ULJANIK PLOVIDBA

GROUP ULJANIK PLOVIDBA

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY - DECEMBER 2016

Pula, April 2017

CONTENT:

GROUP ULJANIK PLOVIDBA
PULA

Audited annual consolidated financial statements for the year ended 31 December 2016

ULJANIK PLOVIDBA

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RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Management of the Parent Company is responsible for ensuring that the 2016 consolidated financial statements are prepared in accordance with the Croatian Accounting Law and International Financial Reporting Standards ('IFRS'), as adopted by the European Union, which give a true and fair view of the financial position, results of operations, changes in equity and cash flows of the Group for that period.

After making enquiries, the Board of the parent company has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Management has adopted the going concern basis in preparing the consolidated financial statements of the Group.

In the course of preparing of these consolidated financial statements, the responsibilities of the Management include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- the consolidated financial statements are prepared on the going concern basis unless such assumption is not appropriate.

The Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position and results of operations of the Group and must also ensure that the consolidated financial statements comply with the Croatian Accounting Law and International Financial Reporting Standards as adopted by the European Union. The Management is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Parent Company Management by:

Dragutin Pavletić, director

ULJANIK PLOVIDBA d.d.

Carrarina 6
52100 Pula

Pula, 31 March 2017

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF GROUP ULJANIK PLOVIDBA PULA

Auditor's report on the annual consolidated financial statements

Opinion

We have audited the annual consolidated financial statements of the GROUP ULJANIK PLOVIDBA Pula (Group) which comprise the consolidated statement of financial position as at 31 December 2016, the related consolidated income statement with comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the attached consolidated financial statements present a *true and fair account* of the financial position of the Group as at 31 December 2016, its financial performance and cash flows for the year then ended in accordance with the Accounting Act and the International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with the Accounting Act, the Audit Act and the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent from the Company in accordance with the Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

Other Information in the Annual Report

The management of the parent company is responsible for the other information. The other information comprises information comprised in the annual report but does not include the consolidated financial statements and the auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information except to the extent expressly provided in the *Report on Other Legal Requirements* section of our report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and Those Who Are Responsible for the Management for the Consolidated Financial Statements

The management of parent company is responsible for the preparation and fair presentation of the annual consolidated financial statements in accordance with IFRS and for such internal control as the management determines is necessary to enable the preparation of annual consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual consolidated financial statements, the management of the parent company is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those who are responsible for the management are responsible for overseeing the Group's consolidated financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management of the parent company.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those who are responsible for the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those responsible for the management with a statement that we have complied with relevant ethical requirements regarding independence, and that we shall communicate with them regarding all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Among the matters about which we communicate with those responsible for the management we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our independent auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

1. In our opinion, based on the work we have performed during the audit, the information in the attached report of the Group management for the year 2016 complies with the attached annual consolidated financial statements of the Group for the year 2016.
2. In our opinion, based on the work we have performed during the audit, the attached report of the Group management for the year 2016 is made in accordance with the Accounting Act.
3. On the basis of the knowledge and understanding of the Group's operations and its environment obtained during the audit, we found no material misstatements in the report of the Group management.
4. In our opinion, based on the work we have performed during the audit, the *Statement of Compliance with the Corporate Governance Code*, included in the Group's annual report for 2016, complies with the requirements of Article 22, points 3 and 4 of the Accounting Act.
5. *The Statement of Compliance with the Corporate Governance Code* included in the Group's annual report for 2016, includes information from Article 22, points 1, 2, 5 and 6 of the Accounting Act.

Revidas, revizija i konzalting, d.o.o.
Vukovarska 47
Pula

Pula, 31 March 2017

For and on behalf of Revidas d.o.o.:

REVIZIJA I KONZALTING
REVIDAS
d.o.o. PULA

Sonja Košara
procurator

Sonja Košara
certified auditor

GROUP ULJANIK PLOVIDBA, PULA

CONSOLIDATED INCOME STATEMENT WITH COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

(in HRK)	Notes	2016	2015
Sales	3	179,142,085	212,013,470
Other operating income	4	5,478,737	18,260,727
Operating income		**184,620,822**	**230,274,197**
Cost of raw material and supplies		*(272,244)*	*(292,086)*
Other external costs		*(34,990,415)*	*(39,458,903)*
Material costs	5	***(35,262,659)***	***(39,750,989)***
Staff costs	6	***(62,458,916)***	***(84,571,717)***
Depreciation	7	***(78,851,610)***	***(110,292,641)***
Other expenses	8	-	***(112,466,014)***
Other operating expenses	9	***(15,317,051)***	***(322,190,060)***
Operating expenses		**(191,890,236)**	**(669,271,421)**
Financial income	10	**40,476,375**	**29,844,346**
Financial expenses	11	**87,767,188**	**(66,087,834)**
TOTAL INCOME		**225,097,197**	**260,118,543**
TOTAL EXPENSES		**(279,657,424)**	**(735,359,255)**
LOSS BEFORE TAXATION		**(54,560,227)**	**(475,240,712)**
Loss of the minority interest	34	**11,422,708**	**9,133,888**
Income tax expense	12	(121,017)	(22,768)
Tonnage tax	13	(309,926)	(309,926)
LOSS FOR THE YEAR		**(43,568,462)**	**(466,439,518)**
Gain / (Loss) from revaluation of financial assets		414,240	(96,000)
Exchange differences on translating foreign operations		15,251,791	59,518,877
		15,666,031	**59,422,877**
Tax on net other comprehensive profit		(3,133,206)	(11,884,575)
Net other comprehensive profit		**12,532,825**	**47,538,302**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(31,035,637)**	**(418,901,216)**

Signed on behalf of the Parent Company Management:

Dragutin Pavletić, director

Pula, 31 March 2017

The accompanying notes form an integral part of these consolidated financial statements.

GROUP ULJANIK PLOVIDBA, PULA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2016

(in HRK)	Notes	2016	2015
ASSETS			
Concessions, patents, licences, trade and service marks, software and other rights		-	-
Intangible assets	15	-	-
Land and biological assets		3,294,534	3,333,719
Buildings		2,884,388	2,935,036
Vessels		1,280,707,700	1,330,023,401
Other plant and equipment		105,890	126,140
Tangible assets	16	**1,286,992,512**	**1,336,418,296**
Long-term financial assets	17	**31,839,437**	**4,861,065**
Long-term receivables	18	**10,325,636**	**10,750,405**
LONG TERM ASSETS		**1,329,157,585**	**1,352,029,766**
Inventories	19	**5,775,072**	**4,679,220**
Trade receivables	20	6,989,204	8,645,701
Amounts due from the state and other institutions	21	155,335	111,108
Other receivables	22	6,230,031	1,469,807
Receivables		**13,374,570**	**10,226,616**
Short-term financial assets	23	**4,075,832**	**5,302,677**
Cash and cash equivalents	24	**14,166,377**	**25,649,408**
CURRENT ASSETS		**37,391,851**	**45,857,921**
Prepaid expenses and accrued income	25	**6,192**	**11,741**
TOTAL ASSETS		**1,366,555,628**	**1,397,899,428**

GROUP ULJANIK PLOVIDBA, PULA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued AS OF 31 DECEMBER 2016

(in HRK)	Notes	2016	2015
EQUITY AND LIABILITIES			
Share capital	26	232,000,000	232,000.000
Capital reserves	27	(21,979,230)	(21,677,477)
Legal reserves	28	18,666,126	17,505,676
Reserves for Treasury shares	29	36,382,812	36,382,812
Treasury shares	30	(13,348,739)	(13,764,816)
Revaluation reserves	31	166,964,163	151,298,132
Retained profit	32	(505,891,201)	(18,629,325)
Loss of the year	33	(43,568,462)	(466,439,518)
Minority interest	34	167,289,948	174,904,016
CAPITAL AND RESERVES		**36,515,417**	**91,579,500**
Provisions for retirement costs, severance pays and similar liabilities	35	1,794,717	1,855,361
LONG-TERM PROVISIONS		**1,794,717**	**1,855,361**
Amounts due to banks and other financial institutions	36	1,061,460,895	1,038,542,892
LONG-TERM LIABILITIES		**1,061,460,895**	**1,038,542,892**
Borrowings, deposits etc.	37	9,632,460	57,960,521
Amounts due to banks and other financial institutions	38	116,999,747	77,287,137
Trade payables	39	28,920,606	19,461,946
Amounts due to employees	40	2,490,288	2,431,302
Taxes, contributions and other duties payable	41	7,958	228
Dividends payable	42	2,528,594	2,534,798
Other short-term liabilities	43	43,111,721	38,252,015
SHORT-TERM LIABILITIES		**203,691,374**	**197,927,946**
Accrued expenses and deferred income	44	**63,093,225**	**67,993,729**
TOTAL EQUITY AND LIABILITIES		**1,366,555,628**	**1,397,899,428**

Signed on behalf of the Parent Company Management:

Dragutin Pavletić, director

Pula, 31 March 2017

The accompanying notes form an integral part of these consolidated financial statements.

GROUP ULJANIK PLOVIDBA, PULA
CONSOLIDATED STATEMENT OF CHANGES IN SHARHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

(in HRK)	Share capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares	Revaluation reserves	Retained profit	Minority interest	Total
At 31 December 2014	**232,000,000**	**(20,477,001)**	**16,592,866**	**36,382,812**	**(15,022,426)**	**91,875,255**	**5,184,816**	**166,039,219**	**512,575,541**
Allocation of profit of the Parent Company from 2014	-	-	912,810	-	-	-	(912,810)	-	-
Reconciliation of securities at fair value	-	-	-	-	-	(96,000)	-	-	(96,000)
Adjustment of share value	-	-	-	-	-	59,518,877	-	-	59,518,877
Purchase of treasury shares	-	-	-	-	(773,277)	-	-	-	(773,277)
Sale of treasury shares	-	-	-	-	2,030,887	-	-	-	2,030,887
Capital losses	-	(1,200,476)	-	-	-	-	-	-	(1,200,476)
Adjustment to retained earnings under the equity method	-	-	-	-	-	-	2,209,162	-	2,209,162
Loss for 2015	-	-	-	-	-	-	(466,439,518)	-	(466,439,518)
Exchange differences	-	-	-	-	-	-	(25,110,493)	-	(25,110,493)
Minority interest	-	-	-	-	-	-	-	8,864,797	8,864,797
At 31 December 2015	**232,000,000**	**(21,677,477)**	**17,505,676**	**36,382,812**	**(13,764,816)**	**151,298,132**	**(485,068,843)**	**174,904,016**	**91,579,500**
Allocation of profit of the Parent Company from 2015	-	-	1,160,450	-	-	-	(1,160,450)	-	-
Reconciliation of securities at fair value	-	-	-	-	-	414,240	-	-	414,240
Adjustment of share value	-	-	-	-	-	15,251,791	-	-	15,251,791
Purchase of treasury shares	-	-	-	-	(84,024)	-	-	-	(84,024)
Sale of treasury shares	-	-	-	-	500,101	-	-	-	500,101
Capital losses	-	(301,753)	-	-	-	-	-	-	(301,753)
Adjustment to retained earnings under the equity method	-	-	-	-	-	-	2,083,401	-	2,083,401
Loss for 2015	-	-	-	-	-	-	(43,568,462)	-	(43,568,462)
Exchange differences	-	-	-	-	-	-	(21,745,309)	-	(21,745,309)
Minority interest	-	-	-	-	-	-	-	(7,614,068)	(7,614,068)
At 31 December 2016	**232,000,000**	**(21,979,230)**	**18,666,126**	**36,382,812**	**(13,348,739)**	**166,964,163**	**(549,459,663)**	**167,289,948**	**36,515,417**

The accompanying notes form an integral part of these consolidated financial statements.

GROUP ULJANIK PLOVIDBA, PULA

CONSOLIDATED CASH-FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

(in HRK)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(54,560,227)**	**(475,240,712)**
Depreciation	78,851,610	110,292,641
Impairment of assets	-	112,466,014
Decrease in short-term receivables	14,378,879	-
Other increases in cash	5,760	604,253,601
Total increase in cash from operating activities	**38,676,022**	**351,771,544**
Increase in short-term receivables	(3,147,954)	(3,200,078)
Decrease in current liabilities	-	(5,036,788)
Increase in inventories	(1,095,852)	(980,786)
Other decreases in cash	(39,075,376)	(189,980,041)
Total decrease in cash from operating activities	**(43,319,182)**	**(199,197,693)**
NET (DECREASE)/INCREASE IN CASH GENERATED FROM OPERATING ACTIVITIES	**(4,643,160)**	**152,573,851**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of tangible and intangible assets	(27,127)	(48,643)
Total cash expenses from investing activities	**(27,127)**	**(48,643)**
NET DECREASE IN CASH FROM INVESTING ACTIVITIES	**(27,127)**	**(48,643)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts from the loan principal, debentures, advances and other loans	91,347,943	133,225,239
Other cash receipts from financial activities	5,149,809	25,642,424
Total cash receipts from financial activities	**96,497,752**	**158,867,663**
Cash expenses for the repayment of loan principal and bonds	(77,045,390)	(322,056,914)
Other cash expenses from financial activities	(26,265,106)	(562.958)
Total cash expenses from financial activities	**(103,310,496)**	**(322.619.872)**
NET (DECREASE) / INCREASE IN CASH FROM FINANCING ACTIVITIES	**(6,812,744)**	**(163.752.209)**
Cash and cash equivalents at beginning of period	**25,649,408**	**36,876,409**
Increase in cash and cash equivalents	-	-
Decrease in cash and cash equivalents	**(11,483,031)**	**(11,227,001)**
Cash and cash equivalents at end of period	**14,166,377**	**25,649,408**

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL

ULJANIK PLOVIDBA, maritime transport d.d. Pula (the Company), is incorporated in Croatia. The Company is registered at the Commercial Court in Pazin.

The Group Uljanik Plovidba, Pula consists of the parent company Uljanik Plovidba d.d. Pula and its subsidiaries: UNITED SHIPPING SERVICES ONE Inc., Monrovia, Liberia and REAL d.o.o. Pula, both in its 100% ownership.

The major part of the Parent company's operations is conducted through its subsidiary UNITED SHIPPING SERVICES ONE INC., registered in Liberia, pursuant to the applicable management contract concluded with its subsidiaries Uljanik Shipmanagement Pte. Ltd. and Uljanik Tanker Management Pte. Ltd. In Singapore. The subsidiary UNITED SHIPPING SERVICES ONE INC., and its subsidiaries United United Shipping Services Three Inc., United Shipping Services Ten Inc., United Shipping Services Eleven Inc., United Shipping Services Twelve Inc., United Shipping Services Thirteen Inc., United Shipping Services Fourteen Inc., United Shipping Services Seventeen Inc., Uljanik Shipmanagement Inc, Uljanik Tanker Management Inc., Uljanik Shipmanagement Pte. Ltd and Uljanik Tanker Management Pte. Ltd., constitute the Group UNITED SHIPPING SERVICES ONE.

At the beginning of 2017, two companies from Singapore, Uljanik Tanker management Pte.Ltd. and Uljanik Shipmanagement Pte. Ltd, were merged (Note 48 „Events after the balance sheet date").

Companies that are members of the Group UNITED SHIPPING SERVICES ONE are engaged in time-chartering of vessels in the maritime transport.

The ownership structure as at 31 December 2016 is shown in Note 26.

The registered office of the Group is in Pula, Carrarina 6, Croatia.

As at 31 December 2016, the number of staff employed by the Group Uljanik Plovidba, Pula was 33 (2015: 34).

As at 31 December 2016 and 2015, the Company's shares are listed as public stock companies on the Zagreb stock Exchange.

The joint stock company has the General Assembly, the Supervisory Board and Management Board.

Members of the Management Board: Dragutin Pavletić, director

Members of Supervisory Board: Amra Pende, president
Anton Brajković and Robert Banko, members.

1.1. GOING CONCERN

Operating of the GROUP ULJANIK PLOVIDBA in the year 2016 has been marked with the continuation of the negative influence of the global economic crisis, which has a strong impact on the world maritime transport market. In transport of liquid cargo in 2016, in the first three quarters the freight-rates were stable, while in the last quarter the negative trend caused by lower scrap-value of vessels and increased number of the new-built vessels in this segment was noticed. The mentioned trends in the global maritime transport market have significantly influenced on the financial results of the GROUP ULJANIK PLOVIDBA, with better results achieved in tanker fleet as well as on the spot market. In 2017, the increase of the freight-rates in bulk and liquid cargo transport is expected, as a result of increased activities on market and reduced number of newly-contracted shipbuildings.

In order to overcome the period of bad market situation, in the process of restructuring of the Group's financial commitments that began in 2014, throughout 2016 and 2017 the Parent company took the additional measures in terms of reprogramming/refinancing of financial liabilities. Regarding this, the additional arrangements have been concluded with domestic banks as well as with syndicate of foreign banks, in order to facilitate the contracted loan repayment dynamics for the year 2017.

In addition to the measures that relate to the mentioned restructuring of the Group's financial obligations, in 2016, the Parent company launched numerous additional measures for the stronger cost control to achieve savings in different segments of business. The most significant savings in the planned budget for 2017 relate to crew costs in terms of correction in seafarers' salaries and introduction of new policies in seafarers' employment, to insurance costs and costs of supplying vessels under the most favourable conditions. Cost reduction measures have also been launched on the shore through a reduction in the salaries of Uljanik Plovidba's employees and the rationalization of other operating expenses in the office.

As an additional possibility to increase liquidity, the Company plans to expand the management services to third parties (3rd Party Management) and to diversify its current operations. Regarding this, the business cooperation with Company ETCA Caspian Limited, headquartered in Larnaca, Cyprus, has been started, with the intention of establishing a joint venture company whose main activity would be maritime transport and storage of liquefied natural gas. By this, ULJANIK PLOVIDBA d.d. has made a step forward on the market of transport and management of LNG and LPG vessels, by recognizing it as an opportunity for it's future development.

Pursuant to the above mentioned, the Management of the Parent company believes that measures taken, the Development Strategy of the Group and recovery of bulk and liquid cargo transport, which is expected in 2017, ensures the continuation of Group's ability as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Set out below are the principal accounting policies applied in the preparation of these consolidated financial statements. The accounting policies have been applied consistently to all the periods covered by the consolidated financial statements, except as stated otherwise.

2.1. Compliance Statement

The consolidated financial statements of the Group have been made in accordance with the International Financial Reporting Standards as adopted by the European Union.

Standards, amendments and supplements issued by the IASB and adopted by the European Union that have entered into force:

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization (effective for periods beginning on 1 January 2016 or later).
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (effective for periods beginning on 1 January 2016 or later).
- Amendments to IAS 16 and IAS 41: Bearer Plants (effective for periods beginning on 1 January 2016 or later).
- Amendments to IAS 1: Disclosure Initiative (effective for periods beginning on 1 January 2016 or later).
- Amendments to IAS 27: Equity Method in Separate Financial Statements (effective for periods beginning on 1 January 2016 or later).
- IFRS - Annual Improvements cycle 2012.-2014 (IFRS 5, IFRS 7, IAS 10 and IAS 34) - according to the IASB, effective for annual periods beginning on 1 January 2016 or later

The adoption of the listed amendments and supplements to existing standards and interpretations has not led to any changes in the accounting policies of the entity or has it affected the Group's profit in the current and previous year.

Standards, interpretations and supplements that have not yet come into effect and that were not previously applied

At the date of approval of these consolidated financial statements, the following interpretations and standards were published that have not yet come into force and have not been previously applied by the Group for the year ended 31 December 2016.

- IFRS 9 – Financial instruments (the new standard effective for periods beginning on 1 January 2018 or later).
- IFRS 14 – Regulatory Deferral Accounts (The EC has decided not to launch the endorsement process of this standard and to wait for the final standard).
- IFRS 16 – Leases Accounts (the new standard effective for periods beginning on 1 January 2019 or later).
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - postponed
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses (effective for periods beginning on 1 January 2017 or later).
- Amendments to IAS 7 – Disclosure Initiative (effective for periods beginning on 1 January 2017 or later).
- Clarifications to IFRS 15 – Revenue from Contracts with Customers (effective for periods beginning on 1 January 2018 or later).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective for periods beginning on 1 January 2018 or later).

- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for periods beginning on 1 January 2018 or later).
- Annual Improvements to IFRS Standards 2014-2016 Cycle (effective for periods beginning on 1 January 2017 or later).
- IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration (effective for periods beginning on 1 January 2018 or later).
- Amendments to IAS 40 – Transfers of Investmenty Property (effective for periods beginning on 1 January 2018 or later).

The Management of the Parent company anticipates that all of the above-mentioned standards and interpretations will be applied in the consolidated financial statements of the Group when they come into force, and that their adoption will not have a material impact on the Group's consolidated financial statements in the period in which they will be applied.

2.2. Basis of preparation

The consolidated financial statements are prepared on an accrual basis of accounting whereby the effects of transactions and other events are recognized when they occur and they are reported in the financial statements of the period to which they relate and under the going concern assumption.

The consolidated financial statements of the GROUP ULJANIK PLOVIDBA Pula have been prepared under the historical cost (purchase cost) method, except for financial assets available for sale which are stated at fair value.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires that the Management of the parent company make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses of the Group and the disclosure of potential liabilities of the Group. The estimates and the associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the given circumstances, the result of which forms the basis for making estimates of the value of assets and liabilities, which cannot be obtained from other sources. Actual results may differ from such estimates.
The estimates used in preparing of the consolidated financial statements are subject to change as new events occur, additional experience is gained, new information and knowledge are obtained and as the environment in which the Group operates changes.

2.3. Principles and methods of consolidation

a) Subsidiaries

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 year-end 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 at consolidation.

b) Transactions and minority interests

The Group is treating transactions with minority interests as transactions with the entities out of the Group. The results of sale to minority interests are gains/losses which are recognised in the Income statement.

2.4. Reporting currency

The consolidated financial statements of the Group have been prepared in Croatian kuna, which is the measurement i.e. reporting currency of the Group.

2.5. Revenue recognition

Revenue comprises the fair value of completed and billed services in the course of ordinary business. Revenue is stated at invoiced amounts net of value-added tax and any recognised discounts.

2.6. Recognition of expenses

Operating expenses are stated as at the date of received invoices or at the date of prepared calculations.
They include material costs, staff costs, depreciation, other expenses, impairment of current assets (receivables), provisions and other operating expenses.

2.7. Financial income and expenses

Financial income consists of accrued interest on loans which is determined by using the effective interest method, and foreign exchange gains. Dividend income is recognized in the income statement as of the date on which the dividend is received.

Financial expenses comprise interest on borrowings and credits received determined using the effective interest method, foreign exchange losses, as well as losses on impairment and disposal of financial assets.

2.8. Transactions in foreign currencies

Transactions in currencies other than Croatian kuna are initially recorded at mean exchange rates of the Croatian National Bank ('the CNB') prevailing on the dates of the transactions. Monetary assets, receivables and liabilities denominated in foreign currencies are retranslated at mean exchange rates of the CNB prevailing on the balance sheet date. Profits and losses arising on exchange are included in the income statement for the year. Exchange differences arising from the translation of net investments in foreign entities are recognized in equity as revaluation reserves. When a foreign entity is sold, foreign exchange differences are recognized in the income statement.

On 31 December 2016 the official exchange rate for the Croatian kuna was 7.56 HRK for 1 euro (on 31 December 2015 it was 7.64 HRK) and 7.17 HRK for 1 USD (on 31 December 2015 it was 6.99 HRK).

2.9. Income tax and tonnage tax

Income tax is determined on the basis of income reported in accordance with Croatian laws and regulations.

Income tax consists of the current and deferred taxes and is reported in the income statement.

Income tax liability for the current year is determined on the basis of the result for that year, adjusted for prescribed items of permanent adjustment (income from dividends, a share in the profit and non-deductible expenses) in accordance with national regulations in individual countries in which the subsidiaries operate. Income tax is calculated by the application of tax rates valid on the balance sheet date.
Deferred tax assets and deferred tax liabilities arise from temporary differences between the value of the assets and liabilities reported in the financial statements and the values reported for the purpose of determining of the profit tax base. Deferred tax assets are recognized if there is a probability that taxable profit will be realized in the future on the basis of which the deferred tax assets will be utilized. Deferred tax assets and deferred tax liability are calculated by applying the income tax rate applicable to future periods when such assets or liability will be realized.

In accordance with the provisions of the Maritime Act and by fulfilling the conditions laid down in it, starting from the year 2014, the Group calculates and pays the tonnage tax for the maritime activities based on the Decision issued by the Croatian Ministry of Finance

2.10. Intangible assets

Intangible assets relate to IT programs-software licenses that are capitalized on the basis of the cost of acquisition and costs incurred in bringing of the same into working condition. These costs are amortized over their useful lives over a period of two years.

2.11. Property, plant and equipment

Items of property, plant and equipment are carried at historical cost less accumulated depreciation. Historical cost includes costs directly attributable to bringing an asset in a condition for its intended use. Subsequent improvements are capitalized or, if required, recognized as a separate asset only if future economic benefits will flow to the Company and if the cost of such asset can be measured reliably. All other improvements and maintenance costs are recognized in the income statement in the period in which they arise.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard performance, the expenditures are capitalized i.e. added to the carrying amount of the asset.

Fittings and equipment are classified as non-current assets if their individual useful lives are over one year and individual cost exceeds HRK 3,500.

Property, plant and equipment include land, building, vessels, office equipment and furniture.

According to the broker's valuation, the values of the ships have been adjusted to their market value.

When the market values exceed the carrying values they either need to be adjusted with the market values or value in use has to be calculated by estimating of future cash flows and discounting them by the use of the appropriate discount rate.

Gains and losses on disposal of assets are determined by comparing of the income and the carrying amounts of assets and are captured under "Other net gains/(losses)" in the income statement.

Depreciation of property, vessels, plant and equipment commences when the assets are put in use. Depreciation is provided on a straight-line basis so as to allocate the cost of an asset over its estimated useful life. Depreciation is provided for each asset until it is written-off or until it reaches its residual value, if material.

The estimated useful lives are as follows:

Buildings	100 years
Ships	20 years
Machinery and equipment	10 – 28 years
Inventory and accessories	2 – 10 years

Land is not depreciated because it is considered to have unlimited useful life.

2.12. Investments into subsidiaries and associated companies

a) Investments into subsidiaries

Subsidiaries are companies whose operations are directly or indirectly controlled by the Company. Control is achieved if the Company manages the financial and operating policies of the entity so as to obtain benefits from its activities. Investments in subsidiaries are reported by use of the cost method, except for investments abroad that are revalued at the mean rate of the Croatian National Bank on the balance sheet date. Changes are recognized in equity (unrealized gains/losses). Income from shares in subsidiaries is recognized in the period in which transfer of profit occurs, in accordance with the Decision of the owner.

b) Investments into associated companies

Associated companies are entities over which the Company has significant influence but does not have control (generally investments with an ownership portion in the amount of 20% to 50% in the share capital). Significant influence signifies the power to participate in decisions about financial and operating policies of the entity into which the investment was made, but does not signify control or joint control over such policies. Investments into associated companies are reported by use of the cost method.

2.13. Financial assets

Investments are classified into the following categories: held-to-maturity, held for trading and available for sale investments.

Investments with fixed or determinable payments and fixed maturity in respect of which the Company has the positive intent and ability to hold to until maturity are classified as held-to-maturity investments.
Investments acquired primarily for the purpose of generating a profit from short-term fluctuations in price are classified as held-for-trading. All other investments, other than loans and receivables originating from the Company, are classified as available for sale.
Financial instruments included in assets available for sale include debt and equity securities. After initial recognition these instruments (investment cost plus transaction expenses) are recorded at fair value. Fair value of financial instruments traded in active markets is determined on the reporting date in relation to quoted market prices.
The fair value of financial instruments that are not traded in an active market, if possible, is determined using appropriate assessment techniques.

Gains and losses arising from changes in fair value of financial assets available for sale are recognized directly in equity until the moment of sale or decrease, when the cumulative gains or losses previously recognized in equity are included in the profit or loss account for the period.

Dividends from securities classified as available for sale are recorded when their payment is received or when the shareholder's right to receive payment is established.

Financial assets are derecognised when cash is collected or the rights to receive cash flows from the assets have expired.

2.14. Impairment of financial assets

At each balance sheet date the parent Company and related companies assesses whether there is objective evidence of impairment of the financial assets or groups of financial assets. A financial asset or a group of financial assets is considered impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and if the loss affects the estimated future cash flows from the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or group of debtors is experiencing significant financial difficulties, omissions or errors in the payment of interest or principal, credibility of bankruptcy or other financial reorganizations and when observable data indicates that there is a measurable decrease in the estimated future cash flows, such as previous variations or economic conditions related to such failures.

2.15. Trade receivables

Trade and other receivables are initially carried at fair value and are subsequently measured at cost, less any impairment losses. Receivables are impaired and impairment losses are incurred only if there is objective evidence of impairment, as a result of one or more events that occurred after the initial recognition of an asset that have an impact on the estimated future cash flows of the asset that can be reliably estimated. At each balance sheet date the Branch Office assesses whether there is objective evidence that an account receivable is impaired. At each balance sheet date, receivables are subject to an individual review to determine whether there is objective evidence that a trade receivable account might be impaired. If any such evidence exists, the carrying amount of the account receivable is reduced directly or through a separate allowance account. The related impairment loss is charged in the income statement for the year.

2.16. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks, as well as other high liquid instruments with maturities of up to three months.

2.17. Share capital

Share capital consists of ordinary shares. Costs directly attributable to the issue of ordinary shares are recognized as a decrease in equity.

The amount paid for the shares, including directly attributable costs, is recognized as a decrease in equity and reserves. Repurchased shares are classified as treasury shares and represent a deduction from total equity and reserves.

2.18. Borrowings

Borrowings are initially recognized at fair value of cash received. In subsequent periods, borrowings are stated at amortized cost. Any difference between the cash received and the redemption value is recognized in the profit and loss account over the period, using the effective interest method.

Borrowing costs that are directly attributable to the acquisition of assets or assets under construction are capitalized during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are recognised in the profit and loss account.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

2.19. Government grants

Government grants related to assets of the subsidiaries (vessels) are recorded as deferred income and recognised as income over the periods necessary to match them with the related costs on a systematic basis.

2.20. Employee benefits

(a) Retirement benefits

In the normal course of business, the Parent Company makes contributions on behalf of its employees who are members of mandatory pension funds, in accordance with applicable law. The mandatory pension contributions to the funds are included in the salary cost when they are calculated. The Group has no obligation to provide any post-retirement benefits to its employees.

b) Other long-term employee benefits

Other long-term employee benefits include jubilee-awards and termination benefits which fall due later than 12 months after the balance sheet date.

2.21. Provisions

A provision is recognized only when the entity has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of expenses expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Provisions are reconsidered at each reporting date and adjusted according to the latest best estimates.

2.22. Dividend distribution

Liabilities in respect of dividends payable to the shareholders are recognised in the financial statements in the period in which they are approved by the General Assembly of Shareholders.

2.23. Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.24. Comparative amounts

Comparative information has been reclassified, where necessary, to achieve consistency in disclosure of information with data for the current financial year and other data.

2.25. Events after the balance sheet date

Events after the balance sheet date that relate to the financial position of the Company are those favourable and unfavourable events that occurred after the date of the balance sheet, but prior to the date that the financial statements were approved for issue. The Company adjusts the amounts recognized in its financial statements for events that occurred after the balance sheet date that relate to its financial position that require harmonization.

3. REVENUES

(in HRK)	2016	2015
Domestic revenue	422,281	375,174
Foreign revenue /i/	178,569,440	211,638,296
Other revenues	150,364	-
	179,142,085	**212,013,470**

/i/ Within the stated amount, freight revenue realized by companies within the Group United Shipping Services One amounts to HRK 170,149,616 (2015: HRK 206,680,128), while revenue from management services provided by the parent company to non affiliated company amounts to HRK 8,419,824 (2015: HRK 4,958,168).

4. OTHER OPERATING REVENUES

(in HRK)	2016	2015
Recognized part of deferred income (Note 44)	4,548,405	17,748,526
Income from reversal of provisions (Note 35)	60,644	141,325
Government grants	185,594	280,960
Other revenues /i/	684,094	89,916
	5,478,737	**18,260,727**

/i/ Other revenues include revenues from collected claims for damages based on the court rulings in the amount of HRK 572,244, and other revenues in the amount of HRK 111,850.

5. COST OF MATERIAL AND SERVICES

(in HRK)	2016	2015
Raw materials and supplies	89,041	112,132
Energy	157,613	110,570
Spare parts and small inventory	25,590	69,384
Raw materials and supplies	**272,244**	**292,086**

(in HRK)	2016	2015
Operating ship expenses and docking expenses	26,314,747	28,428,179
Transport, telephone, postage	301,110	284,769
Repairs and maintenance	8,062,605	10,599,493
Rental costs	260,144	103,139
Promotion costs	15,510	13,219
Other	36,299	30,104
Other external services	**34,990,415**	**39,458,903**
	35,262,659	**39,750,989**

6. STAFF COSTS

(in HRK)	2016	2015
Crew salaries based on contracts	52,499,514	74,185,694
Net salaries	5,214,330	5,347,052
Taxes and contributions *from* and *on* salary /i/	4,745,072	5,038,971
	62,458,916	**84,571,717**

/i/ Taxes and contributions *from* and *on* salaries are included in defined pension contributions to mandatory pension funds in Croatia. They are determined at a percentage of the gross salary.

7. DEPRECIATION AND AMORTISATION

(in HRK)	2016	2015
Amortisation (Note 15)	-	928
Depreciation (Note 16)	78,851,610	110,291,713
	78,851,610	**110,292,641**

8. IMPAIRMENT OF ASSETS

(in HRK)	2016	2015
Impairment of vessels (Note 16)	-	**112,466,014**

9. OTHER EXPENSES

(in HRK)	2016	2015
Losses on sale of vessels (Note 16)	-	302,803,746
Marine insurance	8,221,114	11,774,865
Fees for administration and management services abroad	3,851,435	3,717,874
Accrued expenses for severance payments	-	225,885
Reimbursement of costs to employees /i/	1,066,562	1,588,459
Intellectual services /ii/	176,602	177,445
Entertainment	527,618	322,500
Supervisory board (gross fees)	160,255	166,016
Contributions and municipal levies	118,708	139,227
Bank charges	660,605	435,778
Depository services and broker commission	45,497	201,691
Insurance	101,116	103,861
Account receivables write off	10,503	13,313
Donations	4,768	43,436
Other expenses /iii/	372,268	475,964
	15,317,051	**322,190,060**

/i/ Reimbursement of costs to employees comprise: allowances, benefits of using private cars for official purposes, the cost of transportation to work, termination benefits, jubilee awards and supports. Furthermore, the amount of accrued employees' gross salaries, which in accordance with the provisions of the signed Employment contracts are entitled to compensation on the basis of the collected insurance premiums upon expiry of the insurance period, was reported under other substantive rights of employees (Note 4).

/ii/ In the reported amount the audit of financial statements constitutes 77% of the costs.

/iii/ Within the other expenses, membership fees amounts to HRK 160,921, legal and notary fees amounts to HRK 29,463, scholarships amounts to HRK 48,661, scholarships in the amount of HRK 57,000, costs of submission of the financial reports in the amount of HRK 74,713 and the rest amounts to HRK 30,973.

9. FINANCIAL INCOME

(in HRK)	2016	2015
Interest income	246,036	1,731,700
Foreign exchange gains	40,230,053	28,111,762
Dividend income	286	884
	40,476,375	**29,844,346**

11. FINANCIAL EXPENSE

(in HRK)	2016	2015
Interest expense	52,005,668	56,709,854
Foreign exchange losses	35,635,759	9,264,019
Expense from value adjustment of the investments (Note 17.1)	125,761	113,961
	87,767,188	**66,087,834**

12. CORPORATE INCOME TAX

The reconciliation between the accounting profit and taxable profit of the Parent company is provided in the table below:

(in HRK)	2016	2015
(Loss) / Profit of the parent company before tax	**(16,408,060)**	**568,584**
Effect of tax disallowable expenses	54,846	285,258
Effect of non-taxable profit	(77,933)	(160,887)
Tax loss for the year	**(16,431,147)**	**692,955**
Tax losses brought forward	-	(579,117)
Tax loss to carry forward	**(16,431,147)**	**113,838**
Tax rate	20.00%	20.00%
Parent company's Tax liability for the year	**-**	**22,768**
Income Tax liability of the Companies from Singapore	**121,017**	**-**
Income Tax liability of the current year	**121,017**	**22,768**

13. TONNAGE TAX

(in HRK)	2016	2015
Total annual tonnage tax liability	**309,926**	**309,926**
The amount of tonnage tax paid abroad	-	-
Annual tonnage tax liability	**309,926**	**309,926**

/i/ The tonnage tax liability of the vessels liability in the 2016, 2015 and 2014 was determined by the Resolution of the Croatian Ministry of Finance issued on 14 April 2014, in accordance with the provisions of the Maritime Act and its conditions which the parent company Uljanik Plovidba d.d. have fulfilled.

14. LOSS PER SHARE

Loss per share in the amount of HRK 80.53 (in 2015: HRK 863.29) have been determined on the basis of the Group's consolidated loss in the amount of HRK 43,568,462 (in 2015: HRK 466,439,518) and the weighted average of ordinary shares, reduced for treasury shares, that was 541.058 (2015: 540,306).

15. INTANGIBLE ASSETS

(in HRK)	Total
PURCHASE VALUE	
At 31 December 2014	**171,078**
Retirements, disposals and other	-
At 31 December 2015	**171,078**
Retirements, disposals and other	-
At 31 December 2016	**171,078**
ACCUMULATED AMORTISATION	
At 31 December 2014	**170,150**
Amortisation	928
At 31 December 2015	**171,078**
Amortisation	-
At 31 December 2016	**171,078**
NET BOOK VALUE	
At 31 December 2016	-
At 31 December 2015	-

Intangible assets consist of investments in software.

16. PROPERTY, PLANT AND EQUIPMENT

(in HRK)	Land and buildings	Plant and equipment	Vessels	Total
Cost				
At 31 December 2014	**8,690,792**	**1,426,163**	**2,734,948,083**	**2,745,065,038**
Additions	-	48,643	-	48,643
Retirements, disposals and other	-	(54,545)	(1,048,886,484)	(1,048,886,484)
Exchange differences	-	-	299,308,990	299,308,990
At 31 December 2015	**8,690,792**	**1,420,261**	**1,985,370,589**	**1,995,481,642**
Additions	-	27,127	-	27,127
Retirements, disposals and other	-	(108,520)	-	(108.520)
Exchange differences	-	-	50,185,134	50,185,134
At 31 December 2016	**8,690,792**	**1,338,868**	**2,035,555,723**	**2,045,585,383**
Accumulated depreciation				
At 31 December 2014	**2,333,184**	**1,261,289**	**787,138,117**	**790,732,590**
Depreciation charge for the year	88,853	86,291	110,116,569	110,291,713
Value adjustment			112,466,014	112,466.014
Retirements, disposals and other	-	(53,459)	(444,718,529)	(444,771,988)
Exchange differences	-	-	90,345,017	90,345,017
At 31 December 2015	**2,422,037**	**1,294,121**	**655,347,188**	**659,063,346**
Depreciation charge for the year	89,833	47,166	78,714,612	78,851,611
Retirements, disposals and other	-	(108,309)	-	(108,309)
Exchange differences	-	-	20,786,223	20,786,223
At 31 December 2016	**2,511,870**	**1,232,978**	**754,848,023**	**758,592,871**
Net book value				
At 31 December 2016	**6,178,922**	**105,890**	**1,280,707,700**	**1,286,992,512**
At 31 December 2015	**6,268,755**	**126,140**	**1,330,023,401**	**1,336,418,296**

The Company has determined that the value of vessels, which was calculated by using the estimated future cash flows method and discounting them at the appropriate discount rate, is higher than their current values stated in the books. Pursuant to the above, there was no need for impairment of the vessels at the balance sheet date.

17. LONG-TERM FINANCIAL ASSETS

(in HRK)	Holding in %	2016	2015
Investments in subsidiaries and shares			
- United Shipping Adriatic Inc. (100 USD)	0,0007%	717	699
- Istarska kreditna banka d.d. Umag		8,300	8,300
- Istarska autocesta d.o.o. Pula /i/	23,425%	3,763,336	3,889,097
- Uljanik d.d. Pula /ii/		814,240	400,000
- Other investments		10	10
		4,586,603	**4,298,106**
17.2. Loans, deposits etc. given to the associated companies		**1,600,000**	-
17.3. Other			
Deposits in Zagrebačka banka d.d. Zagreb (Note 36)		25,089,876	-
Other deposits		562,958	562,958
		25,652,834	**562,958**
		31,839,437	**4,861,065**

/i/ According to the provisions of IFRS, holding of 20% or more of the share capital is recorded by applying the equity method, meaning that the investments have been adjusted with the associate's equity, with parallel crediting of the income statement (Note 11).

/ii/ In accordance with the adopted accounting policy, investments in securities are valued at fair value at the balance sheet date. Unrealized losses from investments in assets available for sale were attributed to equity as a revaluation reserve.

18. LONG-TERM RECEIVABLES

(in HRK)	2016	2015
Long-term receivables of the parent company	**10,393,695**	**10,818,464**
Current portion of long-term receivables (Note 23)	(68,059)	(68,059)
Long-term portion of receivables	**10,325,636**	**10,750,405**

19. INVENTORIES

(in HRK)	2016	2015
Foodstuff, fuel and lubricant supplies on ships	5,775,072	4,679,220
	5,775,072	**4,679,220**

20. TRADE RECEIVABLES

(in HRK)	2016	2015
Domestic trade debtors	513,343	1,210,090
Foreign trade debtors	6,475,861	7,435,611
	6,989,204	**8,645,701**

21. AMOUNTS DUE FROM THE STATE AND OTHER INSTITUTIONS

(in HRK)	2016	2015
Income tax refund	76,573	26,573
Tonnage tax refund	34,900	49,207
VAT refund	23,994	27,852
Other receivables	19,868	7,476
	155,335	**111,108**

22. OTHER CURRENT ASSETS

(in HRK)	2016	2015
Advances to vessels for the current costs	405,465	673,871
Receivables from the insurers and agents of foreign companies	5,252,949	371,977
Prepayments made	334,288	333,680
Receivables based on the court ruling	142,983	-
Interest receivables	28	-
Other receivables	94,318	90,279
	6,230,031	**1,469,807**

23. SHORT-TERM FINANCIAL ASSETS

(in HRK)	2016	2015
Total short-term financial assets	**4,007,773**	**5,234,618**
Plus: Current portion of long-term receivables (Note 18)	68,059	68,059
	4,075,832	**5,302,677**

24. CASH AND CASH EQUIVALENTS

(in HRK)	2016	2015
Current account balance	14,151,127	25,645,733
Foreign account balance of the parent company	11,049	747
Cash in hand	4,201	2,928
	14,166,377	**25,649,408**

25. PREPAID EXPENSES AND ACCRUED INCOME

(in HRK)	2016	2015
Prepaid expenses	6,192	11,741
	6,192	**11,741**

26. SHARE CAPITAL

At 31 December 2016, the share capital of the Parent Company amounted to HRK 232,000,000 and consisted of 541,058 ordinary shares, with a nominal value of HRK 400 per share, and of 38,942 treasury shares.

In the ownership structure as at 31 December 2016, small shareholders accounted for 93.29% and treasury shares accounted for 6.71%.

27. CONSOLIDATED CAPITAL RESERVES

(in HRK)	2016	2015
At 31 December of the prior year	(21,677,477)	(20,477,001)
Decrease	(301,753)	(1,200,476)
At 31 December of the current year	**(21,979,230)**	**(21,677,477)**

28. CONSOLIDATED LEGAL RESERVES

(in HRK)	2016	2015
At 31 December of the prior year	17,505,676	16,592,866
Increase /i/	1,160,450	912,810
At 31 December of the current year	**18,666,126**	**17,505,676**

/i/ Under Croatian law, a legal reserve is formed of 5% of the profits of the year until such time that the total reserve balance, together with capital gains, reaches 5% of the Company's share capital. The legal reserves represent non-distributable reserves. The increase in legal reserves is a result of distribution of profit of the parent Company for the year 2015, according to the Decision of the Assembly.

29. CONSOLIDATED RESERVES FOR TREASURY SHARES

(in HRK)	2016	2015
At 31 December of the prior year	36,382,812	36,382,812
Increase / Decrease	-	-
At 31 December of the current year	**36,382,812**	**36,382,812**

30. TREASURY SHARES (DEDUCTIBLE ITEM)

(in HRK)	2016	2015
At 31 December of the prior year	(13,764,816)	(15,022,426)
Purchase of treasury shares	(84,024)	(773,277)
Sale of treasury shares	500,101	2,030,887
At 31 December of the current year	**(13,348,739)**	**(13,764,816)**

31. CONSOLIDATED REVALUATION RESERVES

(in HRK)	2016	2015
At 31 December of the prior year	**151,298,132**	**91,875,255**
Increase / Decrease	15,666,031	59,422,877
At 31 December of the current year	**166,964,163**	**151,298,132**

/i/ The increase in revaluation reserves was a consequence of investment adjustments into foreign subsidiaries in 2016 in accordance with the mean exchange rate for the USD at the end of the accounting period in the amount of HRK 15,251,791 and of the revaluation of financial assets at fair value at the balance sheet date in the amount of HRK 414,240.

32. CONSOLIDATED RETAINED PROFIT

(in HRK)	2016	2015
At 31 December of the prior year	(18,629,325)	81,948,978
Increase /i/	2,083,401	2,209,162
Decrease /i/	(489,345,277)	(102,787,465)
At 31 December of the current year	**(505,891,201)**	**(18,629,325)**

/i/ Increase in accumulated losses in 2016 was achieved by adjusting of the participating shares in accordance with IAS 28 (Note 17), while the decrease relates to the transfer of loss from 2015 and to the exchange rate differences.

33. CONSOLIDATED LOSS FOR THE CURRENT YEAR

In 2015, the Group generated a net consolidated loss in the amount of HRK 43,568,462 (2015: HRK 466,439,518).

34. MINORITY INTEREST

(in HRK)	2016	2015
Related Company: Group Uljanik Pula		
% of minority interest /i/	45%	45%
Share capital USD 27,675,090 (2013: 27,675,090)	188,293,508	193,504,229
Exchange differences	7,229,601	(1,789,760)
Loss carried forward	(16,810,453)	(7,676,565)
Loss of the current year	(11,422,708)	(9,133,888)
Net-capital of minority interest	**167,289,948**	**174,904,016**

/i/ The minority interest of 45% stake in the capital of the companies United Shipping Services Twelve Inc. and United Shipping Services Thirteen Inc. is in the ownership of the GROUP ULJANIK, Pula.

35. LONG-TERM PROVISIONS

(in HRK)	2016	2015
Accrued commitments to employees /i/	1,794,717	1,855,361
	1,794,717	**1,855,361**

/i/ The accrued commitments arise from provisions of the IAS 19. In the stated amount, according to the Parent company's Internal Act, gross termination benefits amount to HRK 813,986 (2015: HRK 839,317) and gross jubilee-awards amount to HRK 980,731 (2015: HRK 1,016,044). The decrease in provisions was made with parallel accounting of earlier provisions as earnings in the amount of 60,644 (Note 4).

36. LONG TERM LIABILITIES TO BANKS AND OTHER CREDITORS

(in HRK)	2016	2015
Entities within the Group:		
Credit Suisse /i/	556,065,447	594,826,832
ABN AMRO Bank - United Shipping Services Twelve Inc.	-	68,968,803
Zagrebačka banka d.d. Zagreb - United Shipping Services Thirteen Inc.	-	138,271,605
Privredna banka Zagreb d.d., Zagreb - United Shipping Services Seventeen Inc.	198,747,661	193,847,683
	754,813,108	**995,914,923**
Parent company:		
HBOR/RBA d.d. Zagreb	30,545,669	33,495,098
HBOR/RBA d.d. Zagreb	38,193,219	41,878,286
HBOR/RBA d.d. Zagreb	21,175,751	23,336,969
HBOR/ZABA d.d. Zagreb	269,196,448	-
	359,111,087	**98,710,353**
Non financial institutions	**57,604,494**	**2,757,000**
Total long-term borrowings including current portion	**1,171,528,689**	**1,097,382,276**
Capitalized borrowing costs	(7,642,249)	(7,114,451)
Current portion of long-term borrowings (Note 37, 38)	(102,425,545)	(51,724,933)
Long-term borrowings	**1,061,460,895**	**1,038,542,892**

/i/ Loans are granted to related companies United Shipping Services Three Inc., United Shipping Services Ten Inc., United Shipping Services Eleven Inc. and United Shipping Services Fourteen Inc., with final maturity in September 2020.

/ii/ On 2th August 2016 the Club Loan Agreement has been concluded with the Zagrebačka banka d.d. Zagreb and the Croatian Bank for Reconstruction and Development, Zagreb, by which loans related to the purchase of vessels Veruda and Stoja in the Company's debt restructuring process were refinanced.

Long-term borrowings are secured by pledging of shares of the foreign subsidiaries, by first priority mortgages over the ships Levan, Kastav, Verige, Veruda, Stoja, Pomer and Champion Istra. They are also secured by assignment of insurances and pledging of earnings and retention accounts as well as by pledging of shares of the parent company and shares in company Istarska autocesta d.d. Pula. Furthermore, they are secured by a lien on the property owned by the parent company and the subsidiary, bills of exchange and promissory notes.

37. SHORT TERM BORROWINGS, DEPOSITS, ETC.

(in HRK)	2016	2015
Short term liabilities towards non-financial institutions	5,734,829	57,960,521
Current portion of long-term borrowings (Note 36)	3,897,631	-
	9,632,460	**57,960,521**

38. LIABILITIES TOWARDS BANKS AND OTHER FINANCIAL INSTITUTIONS

Short-term financial liabilities are as follows:

(in HRK)	2016.	2015.
Liabilities of the Parent company	18,471,833	25,562,204
Total short-term financial liabilities	**18,471,833**	**25,562,204**
Current portion of long-term borrowings (Note 36)	98.527.914	51,724,933
	116.999.747	**77,287,137**

Short-term loans are secured by blank bills of exchange and promissory notes.

39. TRADE PAYABLES

(in HRK)	2016	2015
Domestic trade payables	307,380	596,517
Foreign trade payables	28,613,226	18,865,429
	28,920,606	**19,461,946**

40. AMOUNTS DUE TO EMPLOYEES

(in HRK)	2016	2015
Liabilities for net wages and salaries	379,232	380,442
Payroll taxes and contributions	346,873	385,246
Other payables to employees /i/	1,764,183	1,665,614
	2,490,288	**2,431,302**

/i/ Within the stated obligations, the amount of HRK 698,841 (in 2015: HRK 693,723) represents the accrued obligation for the gross salary of employees deriving from premiums collected upon expiry of the insurance period (Note 9).

41. TAXES, CONTRIBUTIONS AND OTHER DUTIES PAYABLE

(in HRK)	2016	2015
Other	**7,958**	**228**

42. DIVIDENDS PAYABLE

(in HRK)	2016	2015
Outstanding dividends payable	2,528,594	2,534,798
	2,528,594	**2,534,798**

43. OTHER SHORT-TERM LIABILITIES

(in HRK)	2016	2015
Due to brokers and ship lessees	6,314,751	8,088,422
Due to crew	13,205,986	11,949,336
Interest payable	8,717,317	6,736,953
Due to agents	6,446,590	7,220,880
Accruals and other liabilities	8,427,077	4,256,423
	43,111,721	**38,252,014**

44. DEFERRED INCOME

(in HRK)	2016	2015
Deferred income /i/	63,063,378	67,611,783
Other	29,847	381,946
	63,093,225	**67,993,729**

/i/ Decrease in deferred revenue in the amount of HRK 4,548,405 represents a portion of the pertaining subsidy for the year 2016, according to the plan of recognition of revenue (Note 4).

45. FINANCIAL RISK MANAGEMENT

45.1. Financial risk factors

The Group's activities expose it to a variety of financial risks that include: the market risk (including the currency, interest rate and price risk), credit risk and liquidity risk. Overall risk management is carried out by the Finance Department and the Management Board of the parent Company.

/i/ Currency and interest rate risk

Currency risk is the risk that the value of financial instruments may change due to fluctuations in the exchange rates. The Company operates internationally and is exposed to foreign exchange risk arising from various foreign exchange rates primarily tied to the US dollar (USD) and the Euro (EUR). Foreign exchange risk arises from future commercial transactions and from recognized assets and liabilities. Currently valid policies of the Company do not include active hedging.

The majority of income from sales of services abroad and from long-term and short-term debt is denominated in US dollars or Euros. Therefore, fluctuations in exchange rates between the US dollar and the Euro and HRK may have an impact on future operating results and cash flows.

Interest rate risk is the risk that the value of financial instruments will change due to changes in market interest rates. Interest rate risk in cash flows is the risk that the cost of interest on financial instruments will fluctuate over the reporting period.

/ii/ Credit risk

Credit risk is the risk of failure of a party to a financial instrument to fulfil its obligation, which could cause a financial loss to the other side. The maximum exposure to credit risk is shown in the value of each financial asset in the balance sheet. The main financial assets of the Company consist of cash and balances on accounts with banks, trade receivables and other receivables and investments.
The credit risk on liquid funds is limited, because the other side is usually represented by banks that have high credit ratings with international agencies. The credit risk of the Company is primarily attributable to its trade receivables, however it is limited due to the fact that most of the receivables from customers abroad represent receivables from its subsidiaries.
Management believes that no additional credit risk exists that could affect the provisions for impairment of trade and other receivables.

/iii/ Liquidity risk

Liquidity risk, which is considered a funding risk, is the risk posed by difficulties that the Company may encounter in raising funds to meet its commitments associated with financial instruments. Prudent liquidity risk management implies maintaining of sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet all obligations. The finance department regularly monitors available cash resources.

/iv/ *Management of capital*

The Company monitors capital in accordance with the laws and regulations of the Republic of Croatia that require a minimum paid up capital of HRK 200,000 for joint stock companies.
The primary objective of the Company's management of capital is to support the business and maximize shareholder value. The Company manages its capital and makes adjustments in light of the changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

45.2. Fair value estimates

Management's estimates of fair value of the Group's financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

(in HRK)	Note	2016 Carrying value	2016 Fair value
Long-term financial assets	17	31,839,437	31,839,437
Long –term receivables	18	10,325,636	10,325,636
Inventories, trade receivables and other receivables	19,20,21,22, 24,25	33,322,211	33,322,211
Short-term financial assets	23	4,075,832	4,075,832
Liabilities from debt on which are calculated interests	36,37,38	1,188,093,102	1,188,093,102
Trade payables and other liabilities	39,40,41,42, 43,44	140,152,392	140,152,392

Fair value of financial assets and liabilities is based on the quoted market price at the balance sheet date, if it is available. Where the market price is not available, the Company estimates fair value based on publicly available information from external sources or on the basis of the discounted cash flow method, where applicable.
For receivables and payables whose maturity is less than one year it is deemed that their value reflects the fair value. All other receivables and payables are discounted to determine the fair value.

46. KEY MANAGEMENT

Company's key management includes the executive management which consists of the director, assistant director and two fleet managers.

Total amount of fees paid to the key management for the year 2016 amounts to HRK 3,799,995 (2015.: HRK 4,567,836).
During the year, the Supervisory Board received fees in the amount of HRK 160,255 (2015.: HRK 160,016).

47. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates are, by definition, seldom equal to the actual results. Estimates and assumptions that could represent a significant risk of adjustment to the carrying amounts of assets and liabilities within the next financial year are given below.

a) Significant accounting estimates and sources of estimates

Income tax

The income tax calculation has been prepared on the basis of the current interpretation of applicable laws and regulations. The calculations serving as the basis for the income tax are subject to tax audit reviews by tax authorities.

Impairment of receivables

Receivables are assessed for impairment at each balance sheet date and during the year and reduced by the estimated amount of doubtful receivables. Each debtor is reviewed by reference to its status, the overdue receivables and the stage of litigation if any.

b) Significant accounting judgments used in the application of accounting standards

In addition to the accrued commitments to employees as disclosed in Note 35 the management is of the opinion that no other significant judgments should be disclosed in the consolidated financial statements.

48. EVENTS AFTER THE BALANCE SHEET DATE

On 7th February 2017 two Singapore sister-companies, Uljanik Tanker management Pte.Ltd. and Uljanik Shipmanagement Pte. Ltd, which are members of the Group Uljanik Plovidba were merged, from which day the mentioned companies are operating under the name of „Uljanik Shipmanagement“ Pte. Ltd.

49. PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on the preceding pages were prepared and authorized for issue by the management of the parent company on 31st March 2017.

48. AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year 2016 were audited by the audit firm REVIDAS d.o.o., Vukovarska 47, Pula.

For the **GROUP ULJANIK PLOVIDBA** Pula:

Dragutin Pavletić,
Director of Uljanik Plovidba d.d. Pula

ULJANIK PLOVIDBA

DIRECTOR

Pula, 31.03.2017

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.

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 43.5 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 consolidated 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 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;
- 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, 31th March 2017

Dragutin Pavletić, Director

ULJANIK PLOVIDBA

STATEMENT OF THE PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

According to the best of our knowledge:

The audited 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 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	Director
Bojana Mihajlović	Dragutin Pavletić

Pula, 29th April, 2017

ULJANIK PLOVIDBA
Supervisory Board

Pula, 26 April 2017

In accordance with the provisions of Article 300c and Article 300d of the Companies Act (Official Gazette, Number 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13 and 110/15) and Article 37 of ULJANIK PLOVIDBA d.d.'s Articles of Association, the Supervisory Board of ULJANIK PLOVIDBA Maritime Transport, a joint-stock company of Pula, Carrarina 6, at the meeting held on the 26th of April 2017 passed the following

R E S O L U T I O N
on approval of annual financial statements

I. Approval is given to the revised non-consolidated and consolidated annual financial statements of ULJANIK PLOVIDBA d.d. and the Group ULJANIK PLOVIDBA for the year 2016 consisting of the following: Income statement with comprehensive income, Balance sheet, Statement of changes in equity, Cash flow statement, Notes to the financial statements.

II. Approval is given to the Report of the independent auditor REVIDAS revizija i konzalting d.o.o. on the performed audit of non-consolidated and consolidated annual financial statements of ULJANIK PLOVIDBA d.d. and the Group ULJANIK PLOVIDBA for the year 2016.

III. Approval is given to the Management report on ULJANIK PLOVIDBA d.d. and the Group ULJANIK PLOVIDBA status for the year 2016.

IV. The approved Income statement of the company ULJANIK PLOVIDBA d.d. for the year 2016 ascertains the following

	2016	**2015**
TOTAL INCOME	70,577,065.02	56,303,815.95
TOTAL EXPENSES	62,009,572.51	32,762,114.20
PROFIT	8,567,492.51	23,541,701.75
TAX	309,925.88	332,693.39
NET PROFIT	8,257,566.63	23,209,008.36

V. The approved Income statement of the Group ULJANIK PLOVIDBA for the year 2016 ascertains the following

	2016	**2015**
TOTAL INCOME	225,097,197.00	260,118,543.00
TOTAL EXPENSES	279,657,424.00	735,359,255.00
LOSS	-54,560,227.00	-475,240,712.00
TAX	430,943.00	332,694.00
LOSS OF MINORITY INTEREST	-11,422,708.00	-9,133,888.00
NET LOSS	-43,568,462.00	-466,439,518.00

ULJANIK PLOVIDBA

Supervisory Board

Pula, 26 April 2017

VI. By being approved in accordance with the previous Items of this Resolution, the revised non-consolidated and consolidated annual financial statements of ULJANIK PLOVIDBA d.d. and the Group ULJANIK PLOVIDBA for the year 2016 are considered to be approved both by the Management Board and the Supervisory Board in accordance with the Article 300d of the Companies Act.

VII. It is proposed to the General Meeting of ULJANIK PLOVIDBA d.d. to pass a resolution on approval of the Management report on ULJANIK PLOVIDBA d.d. and the Group ULJANIK PLOVIDBA status for the year 2016.

President of the Supervisory Board
Amra Pende

ULJANIK PLOVIDBA

Supervisory Board

Pula, 26 April 2017

In accordance with Article 263 Paragraph 3 and Article 280 Paragraph 3 of the Companies Act (Official Gazette, Number 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13 and 110/15) and Article 37 of ULJANIK PLOVIDBA d.d.'s Articles of Association, the Supervisory Board of ULJANIK PLOVIDBA Maritime Transport, a joint-stock company of Pula, Carrarina 6, at the meeting held on the 26th of April 2017 passed the following

RESOLUTION
on profit distribution proposal

I. Approval is given to the proposal for distribution of profit realized in 2016 passed by the Director of ULJANIK PLOVIDBA d.d. on March 31, 2017.

II. It is proposed to the General Meeting of ULJANIK PLOVIDBA d.d. to pass a resolution on distribution of profit realized in 2016 according to which the profit of the company ULJANIK PLOVIDBA d.d. realized in 2016 in the amount of HRK 8,257,566.63 shall be distributed as follows:
- HRK 412,878.33 to the Company's legal reserves,
- HRK 7,844,688.30 to the Company's retained profits.

President of the Supervisory Board
Amra Pende