



GROUP ULJANIK PLOVIDBA

CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY - MARCH 2014

Pula, April 2014

CONTENT:

Consolidated Financial Statements of GROUP ULJANIK PLOVIDBA
(unaudited) for the period January – March 2014

Notes

Management Report

Statement of the person responsible for preparing Financial Statements

Attachment 1.

Reporting period:

01.01.2014.

to

31.03.2014.

Quarterly financial statement of the entrepreneur - TFI-POD

Tax number (MB): 03292754

Company registration number (MBS): 040010793

Personal identification number (OIB): 49693360447

Issuing company: ULJANIK PLOVIDBA D.D.

Postal code and place: 52100 PULA

Street and house number: CARRARINA 6

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

Internet address: www.uljanikplovidba.com

Municipality/city code and name: 359 PULA

County code and name: 18 ISTARSKA

Number of employees 32

Consolidated report: YES

(quarter end)
NKD code: 5020

Companies of the consolidation subject (according to IFRS):

Seat:

MB:

ULJANIK PLOVIDBA D.D.

PULA

3292754

UNITED SHIPPING SERVICES ONE INC.

MONROVIA, LIBERIA

REAL D.O.O.

PULA

2044471

Bookkeeping service:

Contact person: BOJANA MIHAJLOVIĆ

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

Telephone: 052 211544

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Family name and name: DRAGUTIN PAVLETIĆ

(person authorized to represent the company)

Documents to be published:

1. Financial statements (balance sheet, profit and loss statement, cash flow statement, statement of changes in equity, and notes to financial statements)
2. Report of the Management Board on the Company Status
3. Statement of persons responsible for the drawing-up of financial statements

ULJANIK PLOVIDBA d.d.



of the person authorized to represent the company)

BALANCE SHEET

as of 31.03.2014.

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	1.868.939.596	1.847.460.769
I. INTANGIBLE ASSETS (004 to 009)	003	3.713	3.016
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	3.713	3.016
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	1.846.340.326	1.824.963.047
1. Land	011	121.829	121.829
2. Buildings	012	3.036.331	3.023.669
3. Plant and equipment	013	200.116	198.935
4. Instruments, plant inventories and transportation assets	014	1.839.693.750	1.818.339.864
5. Biological assets	015	3.288.300	3.278.750
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	4.816.821	4.816.823
1. Shares (stocks) in related parties	021		
2. Loans given to related parties	022		
3. Participating interests (shares)	023	4.816.821	4.816.823
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	17.778.736	17.677.883
1. Receivables from related parties	030		
2. Receivables based on trade loans	031		
3. Other receivables	032	17.778.736	17.677.883
V. DEFERRED TAX ASSETS	033		
C) SHORT- TERM ASSETS (035+043+050+058)	034	99.951.978	97.689.081
I. INVENTORIES (036 to 042)	035	3.652.979	2.633.030
1. Raw material	036	3.652.979	2.633.030
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	61.160.791	57.996.770
1. Receivables from related parties	044		
2. Accounts receivable	045	59.710.948	56.434.753
3. Receivables from participating entrepreneurs	046		
4. Receivables from employees and shareholders	047		
5. Receivables from government and other institutions	048	622.901	597.975
6. Other receivables	049	826.942	964.042
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	6.017.154	785.615
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	6.017.154	785.615
7. Other financial assets	057		
IV. CASH AT BANK AND IN CASHIER	058	29.121.054	36.273.666
D) PREPAID EXPENSES AND ACCRUED INCOME	059	5.729	4.229
E) TOTAL ASSETS (001+002+034+059)	060	1.968.897.303	1.945.154.079
F) OFF-BALANCE SHEET NOTES	061		

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	517.358.974	510.965.385
I. SUBSCRIBED CAPITAL	063	232.000.000	232.000.000
II. CAPITAL RESERVES	064	-20.238.433	-20.238.433
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	38.361.100	38.117.155
1. Reserves prescribed by law	066	16.592.866	16.592.866
2. Reserves for treasury stocks	067	36.382.812	36.382.812
3. Treasury stocks and shares (deduction)	068	14.614.578	14.858.523
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071	26.968.244	29.062.327
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	179.937.429	92.723.012
1. Retained earnings	073	179.937.429	92.723.012
2. Accumulated loss	074		
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	-87.187.864	-9.209.393
1. Profit for the current year	076		
2. Loss for the current year	077	87.187.864	9.209.393
VII. MINORITY INTEREST	078	147.518.498	148.510.717
B) PROVISIONS (080 to 082)	079	1.932.007	1.932.007
1. Provisions for pensions, severance pay and similar liabilities	080	1.932.007	1.932.007
2. Reserves for tax liabilities	081		
3. Other reserves	082		
C) LONG TERM LIABILITIES (084 to 092)	083	1.183.693.660	1.176.900.891
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits etc.	085		
3. Liabilities to banks and other financial institutions	086	1.183.693.660	1.176.900.891
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	174.782.126	165.656.097
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits etc.	095		
3. Liabilities to banks and other financial institutions	096	123.436.218	119.746.403
4. Liabilities for received prepayments	097		
5. Accounts payable	098	13.955.967	14.012.267
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	770.252	807.358
9. Liabilities for taxes, contributions and similar fees	102	2.245	0
10. Liabilities to share - holders	103	2.546.327	2.542.925
11. Liabilities for long term assets held for sale	104		
12. Other short - term liabilities	105	34.071.117	28.547.144
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	91.130.536	89.699.699
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	107	1.968.897.303	1.945.154.079
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	369.840.476	362.454.668
2. Attributed to minority interests	110	147.518.498	148.510.717

PROFIT AND LOSS ACCOUNT
for period 01.01.2014. to 31.03.2014.

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	49.161.410	49.161.410	62.154.366	62.154.366
1. Sales revenues	112	47.723.626	47.723.626	60.719.691	60.719.691
2. Other operating revenues	113	1.437.784	1.437.784	1.434.675	1.434.675
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	63.391.272	63.391.272	64.438.617	64.438.617
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	7.656.023	7.656.023	10.076.507	10.076.507
a) Raw material and material costs	117	63.109	63.109	78.517	78.517
b) Costs of goods sold	118				
c) Other external costs	119	7.592.914	7.592.914	9.997.990	9.997.990
3. Staff costs (121 to 123)	120	20.878.579	20.878.579	19.844.931	19.844.931
a) Net salaries and wages	121	19.792.874	19.792.874	18.687.949	18.687.949
b) Costs for taxes and contributions from salaries	122	788.785	788.785	843.125	843.125
c) Contributions on gross salaries	123	296.920	296.920	313.857	313.857
4. Depreciation	124	30.591.950	30.591.950	30.294.740	30.294.740
5. Other costs	125	4.264.720	4.264.720	4.222.439	4.222.439
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				
III. FINANCIAL INCOME (132 to 136)	131	6.752.121	6.752.121	2.574.028	2.574.028
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132				
2. Interest income, foreign exchange gains, dividends and similar income from non-related	133	6.752.121	6.752.121	2.574.028	2.574.028
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	7.232.220	7.232.220	9.220.059	9.220.059
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	7.232.220	7.232.220	9.220.059	9.220.059
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	55.913.531	55.913.531	64.728.394	64.728.394
X. TOTAL EXPENSES (114+137+143 + 145)	147	70.623.492	70.623.492	73.658.676	73.658.676
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	-14.709.961	-14.709.961	-8.930.282	-8.930.282
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	14.709.961	14.709.961	8.930.282	8.930.282
XII. PROFIT TAX	151	43.733	43.733	0	0
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-14.753.694	-14.753.694	-8.930.282	-8.930.282
1. Profit for the period(149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	14.753.694	14.753.694	8.930.282	8.930.282
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	-13.309.836	-13.309.836	-9.209.393	-9.209.393
2. Attributed to minority interests	156	-1.443.858	-1.443.858	279.111	279.111
STATEMENT OF COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	-14.753.694	-14.753.694	-8.930.282	-8.930.282
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)	158	14.989.977	14.989.977	2.094.083	2.094.083
1. Exchange differences on translation of foreign operations	159	14.989.977	14.989.977	2.094.083	2.094.083
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	2.997.995	2.997.995	418.817	418.817
IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)	167	11.991.982	11.991.982	1.675.266	1.675.266
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)	168	-2.761.712	-2.761.712	-7.255.016	-7.255.016
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	-1.317.854	-1.317.854	-7.534.127	-7.534.127
2. Attributed to minority interests	170	-1.443.858	-1.443.858	279.111	279.111

CASH FLOW STATEMENT - Indirect method

period 01.01.2014. to 31.03.2014.

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	-14.709.961	-8.930.282
2. Depreciation	002	30.591.950	30.294.740
3. Increase in short-term liabilities	003	76.929	
4. Decrease in short term receivables	004	2.567.035	3.164.022
5. Decrease in inventories	005	0	1.019.949
6. Other cash flow increases	006	0	1.500
I. Total increase in cash flow from operating activities (001 to 006)	007	18.525.953	25.549.929
1. Decrease in short - term liabilities	008		5.436.214
2. Increase in short - term receivables	009	0	0
3. Increase in inventories	010	203.136	0
4. Other cash flow decreases	011	51.117.843	8.256.436
II. Total decrease in cash flow from operating activities (008 to 011)	012	51.320.979	13.692.650
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	0	11.857.279
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	32.795.026	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	0	23.640
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	0	23.640
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	0	23.640
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	24.265.322	4.001.479
3. Other cash inflows from financing activities	029	40.890.464	6.045.500
V. Total cash inflows from financing activities (027 to 029)	030	65.155.786	10.046.979
1. Cash outflows for repayment of loans and bonds	031	36.342.305	14.484.061
2. Dividends paid	032		
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034	275.522	243.945
5. Other cash outflows from financing activities	035	167.235	
VI. Total cash outflows from financing activities (031 do 035)	036	36.785.062	14.728.006
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	28.370.724	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	0	4.681.027
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	0	7.152.612
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	4.424.302	0
Cash and cash equivalents at the beginning of period	041	32.706.009	29.121.054
Increase in cash and cash equivalents	042	0	7.152.612
Decrease in cash and cash equivalents	043	4.424.302	0
Cash and cash equivalents at the end of period	044	28.281.707	36.273.666

STATEMENT OF CHANGES IN EQUITY
from 1.1.2014 to 31.3.2014

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	-20.238.433
3. Reserves from profit	003	38.361.100	38.117.155
4. Retained earnings or accumulated loss	004	179.937.429	92.723.012
5. Profit / loss for the current year	005	-87.187.864	-9.209.393
6. Revaluation of long - term tangible assets	006		
7. Minority interest	007	147.518.498	148.510.717
8. Revaluation of financial assets available for sale	008	-800.000	-800.000
9. Other revaluation	009	27.768.244	29.862.327
10. Total capital and reserves (AOP 001 to 009)	010	517.358.974	510.965.385
11. Currency gains and losses arising from net investments in foreign operations	011	-13.879.935	2.094.083
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	-71.355.217	-8.487.672
17. Total increase or decrease in capital (AOP 011 to 016)	017	-85.235.152	-6.393.589
17 a. Attributed to equity holders of parent company	018	-102.862.627	-7.385.808
17 b. Attributed to minority interest	019	17.627.475	992.219

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 31.03.2014

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 31st March 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 31st March 2014 the Group had 32 employees (2013: 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 CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.03.2014

1. Operating income for the first quarter of 2014 amounts to 62.2 mil HRK while in the same period of 2012, it amounted to 49.2 mil HRK. Freight revenues are higher in comparison to the year 2013 due to the higher 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 slightly increased with respect to the year 2013 due to the drydocking expenses of m/t Levan in the first quarter of 2014.
3. Financial income in the first quarter of 2014 has significantly decreased in comparison to the same period of 2013 due to the lower foreign exchange gains. Financial expenses for the first quarter of 2014 are higher with respect to the same period of 2013 due to the higher interest expenses.
4. As at 31.03.2014 the book value of the vessels amounts to 326.1 mil USD (1,818.3 mil HRK).
5. In the period from 1.01. to 31.03.2014 the Company purchased treasury shares in the total amount of 243.9 thousand HRK.
6. Revaluation reserves have been increased for 2,094 thousand HRK with respect to balance as at 31.12.2013 which amount corresponds to the adjustment of the investment in the foreign subsidiary at the mean rate of exchange for USD as at 31.03.2014.
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 31st March 2014.
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 31st March 2014.
9. In the period from January-March 2014 the applicable amount of income from grants from previous years in the amount of 1,430 thousand HRK was recorded with the proportional decrease of the deferred income, in accordance with the deferred income recognition plan.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT
31.03.2014**

10. The minority as at 31st March 2014 in equity in the amount of 148.5 mil USD refers to the ownership of Uljanik Brodogradilište in foreign companies United Shipping Services Twelve Inc. and United Shipping Services Thirteen Inc.

For the GROUP ULJANIK PLOVIDBA Pula

A handwritten signature in black ink, appearing to read 'D. Pavletić', is positioned above the printed name.

Dragutin Pavletić
Director of ULJANIK PLOVIDBA d.d.

Pula, 29th April 2014

MANAGEMENT REPORT FOR THE PERIOD 01-03/2014

The business activity of ULJANIK PLOVIDBA (the Company) and its foreign subsidiaries in the first quarter of 2014 was with full employment of vessels and high functioning management system. The first quarter was marked with increased freight rates in both dry cargo and tanker sectors in comparison with the relating period of 2013, in addition to the evident slowdown of the announced recovery of the world economy under the impact of special economic developments in China, but also the uncertain political situation in Ukraine. From mid-March, there was a stronger correction of freight rates on the spot market in both dry cargo and tanker sectors.

In this period the Company:

- a) realized operating profit of the vessels as a result of significant increase in revenue but reported loss for the period caused by retained depreciation rates and financial liabilities,
- b) maintained constant employment of vessels with the continuation of the Company's fleet high efficiency trend,
- c) fulfilled all its loan payment obligations with the positive effects of lower interest rates,
- d) maintained the same level of operating expenses of the vessels,
- e) realized higher freight rates with significantly increased market value of all the ships in the fleet
- 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) 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 result for the period I-III 2014 of 62.2 mil HRK compared to 49.2 mil HRK in the same period of 2013 has been under direct impact of the significant correction of freight rates from the end of 2013 and of the increased expenses related to dry docking of one vessel.

2. PERSONNEL

As at 31.03.2014 the Company had 32 employees. The Company employs exclusively Croatian seafarers on all vessels in its fleet.

3. TECHNICAL ASPECT

In the period January-March 2014 m/v Levan was in regular dry dock. 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-III 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 243.9 thousand HRK.

5. IMPORTANT EVENTS IN 2013

On 28th January 2014 two foreign subsidiaries were incorporated: ULJANIK SHIPMANAGEMENT Singapore and ULJANIK TANKER MANAGEMENT Singapore, in order to optimize the performance of ship management and expand economic activities in Asia.

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. Special attention is focused on technical solutions that enable further savings in fuel consumption, reduce pollution and protect the environment.

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, 23rd April 2014

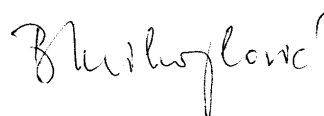
A handwritten signature in black ink, appearing to read 'D. Pavletić'.

Dragutin Pavletić, Director

STATEMENT OF THE PERSON RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

Unaudited consolidated financial reports of GROUP ULJANIK PLOVIDBA for the period January – March 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 ULJANIK PLOVIDBA d.d. and the companies included in the consolidation.

Accounting manager



Bojana Mihajlović

Pula, 29th April, 2014