



ULJANIK PLOVIDBA d.d.

PRELIMINARY UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY - DECEMBER 2016

Pula, February 2017

CONTENT:

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

Notes

Management Report

Statement of the person responsible for preparing Financial Statements

Attachment 1.

Reporting period:

18

1.1.2016

to

31.12.2016

Preliminary 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 33

(quarter end)

Consolidated report: NO

NKD code: 5020

Companies of the consolidation subject (according to IFRS):

Seat:

MB:

Bookkeeping service:

Contact person: VANESA PERUŠKO TOPIĆ

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

Telephone: 052 211544

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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. 

(signature of the person authorized to represent the company)

BALANCE SHEET
as of 31.12.2016.

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	625.669.652	911.496.773
I. INTANGIBLE ASSETS (004 to 009)	003		
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005		
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	3.183.005	3.112.107
1. Land	011	121.829	121.829
2. Buildings	012	2.935.036	2.884.388
3. Plant and equipment	013	86.621	72.954
4. Instruments, plant inventories and transportation assets	014	39.519	32.936
5. Biological assets	015		
6. Prepayments for tangible assets	016		
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	611.736.242	898.059.031
1. Shares (stocks) in related parties	021	609.084.339	624.336.112
2. Loans given to related parties	022		245.566.883
3. Participating interests (shares)	023	2.088.944	2.503.201
4. Loans to entrepreneurs in whom the entity hold participating interests	024		
5. Investment in securities	025		
6. Loans, deposits and similar assets	026		25.089.876
7. Other long - term financial assets	027	562.959	562.959
8. Investments accounted by equity method	028		
IV. RECEIVABLES (030 to 032)	029	10.750.405	10.325.635
1. Receivables from related parties	030		
2. Receivables based on trade loans	031	10.750.405	10.325.635
3. Other receivables	032		
V. DEFERRED TAX ASSETS	033		
C) SHORT - TERM ASSETS (035+043+050+058)	034	204.732.917	222.588.464
I. INVENTORIES (036 to 042)	035	0	0
1. Raw material	036		
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	130.850.463	128.540.001
1. Receivables from related parties	044	97.924.601	102.017.658
2. Accounts receivable	045	32.393.900	25.869.121
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	420.854	497.887
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	73.814.796	94.021.477
1. Shares (stocks) in related parties	051		
2. Loans given to related parties	052	70.112.120	89.945.645
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	3.702.676	4.075.832
7. Other financial assets	057		
IV. CASH AT BANK AND IN CASHIER	058	67.658	26.986
D) PREPAID EXPENSES AND ACCRUED INCOME	059	11.741	6.192
E) TOTAL ASSETS (001+002+034+059)	060	830.414.310	1.134.091.429
F) OFF-BALANCE SHEET NOTES	061		

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	635.716.615	659.754.537
I. SUBSCRIBED CAPITAL	063	232.000.000	232.000.000
II. CAPITAL RESERVES	064	-21.677.477	-21.979.230
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	40.123.672	41.700.199
1. Reserves prescribed by law	066	17.505.676	18.666.125
2. Reserves for treasury stocks	067	36.382.812	36.382.812
3. Treasury stocks and shares (deduction)	068	13.764.816	13.348.738
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071	151.298.132	166.964.163
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	210.763.280	232.811.838
1. Retained earnings	073	210.763.280	232.811.838
2. Accumulated loss	074		
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	23.209.008	8.257.567
1. Profit for the current year	076	23.209.008	8.257.567
2. Loss for the current year	077		
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 to 082)	079	1.855.361	1.794.717
1. Provisions for pensions, severance pay and similar liabilities	080	1.855.361	1.794.717
2. Reserves for tax liabilities	081		
3. Other reserves	082		
C) LONG TERM LIABILITIES (084 to 092)	083	93.241.491	402.623.578
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits etc.	085		26.429.062
3. Liabilities to banks and other financial institutions	086	93.241.491	376.194.516
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	99.252.690	69.915.864
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits etc.	095	57.960.521	
3. Liabilities to banks and other financial institutions	096	33.788.066	58.992.899
4. Liabilities for received prepayments	097	138.844	138.844
5. Accounts payable	098	596.517	307.380
6. Liabilities arising from debt securities	099		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100		
8. Liabilities to employees	101	2.431.302	2.490.287
9. Liabilities for taxes, contributions and similar fees	102		4.687
10. Liabilities to share - holders	103	2.534.798	2.528.594
11. Liabilities for long term assets held for sale	104		
12. Other short - term liabilities	105	1.802.642	5.453.173
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	348.153	2.733
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	107	830.414.310	1.134.091.429
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		
2. Attributed to minority interests	110		

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
I. OPERATING REVENUES (112+113)	111	24.111.300	6.700.897	21.235.237	5.824.619
1. Sales revenues	112	23.626.342	6.391.728	20.330.775	5.192.137
2. Other operating revenues	113	484.958	309.169	904.462	632.482
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	15.350.557	4.364.763	14.412.921	3.565.487
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	844.084	339.516	1.059.504	255.624
a) Raw material and material costs	117	274.994	129.566	266.178	73.152
b) Costs of goods sold	118				
c) Other external costs	119	569.090	209.950	793.326	182.472
3. Staff costs (121 to 123)	120	10.386.023	2.488.682	9.959.402	2.508.280
a) Net salaries and wages	121	5.347.052	1.312.837	5.214.330	1.335.719
b) Costs for taxes and contributions from salaries	122	3.514.441	815.811	3.300.917	810.362
c) Contributions on gross salaries	123	1.524.530	360.034	1.444.155	362.199
4. Depreciation	124	137.867	30.026	97.814	24.613
5. Other costs	125	3.756.698	1.280.654	3.296.201	776.970
6. Impairment (127+128)	126				
a) Impairment of long-term assets (excluding financial assets)	127				
b) Impairment of short-term assets (excluding financial assets)	128				
7. Provisions	129	225.885	225.885		
8. Other operating expenses	130				
III. FINANCIAL INCOME (132 to 136)	131	32.192.516	6.740.293	49.341.828	37.645.179
1. Interest income, foreign exchange gains, dividends and similar income from related	132				
2. Interest income, foreign exchange gains, dividends and similar income from non-related	133	32.192.516	6.740.293	49.341.828	37.645.179
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	17.411.557	2.336.237	47.596.651	31.802.541
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	17.411.557	2.336.237	47.596.651	31.802.541
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	56.303.816	13.441.190	70.577.065	43.469.798
X. TOTAL EXPENSES (114+137+143 + 145)	147	32.762.114	6.701.000	62.009.572	35.368.028
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	23.541.702	6.740.190	8.567.493	8.101.770
1. Profit before taxation (146-147)	149	23.541.702	6.740.190	8.567.493	8.101.770
2. Loss before taxation (147-146)	150	0	0	0	0
XII. PROFIT TAX	151	332.694	79.076	309.926	60.406
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	23.209.008	6.661.114	8.257.567	8.041.364
1. Profit for the period(149-151)	153	23.209.008	6.661.114	8.257.567	8.041.364
2. Loss for the period (151-148)	154	0	0	0	0
APPENDIX TO P&L (only for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD	155				
1. Attributed to equity holders of parent company	155				
2. Attributed to minority interests	156				
STATEMENT OF COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	23.209.008	6.661.114	8.257.567	8.041.364
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)	158	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				
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	11.884.575	3.409.814	3.133.206	9.335.547
IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)	167	47.538.302	13.639.258	12.532.825	37.342.187
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)	168	70.747.310	20.300.372	20.790.392	45.383.551
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				
2. Attributed to minority interests	170				

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
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	23.541.702	8.567.493
2. Depreciation	002	137.867	97.814
3. Increase in short-term liabilities	003		3.418.862
4. Decrease in short term receivables	004		2.310.462
5. Decrease in inventories	005		
6. Other cash flow increases	006	432.881	212
I. Total increase in cash flow from operating activities (001 to 006)	007	24.112.450	14.394.843
1. Decrease in short - term liabilities	008	1.004.162	
2. Increase in short - term receivables	009	10.792.131	
3. Increase in inventories	010		
4. Other cash flow decreases	011	339.485	710.442
II. Total decrease in cash flow from operating activities (008 to 011)	012	12.135.778	710.442
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	11.976.672	13.684.401
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	015		
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		
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		
IV. Total cash outflows from investing activities (021 to 023)	024	48.643	27.127
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	48.643	27.127
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	4.280.179	295.406.152
3. Other cash inflows from financing activities	029	57.134	114.325
V. Total cash inflows from financing activities (027 to 029)	030	4.337.313	295.520.477
1. Cash outflows for repayment of loans and bonds	031	9.824.894	23.248.294
2. Dividends paid	032		
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034		
5. Other cash outflows from financing activities	035	6.400.661	285.970.129
VI. Total cash outflows from financing activities (031 do 035)	036	16.225.555	309.218.423
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	11.888.242	13.697.946
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	39.787	0
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	40.672
Cash and cash equivalents at the beginning of period	041	27.871	67.658
Increase in cash and cash equivalents	042	39.787	0
Decrease in cash and cash equivalents	043	0	40.672
Cash and cash equivalents at the end of period	044	67.658	26.986

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	-21.979.230
3. Reserves from profit	003	40.123.672	41.700.199
4. Retained earnings or accumulated loss	004	210.763.280	232.811.838
5. Profit / loss for the current year	005	23.209.008	8.257.567
6. Revaluation of long - term tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008	-1.040.000	-625.760
9. Other revaluation	009	152.338.132	167.589.923
10. Total capital and reserves (AOP 001 to 009)	010	635.716.615	659.754.537
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	23.170.142	8.786.131
17. Total increase or decrease in capital (AOP 011 to 016)	017	82.689.019	24.037.922
17 a. Attributed to equity holders of parent company	018		
17 b. Attributed to minority interest	019		

Items decreasing the capital are entered with a negative number sign

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

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS AS AT 31.12.2016

GENERAL INFORMATION

ULJANIK PLOVIDBA, pomorski promet, d.d. Pula, was established in Croatia. The Company is registered at the Commercial Court in Pazin.

Uljanik Plovidba d.d. Pula is the 100% owner of its subsidiary UNITED SHIPPING SERVICES ONE INC., registered in Liberia and the 100% owner of the company REAL d.o.o., Pula.

The ownership structure as at 31st 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 31st December 2016 the Company had 33 employees (2015: 34).

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

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

1. Operating income for 2016 of 21.2 mil HRK has decreased with respect to 2015 (24.1 mil HRK). The volume of income from management services has decreased due to reduction of the fleet after selling two vessels during 2015, while operating expenses are at the same level as last year.
2. Financial income for the period I-XII 2016 (49.3 mil HRK) has increased in comparison to 2015 (32.1 mil HRK) due to foreign exchange gains resulted from adjustment of the USD loans and receivables into their counter-value in HRK, according to the mean rate of exchange of the Croatian National Bank at the end of the accounting period. Financial expenses have increased in 2016 (47.6 mil HRK in relation to 17.4 mil HRK in 2015), due to increased currency losses from USD loans adjustment in the current period.
3. As at 31st December 2016 the investments in United Shipping Services One Inc. were expressed in HRK at the mean rate of exchange of the Croatian National Bank for USD.

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS AS AT 31.12.2016

4. Long-term and short-term loans in foreign currencies have been expressed in their equivalent value in HRK according to the mean rate of exchange of the Croatian National Bank as at 31st December 2016. By conclusion of the syndicated loan with Zagrebačka banka and Croatian Bank for Reconstruction and Development on 2nd 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 31st December 2016 the total long-term loans amount to 402.6 thousand HRK while at 31st December 2015 they amounted to 93.2 thousand HRK.
5. In the period January-December 2016 the Company purchased treasury shares in the total amount of 84.0 thousand HRK and disposed of 500.1 thousand HRK.
6. On 30th 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.
7. Revaluation reserves that were created on the basis of the adjustment of the investment in the foreign subsidiary, at the mean rate of exchange for USD as at 31st December 2016, amount to 167,590 thousand HRK.
8. 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 ULJANIK PLOVIDBA d.d. Pula

A handwritten signature in black ink, appearing to read 'D. Pavletić', is written over a faint, circular stamp or watermark.

Dragutin Pavletić
Director of ULJANIK PLOVIDBA d.d.

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 (bulkers). 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 31st 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 2nd July 2016 the Company took over the management of the vessel Valovine - the bulk cargo carrier.

On 2nd 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 30th 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 19th 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

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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;

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- 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, 23rd February 2017



Dragutin Pavletić, Director

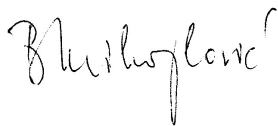
STATEMENT OF THE PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

According to the best of our knowledge:

The unaudited financial reports of ULJANIK PLOVIDBA d.d. 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 the Company. 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, 24th February, 2017