through investing in the community, care and welfare of employees and their education, the Company's aim is to contribute to the continued economic and social development.

## 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 in relation 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, 31<sup>st</sup> July 2014

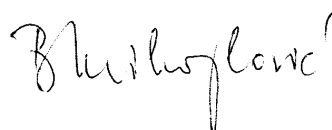
A handwritten signature in black ink, appearing to read 'D. Pavletić', with a large circular flourish above the first part of the name.

Dragutin Pavletić, Director

## STATEMENT OF THE PERSON RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Unaudited financial reports of ULJANIK PLOVIDBA d.d. (hereafter: Company) for the period January – June 2014, 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 the Company.

Accounting manager



Bojana Mihajlović

Pula, 25<sup>th</sup> July, 2014