



**GROUP ULJANIK PLOVIDBA**

**PRELIMINARY CONSOLIDATED UNAUDITED FINANCIAL  
STATEMENTS**

**FOR THE PERIOD**

**JANUARY - DECEMBER 2016**

Pula, February 2017

CONTENT:

Preliminary Consolidated Financial Statements of GROUP ULJANIK  
PLOVIDBA (unaudited) for the period January – December 2016

Notes


Management Report

Statement of the persons responsible for preparing Financial Statements

**Attachment 1.**

Reporting period:  to

**Preliminary consolidated financial statement of the entrepreneur - TFI-POD**

Tax number (MB): <input type="text" value="03292754"/>	
Company registration number (MBS): <input type="text" value="040010793"/>	
Personal identification number (OIB): <input type="text" value="49693360447"/>	
Issuing company: <input type="text" value="ULJANIK PLOVIDBA D.D."/>	
Postal code and place: <input type="text" value="52100"/>	<input type="text" value="PULA"/>
Street and house number: <input type="text" value="CARRARINA 6"/>	
E-mail address: <input type="text" value="uljanik-plovidba@pu.t-com.hr"/>	
Internet address: <input type="text" value="www.uljanikplovidba.com"/>	
Municipality/city code and name: <input type="text" value="359"/> <input type="text" value="PULA"/>	
County code and name: <input type="text" value="18"/> <input type="text" value="ISTARSKA"/>	Number of employees (quarter end) NKD code: <input type="text" value="32"/> <input type="text" value="5020"/>
Consolidated report: <input type="text" value="YES"/>	
Companies of the consolidation subject (according to IFRS):	Seat: MB:
<input type="text" value="ULJANIK PLOVIDBA D.D."/>	<input type="text" value="PULA"/> <input type="text" value="3292754"/>
<input type="text" value="UNITED SHIPPING SERVICES ONE INC."/>	<input type="text" value="MONROVIA, LIBERIA"/>
<input type="text" value="REAL D.O.O."/>	<input type="text" value="PULA"/> <input type="text" value="2044471"/>
Bookkeeping service: <input type="text"/>	
Contact person: <input type="text" value="BOJANA MIHAJLOVIĆ"/> <small>(please enter only contact person's family name and name)</small>	
Telephone: <input type="text" value="052 211544"/>	Telefax: <input type="text" value="052 492598"/>
E-mail address: <input type="text" value="bojana.mihajlovic@uljanikplovidba.com"/>	
Family name and name: <input type="text" value="DRAGUTIN PAVLETIĆ"/> <small>(person authorized to represent the company)</small>	
<p><b>Documents to be published:</b></p> <ol style="list-style-type: none"> <li>1. Financial statements (balance sheet, profit and loss statement, cash flow statement, statement of changes in equity, and notes to financial statements)</li> <li>2. Report of the Management Board on the Company Status</li> <li>3. Statement of persons responsible for the drawing-up of financial statements</li> </ol>	
 <b>ULJANIK PLOVIDBA d.d.</b> <small>Signature of the person authorized to represent the company)</small>	

**CONSOLIDATED BALANCE SHEET**  
as of 31.12.2016.

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>	1.352.029.766	1.329.022.532
I. INTANGIBLE ASSETS (004 to 009)	003	0	0
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	0	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	1.336.418.296	1.286.992.512
1. Land	011	121.829	121.829
2. Buildings	012	2.935.036	2.884.388
3. Plant and equipment	013	126.140	105.890
4. Instruments, plant inventories and transportation assets	014	1.330.023.401	1.280.707.700
5. Biological assets	015	3.211.890	3.172.705
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	4.861.065	31.704.384
1. Shares (stocks) in related parties	021		
2. Loans given to related parties	022		
3. Participating interests (shares)	023	4.861.065	31.704.384
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	10.750.405	10.325.636
1. Receivables from related parties	030		
2. Receivables based on trade loans	031		
3. Other receivables	032	10.750.405	10.325.636
V. DEFERRED TAX ASSETS	033		
<b>C) SHORT - TERM ASSETS (035+043+050+058)</b>	<b>034</b>	45.857.921	39.103.137
I. INVENTORIES (036 to 042)	035	4.679.220	5.735.115
1. Row material	036	4.679.220	5.735.115
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	10.226.616	13.525.129
1. Receivables from related parties	044		
2. Accounts receivable	045	8.645.701	6.989.205
3. Receivables from participating entrepreneurs	046		
4. Receivables from employees and shareholders	047		
5. Receivables from government and other institutions	048	111.108	155.335
6. Other receivables	049	1.469.807	6.380.589
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	5.302.677	5.675.832
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	5.302.677	5.675.832
7. Other financial assets	057		
IV. CASH AT BANK AND IN CASHIER	058	25.649.408	14.167.061
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	11.741	6.192
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	1.397.899.428	1.368.131.861
<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>	91.579.500	36.639.734
I. SUBSCRIBED CAPITAL	<b>063</b>	232.000.000	232.000.000
II. CAPITAL RESERVES	<b>064</b>	-21.677.477	-21.979.229
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	40.123.672	41.700.198
1. Reserves prescribed by law	<b>066</b>	17.505.676	18.666.126
2. Reserves for treasury stocks	<b>067</b>	36.382.812	36.382.812
3. Treasury stocks and shares (deduction)	<b>068</b>	13.764.816	13.348.740
4. Statutory reserves	<b>069</b>		
5. Other reserves	<b>070</b>		
IV. REVALUATION RESERVES	<b>071</b>	151.298.132	166.964.163
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	<b>072</b>	-18.629.325	-505.889.574
1. Retained earnings	<b>073</b>		
2. Accumulated loss	<b>074</b>	18.629.325	505.889.574
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	<b>075</b>	-466.439.518	-43.452.311
1. Profit for the current year	<b>076</b>		
2. Loss for the current year	<b>077</b>	466.439.518	43.452.311
VII. MINORITY INTEREST	<b>078</b>	174.904.016	167.296.487
<b>B) PROVISIONS (080 to 082)</b>	<b>079</b>	1.855.361	1.794.717
1. Provisions for pensions, severance pay and similar liabilities	<b>080</b>	1.855.361	1.794.717
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>	1.038.542.892	1.062.800.083
1. Liabilities to related parties	<b>084</b>		
2. Liabilities for loans, deposits etc.	<b>085</b>		
3. Liabilities to banks and other financial institutions	<b>086</b>	1.038.542.892	1.062.800.083
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>	197.927.946	203.804.102
1. Liabilities to related parties	<b>094</b>		
2. Liabilities for loans, deposits etc.	<b>095</b>		
3. Liabilities to banks and other financial institutions	<b>096</b>	135.247.657	126.632.205
4. Liabilities for received prepayments	<b>097</b>		
5. Accounts payable	<b>098</b>	19.461.946	28.907.004
6. Liabilities arising from debt securities	<b>099</b>	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	<b>100</b>		
8. Liabilities to employees	<b>101</b>	2.431.302	2.490.288
9. Liabilities for taxes, contributions and similar fees	<b>102</b>	228	7.958
10. Liabilities to share - holders	<b>103</b>	2.534.798	2.528.594
11. Liabilities for long term assets held for sale	<b>104</b>		
12. Other short - term liabilities	<b>105</b>	38.252.015	43.238.053
<b>E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD</b>	<b>106</b>	67.993.729	63.093.225
<b>F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	1.397.899.428	1.368.131.861
<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>	-83.324.516	-130.656.753
2. Attributed to minority interests	<b>110</b>	174.904.016	167.296.487

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for period 01.01.2016. to 31.12.2016.

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>	230.274.197	40.782.624	184.470.458	46.461.493
1. Sales revenues	112	212.013.470	38.546.668	178.991.721	44.679.543
2. Other operating revenues	113	18.260.727	2.235.956	5.478.737	1.781.950
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	669.271.421	494.522.108	191.726.044	38.224.087
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	39.750.989	8.656.209	35.274.908	6.063.507
a) Raw material and material costs	117	292.086	131.554	272.244	79.218
b) Costs of goods sold	118				
c) Other external costs	119	39.458.903	8.524.655	35.002.664	5.984.289
3. Staff costs (121 to 123)	120	84.571.717	17.709.708	62.640.917	13.153.275
a) Net salaries and wages	121	79.532.746	16.280.718	57.895.845	11.980.714
b) Costs for taxes and contributions from salaries	122	3.514.441	997.032	3.300.917	810.362
c) Contributions on gross salaries	123	1.524.530	431.958	1.444.155	362.199
4. Depreciation	124	110.292.641	48.532.528	78.851.610	14.872.392
5. Other costs	125	322.190.060	307.157.649	14.958.609	4.134.913
6. Impairment (127+128)	126	112.466.014	112.466.014	0	0
a) Impairment of long-term assets (excluding financial assets)	127	112.466.014	112.466.014	0	0
b) Impairment of short-term assets (excluding financial assets)	128				
7. Provisions	129	0	0	0	0
8. Other operating expenses	130	0	0	0	0
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>131</b>	29.844.346	5.941.934	40.447.118	32.320.938
1. Interest income, foreign exchange gains, dividends and similar income from related	132		0		0
2. Interest income, foreign exchange gains, dividends and similar income from non-related	133	29.844.346	5.941.934	40.447.118	32.320.938
3. Share in income from affiliated entrepreneurs and participating interests	134				
4. Unrealized gains (income) from financial assets	135				
5. Other financial income	136				
<b>IV. FINANCIAL EXPENSES (138 to 141)</b>	<b>137</b>	66.087.834	19.324.468	87.629.402	43.912.969
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	139	66.087.834	19.324.468	87.629.402	43.912.969
3. Unrealized losses (expenses) on financial assets	140				
4. Other financial expenses	141				
<b>V. INCOME FROM INVESTMENT SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS</b>	<b>142</b>				
<b>VI. LOSS FROM INVESTMENT SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS</b>	<b>143</b>				
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	260.118.543	46.724.558	224.917.576	78.782.431
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	735.359.255	513.846.576	279.355.446	82.137.056
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	-475.240.712	-467.122.018	-54.437.870	-3.354.625
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	475.240.712	467.122.018	54.437.870	3.354.625
<b>XII. PROFIT TAX</b>	<b>151</b>	332.694	95.466	430.943	181.423
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	-475.573.406	-467.217.484	-54.868.813	-3.536.048
1. Profit for the period(149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	475.573.406	467.217.484	54.868.813	3.536.048
<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	-466.439.518	-463.160.561	-43.452.311	-924.970
2. Attributed to minority interests	156	-9.133.888	-4.056.923	-11.416.502	-2.611.078
<b>STATEMENT OF COMPREHENSIVE INCOME (IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	-475.573.406	-467.217.484	-54.868.813	-3.536.048
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)</b>	<b>158</b>	59.422.877	17.049.072	15.666.031	46.677.734
1. Exchange differences on translation of foreign operations	159	59.518.877	17.145.072	15.251.791	46.263.494
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	-96.000	-96.000	414.240	414.240
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>	11.884.575	3.409.814	3.133.206	9.335.547
<b>IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)</b>	<b>167</b>	47.538.302	13.639.258	12.532.825	37.342.187
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)</b>	<b>168</b>	-428.035.104	-453.578.226	-42.335.988	33.806.139
<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	-418.901.216	-449.521.303	-30.919.486	36.417.217
2. Attributed to minority interests	170	-9.133.888	-4.056.923	-11.416.502	-2.611.078

**CONSOLIDATED CASH FLOW STATEMENT - Indirect method**  
period 01.01.2016. to 31.12.2016.

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	-475.240.712	-54.437.870
2. Depreciation	002	110.292.641	78.851.610
3. Increase in short-term liabilities	003	0	14.491.607
4. Decrease in short term receivables	004	0	0
5. Decrease in inventories	005		
6. Other cash flow increases	006	716.833.576	5.761
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>007</b>	<b>351.885.505</b>	<b>38.911.108</b>
1. Decrease in short - term liabilities	008	5.036.788	0
2. Increase in short - term receivables	009	3.200.078	3.298.513
3. Increase in inventories	010	980.786	1.055.895
4. Other cash flow decreases	011	190.094.002	39.199.510
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>012</b>	<b>199.311.654</b>	<b>43.553.918</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	<b>152.573.851</b>	<b>0</b>
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)</b>	<b>014</b>	<b>0</b>	<b>4.642.810</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
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		
<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	48.643	27.127
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>48.643</b>	<b>27.127</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>48.643</b>	<b>27.127</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	133.225.239	92.687.130
3. Other cash inflows from financing activities	029	25.642.424	4.348.067
<b>V. Total cash inflows from financing activities (027 to 029)</b>	<b>030</b>	<b>158.867.663</b>	<b>97.035.197</b>
1. Cash outflows for repayment of loans and bonds	031	322.056.914	77.045.390
2. Dividends paid	032		
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034	0	0
5. Other cash outflows from financing activities	035	562.958	26.802.217
<b>VI. Total cash outflows from financing activities (031 do 035)</b>	<b>036</b>	<b>322.619.872</b>	<b>103.847.607</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)</b>	<b>037</b>	<b>0</b>	<b>0</b>
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)</b>	<b>038</b>	<b>163.752.209</b>	<b>6.812.410</b>
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	0	0
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	11.227.001	11.482.347
Cash and cash equivalents at the beginning of period	041	36.876.409	25.649.408
Increase in cash and cash equivalents	042	0	0
Decrease in cash and cash equivalents	043	11.227.001	11.482.347
Cash and cash equivalents at the end of period	044	25.649.408	14.167.061

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

from 1.1.2016 to 31.12.2016

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	232.000.000	232.000.000
2. Capital reserves	002	-21.677.477	-21.979.229
3. Reserves from profit	003	40.123.672	41.700.198
4. Retained earnings or accumulated loss	004	-18.629.325	-505.889.574
5. Profit / loss for the current year	005	-466.439.518	-43.452.311
6. Revaluation of long - term tangible assets	006		
7. Revaluation of intangible assets	007	174.904.016	167.296.487
8. Revaluation of financial assets available for sale	008	-1.040.000	-625.760
9. Other revaluation	009	152.338.132	167.589.923
<b>10. Total capital and reserves (AOP 001 to 009)</b>	<b>010</b>	91.579.500	36.639.734
11. Currency gains and losses arising from net investments in foreign operations	011	59.518.877	15.251.791
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	-480.514.918	-70.191.557
<b>17. Total increase or decrease in capital (AOP 011 to 016)</b>	<b>017</b>	-420.996.041	-54.939.766
17 a. Attributed to equity holders of parent company	018	-429.860.838	-47.332.237
17 b. Attributed to minority interest	019	8.864.797	-7.607.529

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 31.12.2016**

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 31<sup>st</sup> December 2016 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 31<sup>st</sup> December 2016 the Group had 33 employees (2015: 34).

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.

## NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2016

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

1. Operating income for the year 2016 amounts to 184.4 mil HRK while in the same period of 2015, it amounted to 230.2 mil HRK. Freight revenues expressed in USD are lower in comparison to the year 2015 due to duration of the unfavorable situation on the dry cargo shipping market in the year 2016 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 decrease in the number of vessels in the fleet after the sale of vessels in 2015. Besides the realized freight revenue in 2016 the Company realized income from ship management for third parties. Other income refers to the recognition of deferred income on the basis of received government grants for the vessels.
2. Operating expenses have decreased in the year 2016 (191.7 mil HRK) with respect to the year 2015 (669.2 mil HRK) due to loss on sale of the sold vessels and due to impairment of the vessels recorded in 2015 in the amount of 415.2 mil HRK.
3. Financial income in the year 2016 (40.4 mil HRK) has increased in comparison to 2015 (29.8 mil HRK) and financial expenses for the year 2016 (87.6 mil HRK) are significantly higher with respect to the same period of 2015 (66.0 mil HRK). The increase in total financial income and expenses in the current period result from higher exchange gains and losses recorded in the Parent company.
4. As at 31.12.2016 the total book value of the vessels amounts to 1,280.7 mil HRK (178.6 mil USD).
5. In the period from 1.01. to 31.12.2016 the Company purchased treasury shares in the total amount of 84.0 thousand HRK and disposed of treasury shares in the amount of 500.1 thousand HRK.
6. Revaluation reserves have been increased for 15,666 thousand HRK with respect to the balance as at 31<sup>st</sup> December 2015, which amount corresponds to the adjustment of the investment in the foreign subsidiary at the mean rate of exchange for USD as at 31<sup>st</sup> December 2016 and to the adjustment of other investments.
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 31<sup>st</sup> December 2016. By conclusion of the syndicated loan with Zagrebačka banka and Croatian Bank for Reconstruction and Development on 2<sup>nd</sup> August 2016, which refinanced the loans related to the purchase of bulk carriers Veruda and Stoja, the process of restructuring the loan debt of the Company has been completed. With the said loan the previous creditors of those vessels: Zagrebačka banka, ABN-Amro bank and Credit Suisse have been fully repaid. As at 31<sup>st</sup> December 2016 the total consolidated long-term loans amount to 1,062,800 thousand HRK while at

## NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2016

31<sup>st</sup> December 2015 they amounted to 1,038,543 thousand HRK. In 2016 the Group repaid a total of 10.7 mil USD of debt on long-term and short-term loans.

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 31<sup>st</sup> December 2016. Other current liabilities are related to amounts owed to Charterers, brokers and vessels' crew, calculated interest payable and other accruals.
9. In the period January-December 2016 the applicable amount of income from grants from previous years in the total of 4,548 thousand HRK was recorded in accordance with the deferred income recognition plan.
10. The minority as at 31<sup>st</sup> December 2016 in the total amount of 167,296 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 30<sup>th</sup> August 2016 the General Assembly of the Company was held which passed the resolution on the sharing of profit/loss for the year 2015. According to the same resolution the profit of HRK 23,209,008.36 to be allocated as follows: HRK 1,160,450.41 to legal reserves and HRK 22,048,557.95 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', with a small horizontal line to the right.

Dragutin Pavletić  
Director of ULJANIK PLOVIDBA d.d.

Pula, 24<sup>th</sup> February 2017

## MANAGEMENT REPORT FOR THE PERIOD 01-12/2016

ULJANIK PLOVIDBA d.d. (the Company) with its registered office in Pula, Carrarina 6, Personal identification number (OIB): 49693360447 and Tax number: 3292754, is a joint stock company registered at the Commercial Court in Pazin. The share capital of the Company amounts to 232,000,000 HRK, and is divided into 580,000 ordinary shares. The Company's shares are listed on the Official Market of the Zagreb Stock Exchange, under the symbol ULPL-R-A, and represent one of the CROBEX index components. The consolidated financial statements of the Group ULJANIK PLOVIDBA for the period 1 January to 31 December 2016 represent financial statements of the Company and its subsidiaries. The principal activity of the Company is an international maritime transport in the dry cargo sector with Supramax bulk carriers and transportation of petroleum products, chemicals and oil with MR tankers.

At the end of the reporting period the fleet consists of four MR tankers and three Supramax bulk carriers with an average age of 5 years. In addition, the company performs management services for third party customers for several vessels.

Bodies of the Company are the General Assembly, the Supervisory Board and Management Board. The members of the Supervisory Board are: Amra Pende, the president, Anton Brajković and Robert Banko, the members. The Management Board represents Dragutin Pavletić, the director of the Company. During 2016 there were no changes of members of the Supervisory Board, nor of the Management Board.

The consolidated financial statements have been presented in HRK and prepared in accordance with International Financial Reporting Standards.

The business activity of the Company and its foreign subsidiaries in 2016 was regular, with full employment of vessels and high functioning management system. In 2016 trends in dry cargo sector have been characterized by a continuous decline in freight rates and values of the vessels in the first part of the year, on all routes and for all types of vessels and by recovery of the market especially in the last quarter of the year as a consequence of:

- increased activity on disposal (scrapping) of vessels
- reduction in contracting newbuildings and postponement of delivery of already built vessels;
- increased number of laid up vessels;
- reduction in shipbuilding capacity.

In the petroleum products, oils and chemicals transportation sector the observed period can be assessed as stable with stable freight rates in the first three quarters but with a negative trend in the last quarter of the year. Negative developments in the past few months have been caused by decreased disposal of the vessels and by increased number of newly built tankers.

## D I R E C T O R

By involvement of two tankers in the spot market the Company achieved a significantly better net result for the whole year.

Trends in the global shipping market indicate strong growth in the segment of dry cargo transportation, starting from February 2017. Although the inclusion of a large number of already built bulk carriers is expected in the first quarter of this year, I expect that increase of freight rates will still be significant, as a result of increased market activity and reduced number of newly contracted vessels. In the tanker transportation sector the market recovery is expected in the second quarter of this year, as a result of increased demand and reduced number of newly built/contracted tankers.

In the year 2016 the Company:

- a) achieved a consolidated positive EBITDA for the Group of 71.5 mil HRK,
- b) generated consolidated net loss of 43.4 mil HRK as a direct effect of the net financial expenses (47.2 mil HRK)
- c) realized a reduction of the total income as a direct result of the lower number of vessels in the fleet, low freight rates in the bulk sector, dry docking of three vessels (Pomer, Levan, Kastav), and the replacement of the exhaust gas boiler on m/t Kastav. Total income was positively influenced by results of the tanker fleet, as a result of operating on the spot market,
- d) retained total operating costs of the vessels with increasing costs related to the dry docking of three vessels, as well as replacement of the exhaust gas boiler on m/t Kastav,
- e) achieved constant employment of vessels with the continuation of the Company's fleet high efficiency trend,
- f) retained the proper solvency and liquidity,
- g) decreased its overall credit exposure and fulfilled all its loan payment obligations. In 2016 the Company repaid loans in a total of 10.7 mil USD,
- 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
- i) maintained high efficiency of vessels' management with a further increase in the number of vessels in third party 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 reporting period of 184 mil HRK compared to 230 mil HRK in the same period of 2015 have been under direct impact of the low freight rates in the dry cargo sector and lower number of vessels (bulklers). The operating result was influenced negatively by costs of regular dry docking of the vessels Pomer and Levan, the extraordinary dry docking of m/t Kastav and by additional off-hire period due to replacement of the boiler on the same vessel.

## **2. PERSONNEL**

As at 31<sup>st</sup> December 2016 the Company had 33 employees.

## **3. TECHNICAL ASPECT**

In the year 2016 product tanker Pomer underwent regular dry docking in Singapore while bulk carrier Levan underwent regular dry docking in China. In addition, the complete replacement of the exhaust gas boiler took place on board of m/t Kastav, which lasted two weeks. At the end of the year m/t Kastav underwent an extraordinary dry docking in Hamburg because of a stern tube leakage. We especially emphasize that increased wear-out of the cylinder liners on the main engines occur due to the frequent use of marine diesel oil in protected (ECA) areas. The company keeps maintaining high efficiency of vessel exploitation with all vessels in the fleet.

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

In the period January – December 2016 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 84.0 thousand HRK and disposed of treasury shares in the amount of 500.1 thousand HRK.

## **5. IMPORTANT EVENTS IN 2016**

On 2<sup>nd</sup> July 2016 the Company took over the management of the vessel Valovine - the bulk cargo carrier.

On 2<sup>nd</sup> August 2016, in accordance with the Risk sharing model, the Company concluded a syndicated loan with Zagrebačka Banka / Croatian Bank for Reconstruction and Development, in the amount of 39 mil USD. With this loan the Company refinanced the loans related to the purchase of bulk carriers Veruda and Stoja, built in the Uljanik Shipyard in 2011 and 2012. By said loan the previous creditors of those vessels: Zagrebačka banka, ABN-Amro bank and Credit Suisse have been fully repaid. The loan was granted with a repayment period of 10 years. By concluding this agreement a comprehensive process of restructuring the loan debt of the Company has been completed.

On 30<sup>th</sup> August 2016 the General Assembly of the Company was held which passed the resolution on the sharing of profit/loss for the year 2015. According to the same resolution, the profit of HRK 23,209,008.36 to be allocated as follows: HRK 1,160,450.41 to legal reserves and HRK 22,048,557.95 to retained profit.

On 19<sup>th</sup> December 2016 the Company concluded a Cooperation Agreement with the company ETCA Caspian Limited with headquarters in Larnaca, Cyprus, specialized in development of projects in the field of transportation of oil, oil products and gas, in order to

**DIRECTOR**

establish a joint company intended for maritime transport and management of gas carriers and gas storage vessels. The process of establishing a joint specialized company for the activities related to the gas project is currently in progress.

**6. IMPORTANT EVENTS IN 2017**

In February 2017 after five years of operation, the bulk carrier *Stoja* underwent the first regular dry docking in China.

In February 2017, in order to achieve operating economies and synergy benefits, ULJANIK SHIPMANAGEMENT PTE. LTD. and ULJANIK TANKER MANAGEMENT PTE. LTD., two sister companies of the Group ULJANIK PLOVIDBA with headquarters in Singapore, amalgamated and continued their operations as one company under the name of ULJANIK SHIPMANAGEMENT PTE. LTD.

**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 including the gas sector business.

**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 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;

**DIRECTOR**

- 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, 23<sup>rd</sup> February 2017



Dragutin Pavletić, Director



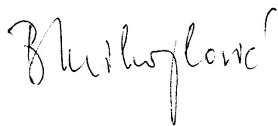
## **STATEMENT OF THE PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS**

According to the best of our knowledge:

The unaudited consolidated financial reports of GROUP ULJANIK PLOVIDBA for the period January – December 2016, 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 2016 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, 24<sup>th</sup> February, 2017