



GROUP ULJANIK PLOVIDBA

**PRELIMINARY CONSOLIDATED UNAUDITED FINANCIAL
STATEMENTS**

FOR THE PERIOD

JANUARY - DECEMBER 2015

Pula, February 2016

CONTENT:

Preliminary Consolidated Financial Statements of GROUP ULJANIK
PLOVIDBA (unaudited) for the period January – December 2015

Notes

Management Report

Statement of the persons responsible for preparing Financial Statements

Attachment 1.

Reporting period:

01.01.2015.

to

31.12.2015.

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.

of the person authorized to represent the company)



CONSOLIDATED BALANCE SHEET
as of 31.12.2015.

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	1.976.881.951	1.352.423.399
I. INTANGIBLE ASSETS (004 to 009)	003	928	0
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	928	0
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	1.954.332.448	1.336.697.968
1. Land	011	121.829	121.829
2. Buildings	012	2.985.683	2.935.036
3. Plant and equipment	013	164.874	126.140
4. Instruments, plant inventories and transportation assets	014	1.947.809.966	1.330.303.073
5. Biological assets	015	3.250.096	3.211.890
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	4.507.998	4.412.067
1. Shares (stocks) in related parties	021		
2. Loans given to related parties	022		
3. Participating interests (shares)	023	4.507.998	4.412.067
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	18.040.577	11.313.364
1. Receivables from related parties	030		
2. Receivables based on trade loans	031		
3. Other receivables	032	18.040.577	11.313.364
V. DEFERRED TAX ASSETS	033		
C) SHORT- TERM ASSETS (035+043+050+058)	034	53.200.492	45.867.413
I. INVENTORIES (036 to 042)	035	3.698.434	4.679.220
1. Raw material	036	3.698.434	4.679.220
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	7.026.538	10.236.108
1. Receivables from related parties	044		
2. Accounts receivable	045	5.575.771	8.645.701
3. Receivables from participating entrepreneurs	046		
4. Receivables from employees and shareholders	047		
5. Receivables from government and other institutions	048	264.664	120.601
6. Other receivables	049	1.186.103	1.469.806
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	5.599.111	5.302.677
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	5.599.111	5.302.677
7. Other financial assets	057		
IV. CASH AT BANK AND IN CASHIER	058	36.876.409	25.649.408
D) PREPAID EXPENSES AND ACCRUED INCOME	059	4.950	11.742
E) TOTAL ASSETS (001+002+034+059)	060	2.030.087.393	1.398.302.554
F) OFF-BALANCE SHEET NOTES	061		

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	512.575.541	92.193.039
I. SUBSCRIBED CAPITAL	063	232.000.000	232.000.000
II. CAPITAL RESERVES	064	-20.477.001	-21.677.477
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	37.953.252	40.123.672
1. Reserves prescribed by law	066	16.592.866	17.505.675
2. Reserves for treasury stocks	067	36.382.812	36.382.812
3. Treasury stocks and shares (deduction)	068	15.022.426	13.764.815
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071	91.875.255	151.298.132
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	81.948.978	-18.629.324
1. Retained earnings	073	81.948.978	
2. Accumulated loss	074		18.629.324
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	-76.764.162	-465.825.980
1. Profit for the current year	076		
2. Loss for the current year	077	76.764.162	465.825.980
VII. MINORITY INTEREST	078	166.039.219	174.904.016
B) PROVISIONS (080 to 082)	079	1.770.801	1.855.361
1. Provisions for pensions, severance pay and similar liabilities	080	1.770.801	1.855.361
2. Reserves for tax liabilities	081		
3. Other reserves	082		
C) LONG TERM LIABILITIES (084 to 092)	083	1.157.558.305	1.038.542.892
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits etc.	085		
3. Liabilities to banks and other financial institutions	086	1.157.558.305	1.038.542.892
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	272.780.995	197.717.533
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits etc.	095		
3. Liabilities to banks and other financial institutions	096	205.063.918	135.247.657
4. Liabilities for received prepayments	097		
5. Accounts payable	098	18.137.770	19.461.946
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	4.062.702	1.941.218
9. Liabilities for taxes, contributions and similar fees	102	4.076	228
10. Liabilities to share - holders	103	2.538.293	2.534.798
11. Liabilities for long term assets held for sale	104		
12. Other short - term liabilities	105	42.974.236	38.531.686
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	85.401.751	67.993.729
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	107	2.030.087.393	1.398.302.554
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	346.536.322	-82.710.977
2. Attributed to minority interests	110	166.039.219	174.904.016

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for period 01.01.2015. to 31.12.2015.

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	242.276.323	51.676.712	230.274.197	40.782.624
1. Sales revenues	112	234.867.042	50.097.251	212.013.470	38.546.668
2. Other operating revenues	113	7.409.281	1.579.461	18.260.727	2.235.956
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	284.060.570	77.436.765	668.788.233	497.648.901
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	46.284.586	10.474.624	39.750.989	8.656.209
a) Raw material and material costs	117	204.810	46.187	292.086	131.554
b) Costs of goods sold	118				
c) Other external costs	119	46.079.776	10.428.437	39.458.903	8.524.655
3. Staff costs (121 to 123)	120	87.578.720	20.775.610	84.081.633	20.829.605
a) Net salaries and wages	121	82.411.498	19.246.143	79.295.807	19.653.760
b) Costs for taxes and contributions from salaries	122	3.501.095	910.303	3.333.220	815.811
c) Contributions on gross salaries	123	1.666.127	619.164	1.452.606	360.034
4. Depreciation	124	111.511.349	22.098.825	413.096.388	351.336.275
5. Other costs	125	20.863.017	6.264.808	19.167.324	4.134.913
6. Impairment (127+128)	126	17.822.898	17.822.898	112.466.014	112.466.014
a) Impairment of long-term assets (excluding financial assets)	127	17.822.898	17.822.898	112.466.014	112.466.014
b) Impairment of short-term assets (excluding financial assets)	128				
7. Provisions	129	0	0	225.885	225.885
8. Other operating expenses	130	0	0	0	0
III. FINANCIAL INCOME (132 to 136)	131	30.870.188	6.405.544	29.844.346	5.941.934
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	30.870.188	6.405.544	29.844.346	5.941.934
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	66.902.594	29.904.742	65.973.873	19.210.507
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	66.902.594	29.904.742	65.973.873	19.210.507
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	273.146.511	58.082.256	260.118.543	46.724.558
X. TOTAL EXPENSES (114+137+143 + 145)	147	350.963.164	107.341.507	734.762.106	516.859.408
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	-77.816.653	-49.259.251	-474.643.563	-470.134.850
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	77.816.653	49.259.251	474.643.563	470.134.850
XII. PROFIT TAX	151	316.305	316.305	316.305	79.076
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-78.132.958	-49.575.556	-474.959.868	-470.213.926
1. Profit for the period(149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	78.132.958	49.575.556	474.959.868	470.213.926
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	-76.764.162	-49.648.009	-465.825.980	-466.157.003
2. Attributed to minority interests	156	-1.368.796	72.453	-9.133.888	-4.056.923
STATEMENT OF COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	-78.132.958	-49.575.556	-474.959.868	-470.213.926
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)	158	64.907.011	28.499.836	59.422.877	17.049.072
1. Exchange differences on translation of foreign operations	159	65.051.011	28.643.836	59.518.877	17.145.072
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	-144.000	-144.000	-96.000	-96.000
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	12.981.402	5.699.967	11.884.575	3.409.814
IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)	167	51.925.609	22.799.869	47.538.302	13.639.258
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)	168	-26.207.349	-26.775.687	-427.421.566	-456.574.668
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	-24.838.553	-26.848.140	-418.287.678	-452.517.745
2. Attributed to minority interests	170	-1.368.796	72.453	-9.133.888	-4.056.923

CONSOLIDATED CASH FLOW STATEMENT - Indirect method
period 01.01.2015. to 31.12.2015.

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	-77.816.653	-474.643.563
2. Depreciation	002	111.511.349	110.293.728
3. Increase in short-term liabilities	003	16.371.168	0
4. Decrease in short term receivables	004	54.134.253	0
5. Decrease in inventories	005		
6. Other cash flow increases	006	17.823.677	112.550.573
I. Total increase in cash flow from operating activities (001 to 006)	007	122.023.794	-251.799.262
1. Decrease in short - term liabilities	008	0	5.247.201
2. Increase in short - term receivables	009	0	3.209.570
3. Increase in inventories	010	45.455	980.787
4. Other cash flow decreases	011	189.055.838	190.077.614
II. Total decrease in cash flow from operating activities (008 to 011)	012	189.101.293	199.515.172
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	0	0
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	67.077.499	451.314.434
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	015	0	603.888.284
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	603.888.284
1. Cash outflows for purchase of long - term tangible and intangible assets	021	58.794	48.643
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	58.794	48.643
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES(020-024)	025	0	603.839.641
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES(024-020)	026	58.794	0
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	162.256.195	133.225.240
3. Other cash inflows from financing activities	029	20.307.560	25.079.466
V. Total cash inflows from financing activities (027 to 029)	030	182.563.755	158.304.706
1. Cash outflows for repayment of loans and bonds	031	106.763.850	322.056.914
2. Dividends paid	032		
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034	646.416	0
5. Other cash outflows from financing activities	035	261.841	0
VI. Total cash outflows from financing activities (031 do 035)	036	107.672.107	322.056.914
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	74.891.648	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	0	163.752.208
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	7.755.355	0
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	11.227.001
Cash and cash equivalents at the beginning of period	041	29.121.054	36.876.409
Increase in cash and cash equivalents	042	7.755.355	0
Decrease in cash and cash equivalents	043	0	11.227.001
Cash and cash equivalents at the end of period	044	36.876.409	25.649.408

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
from 1.1.2015 to 31.12.2015

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	232.000.000	232.000.000
2. Capital reserves	002	-20.477.001	-21.677.477
3. Reserves from profit	003	37.953.252	40.123.672
4. Retained earnings or accumulated loss	004	81.948.978	-18.629.324
5. Profit / loss for the current year	005	-76.764.162	-465.825.980
6. Revaluation of long - term tangible assets	006		
7. Revaluation of intangible assets	007	166.039.219	174.904.016
8. Revaluation of financial assets available for sale	008	-944.000	-1.040.000
9. Other revaluation	009	92.819.255	152.338.132
10. Total capital and reserves (AOP 001 to 009)	010	512.575.541	92.193.039
11. Currency gains and losses arising from net investments in foreign operations	011	65.051.011	59.518.877
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	-69.834.444	-479.901.379
17. Total increase or decrease in capital (AOP 011 to 016)	017	-4.783.433	-420.382.502
17 a. Attributed to equity holders of parent company	018	-23.304.154	-429.247.299
17 b. Attributed to minority interest	019	18.520.721	8.864.797

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 31.12.2015

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 December 2015 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 December 2015 the Group had 34 employees (2014: 33).

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 (HRK), 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 31.12.2015

1. Operating income for the year 2015 amounts to 230.2 mil HRK while in the same period of 2014, it amounted to 242.2 mil HRK. Freight revenues expressed in USD are slightly higher in comparison to the year 2014 due to duration of the unfavorable situation on the dry cargo shipping market in the year 2015 although the freights in the tanker sector were higher with respect to the previous year. The volume of income and also of operating costs has been reduced due to the sale of two vessels (Marlera, Volme) and due to return of the vessel Pula after termination of Bareboat Charter in 2015. Besides the realized revenue from the management of the vessel m/t Punta owned by the foreign company Maritime Transport Pula Three Inc., in the year 2015 the Group generated additional revenue from management of the Newbuilding Uljanik 502 from the owner Uljanik Brodogradilište d.d. Pula and from management of the vessel Champion Pula. Other income refers to the recognition of deferred income on the basis of received government grants for the vessels.
2. Operating expenses have increased in the year 2015 (668.7 mil HRK) with respect to the year 2014 (284.0 mil HRK). Although the operating expenses (material, crew and other operating expenses) have decreased in 2015, total operating expenses have increased due to loss on sale of two sold vessels and due to impairment of the vessels, which amounted to 415.2 mil HRK.
3. Financial income in the year 2015 (29.8 mil HRK) has decreased in comparison to 2014 (30.8 mil HRK) and financial expenses for the year 2015 (65.9 mil HRK) are slightly lower with respect to the same period of 2014 (66.9 mil HRK). Interest income and interest expenses are lower in the current period while foreign exchange gains and losses are higher in comparison with 2014.
4. As at 31.12.2015 the total book value of the vessels amounts to 1,330.3 mil HRK (190.3 mil USD). Reduction in the value of the vessels has been accompanied by a reduction in long-term debt because during 2015 a total of 44 mil USD of long-term loans was repaid and short-term liabilities have decreased, too.
5. In the period from 1.01. to 31.12.2015 the Company purchased treasury shares in the total amount of 773.3 thousand HRK and disposed of treasury shares in the amount of 2,030.9 thousand HRK.
6. Revaluation reserves have been increased for 59,423 thousand HRK with respect to the balance as at 31.12.2014, which amount corresponds to the adjustment of the investment in the foreign subsidiary at the mean rate of exchange for USD as at 31.12.2015 and to the adjustment of other investments.
7. Current liabilities have significantly decreased with respect to the previous year. 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 December 2015. Other current

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2015

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

8. 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 December 2015.
9. In the period January-December 2015 the applicable amount of income from grants from previous years in the total of 17,748.5 thousand HRK was recorded in accordance with the deferred income recognition plan.
10. The minority as at 31st December 2015 in the total amount of 174,904 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 27th August 2015 the General Assembly of the Company was held which passed the resolution on the sharing of profit/loss for the year 2014. According to the same resolution the profit of HRK 22,330,022.68 to be allocated as follows: HRK 912,809.71 to legal reserves and HRK 21,417,212.97 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, 29th February 2016

MANAGEMENT REPORT FOR THE PERIOD 01-12/2015

The business activity of ULJANIK PLOVIDBA (the Company) and its foreign subsidiaries in the period 01-12/2015 was proper, with full employment of vessels and high functioning management system. In dry cargo sector this year's trends are characterized by a continuous decline in freight rates and values of the vessels, which have experienced their historical minimum in the last quarter of 2015 and at the beginning of 2016, on all routes and for all types of vessels. The developments in the dry cargo maritime transport in 2015 were indisputably influenced by the slowdown in all major economies, especially in China but also in South American countries and the slow recovery of the countries of Europe. Extremely negative developments in the sector have resulted in increased scrap activity, reduction in the total number of orders for new ships and the postponement of deadlines for delivery of the ships under construction, as well as a large number of laid up vessels. A slight recovery in this sector began in mid-February 2016 while a stronger recovery is expected in the third quarter of 2016.

In the petroleum products, oils and chemicals transportation sector the observed period can be assessed as stable with increased freight rates with respect to the previous year. In the "clean cargo" transportation segment the whole year 2015 was marked by a stronger demand in all routes, as well as by the freights that enable long-term regular operations and return on capital. Trends in the year 2016 and predictions for the next period are very optimistic.

Long-term charter parties concluded in relation to three tankers as well as the positive effects of operation with one tanker on the spot market, give a lot of optimism for the proper operation of the Company in the future. Unfortunately, the further deepening of the crisis in the bulk sector has an extremely negative impact on the Company's operations.

In the year 2015 the Company:

- a) achieved a consolidated positive operating result of the vessels due to: increased operating income of the tanker fleet, income from ship management services carried out to third parties on the revenue side, as well as reduced operating expenses of the vessels despite dry docking of two ships, on the expenditure side (EBITDA 15.6 mil USD),
- b) generated high consolidated total loss for the year 2015 as a direct result of increased costs due to impairment of the vessels, increased depreciation costs in relation to the selling of two oldest dry cargo vessels (loss on sale) as well high financial liabilities
- c) achieved constant employment of vessels with the continuation of the Company's fleet high efficiency trend,
- d) realized the refinancing of about 150 million dollars of long-term loan obligations,
- e) retained the proper liquidity,
- f) fulfilled all its loan repayment obligations in 2015 - over 44 mil USD,

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- g) sold the oldest dry cargo vessels: Marlera and Volme,
- h) 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;
- i) maintained high efficiency of vessels' management with a further increase in the number of vessels in management ,
- j) collected 100% of contracted freights from the Charterers of all vessels with their full performance.

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

1. COMMERCIAL ASPECT

The operating revenues for the period 01-12/2015 of 230 mil HRK compared to 242 mil HRK in the same period of 2014 has been under direct impact of the higher freight rates in the tanker shipping market, but also of historically low freight rates in the bulk sector and the decreased number of vessels (bulkers). The operating result was influenced negatively by dry docking cost of two vessels.

2. PERSONNEL

As at 31st December 2015 the Company had 34 employees.

3. TECHNICAL ASPECT

In the period January-December 2015 vessels Verige and Veruda underwent dry docking and there were no technical problems on board. The company keeps maintaining high efficiency of vessel exploitation with all other vessels in the fleet. Furthermore, m/t Pomer underwent dry docking at the beginning of 2016 and m/b Levan is currently under dry docking.

4. ACQUISITION OF TREASURY SHARES

In the period 01-12/2015 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 773.3 thousand HRK and disposed of treasury shares in the amount of 2,030.9 thousand HRK.

5. IMPORTANT EVENTS IN 2015

On 7th March 2015 the Bareboat Charter of M/t Pula was terminated and the said vessel has been taken into management for and on behalf of the new Bareboat Charterer.

On 15th July the Company signed the long-term Bareboat charter of the M/t Istra with the Norwegian company Ebony A/S, Bergen.

On 14th August 2015 the Company concluded the Management Agreement for the Newbuilding ULJANIK 502, RO-RO PAX vessel built up in Uljanik Pula Shipyard, intended for liner transportation in Turkmenistan.

On 27th August 2015 the General Assembly of the Company was held which passed the resolution on the sharing of profit/loss for the year 2014. According to the same resolution, the profit of HRK 22,330,022.68 was allocated as follows: HRK 912,809.71 to legal reserves and HRK 21,417,212.97 to retained profit.

On 13th October 2015 the Company through its subsidiaries – members of the Group ULJANIK PLOVIDBA, signed a credit agreement with a Syndicate of foreign banks led by Credit Suisse Bank in the total amount of about 86 million USD, in the profile of a 12-year repayment period with an annual interest of 250 index points on USD LIBOR. In addition, the Company has in 2015 concluded contracts on refinancing loans totaling approximately 63 million USD with Zagrebačka banka, Privredna banka Zagreb and Raiffeisenbank Austria /Croatian Bank for Reconstruction and Development.

On 14th October 2015 the Company sold M/v Marlera, the oldest ship in the fleet of the Company, intended for transportation of bulk cargoes. The delivery of the vessel to the Buyer took place in the port of Fujairah.

On 8th December 2015 the Company sold M/v Volme, the ship in the Company's fleet, intended for transportation of bulk cargoes. The proper delivery of the vessel to the Buyer took place in the port of Durban.

6. COMPANY GROWTH

The Strategy of development of ULJANIK PLOVIDBA d.d. until the year 2030 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 shipping and 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

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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 ships;
- 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 Governance Code.

Pula, 29th February 2016



Dragutin Pavletić, Director

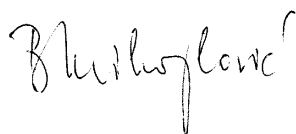
STATEMENT OF THE PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

According to the best of our knowledge:

The unaudited consolidated financial reports of GROUP ULJANIK PLOVIDBA for the period January – December 2015, have been prepared according to International Financial Reporting Standards and they provide an complete and true presentation of assets, liabilities, profit and loss, financial position and business 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.

The Management Report for the period January – December 2015 contains a true presentation of the development, operating results and the financial position of the Parent Company and the companies included in the consolidation as well as the description of major risks and uncertainties the Parent Company and the companies included in the consolidation are exposed to.

Accounting Manager



Bojana Mihajlović

Director



Dragutin Pavletić

Pula, 29th February, 2016