



**GROUP ULJANIK PLOVIDBA**

**CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

**FOR THE PERIOD**

**JANUARY - JUNE 2016**

Pula, July 2016

**CONTENT:**

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

**Notes**

**Management Report**

**Statement of the persons responsible for preparing Financial Statements**

**Attachment 1.**

Reporting period:

01.01.2016.

to

30.06.2016.

**Semiannual 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 35

Consolidated report: YES

(quarter end)  
NKD code: 5020

Companies of the consolidation subject (according to IFRS):

Seat:

MB:

ULJANIK PLOVIDBA D.D.

PULA

3292754

UNITED SHIPPING SERVICES ONE INC.

MONROVIA, LIBERIA

REAL D.O.O.

PULA

2044471

Bookkeeping service:

Contact person: BOJANA MIHAJLOVIĆ

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

Telephone: 052 211544

Telefax: 052 492598

E-mail address: bojana.mihajlovic@uljanikplovidba.com

Family name and name: DRAGUTIN PAVLETIĆ

(person authorized to represent the company)

**Documents to be published:**

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

**ULJANIK PLOVIDBA d.d.**

(Signature of the person authorized to represent the company)



**BALANCE SHEET**  
as of 30.06.2016.

Company: ULJANIK PLOVIDBA D.D.			
Position	AOP	Previous period	Current period
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED AND NON - PAID CAPITAL</b>	<b>001</b>		
<b>B) LONG - TERM ASSETS (003+010+020+029+033)</b>	<b>002</b>	1.352.029.766	1.270.529.596
I. INTANGIBLE ASSETS (004 to 009)	<b>003</b>	0	0
1. Assets development	<b>004</b>		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	<b>005</b>	0	0
3. Goodwill	<b>006</b>		
4. Prepayments for purchase of intangible assets	<b>007</b>		
5. Intangible assets in preparation	<b>008</b>		
6. Other intangible assets	<b>009</b>		
II. TANGIBLE ASSETS (011 to 019)	<b>010</b>	1.336.418.296	1.255.060.047
1. Land	<b>011</b>	121.829	121.829
2. Buildings	<b>012</b>	2.935.036	2.909.712
3. Plant and equipment	<b>013</b>	126.140	109.246
4. Instruments, plant inventories and transportation assets	<b>014</b>	1.330.023.401	1.248.726.473
5. Biological assets	<b>015</b>	3.211.890	3.192.787
6. Prepayments for tangible assets	<b>016</b>	0	0
7. Tangible assets in preparation	<b>017</b>		
8. Other material assets	<b>018</b>		
9. Investment in buildings	<b>019</b>		
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	<b>020</b>	4.861.065	4.861.044
1. Shares (stocks) in related parties	<b>021</b>		
2. Loans given to related parties	<b>022</b>		
3. Participating interests (shares)	<b>023</b>	4.861.065	4.861.044
4. Loans to entrepreneurs in whom the entity hold participating interests	<b>024</b>		
5. Investment in securities	<b>025</b>		
6. Loans, deposits and similar assets	<b>026</b>		
7. Other long - term financial assets	<b>027</b>		
8. Investments accounted by equity method	<b>028</b>		
IV. RECEIVABLES (030 to 032)	<b>029</b>	10.750.405	10.608.505
1. Receivables from related parties	<b>030</b>		
2. Receivables based on trade loans	<b>031</b>		
3. Other receivables	<b>032</b>	10.750.405	10.608.505
V. DEFERRED TAX ASSETS	<b>033</b>		
<b>C) SHORT- TERM ASSETS (035+043+050+058)</b>	<b>034</b>	45.857.921	37.380.413
I. INVENTORIES (036 to 042)	<b>035</b>	4.679.220	2.606.149
1. Raw material	<b>036</b>	4.679.220	2.606.149
2. Work in progress	<b>037</b>		
3. Finished goods	<b>038</b>		
4. Merchandise	<b>039</b>		
5. Prepayments for inventories	<b>040</b>		
6. Long - term assets held for sale	<b>041</b>		
7. Biological assets	<b>042</b>		
II. RECEIVABLES (044 to 049)	<b>043</b>	10.226.616	14.689.742
1. Receivables from related parties	<b>044</b>		
2. Accounts receivable	<b>045</b>	8.645.701	8.990.607
3. Receivables from participating entrepreneurs	<b>046</b>		
4. Receivables from employees and shareholders	<b>047</b>		
5. Receivables from government and other institutions	<b>048</b>	111.108	126.757
6. Other receivables	<b>049</b>	1.469.807	5.572.378
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	<b>050</b>	5.302.677	4.894.359
1. Shares (stocks) in related parties	<b>051</b>		
2. Loans given to related parties	<b>052</b>		
3. Participating interests (shares)	<b>053</b>		
4. Loans to entrepreneurs in whom the entity hold participating interests	<b>054</b>		
5. Investment in securities	<b>055</b>		
6. Loans, deposits and similar assets	<b>056</b>	5.302.677	4.894.359
7. Other financial assets	<b>057</b>		
IV. CASH AT BANK AND IN CASHIER	<b>058</b>	25.649.408	15.190.163
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	11.741	10.068
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	1.397.899.428	1.307.920.077
<b>F) OFF-BALANCE SHEET NOTES</b>	<b>061</b>		

<b>LIABILITIES AND CAPITAL</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	91.579.500	56.728.327
I. SUBSCRIBED CAPITAL	<b>063</b>	232.000.000	232.000.000
II. CAPITAL RESERVES	<b>064</b>	-21.677.477	-21.826.421
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	40.123.672	40.284.184
1. Reserves prescribed by law	<b>066</b>	17.505.676	17.505.676
2. Reserves for treasury stocks	<b>067</b>	36.382.812	36.382.812
3. Treasury stocks and shares (deduction)	<b>068</b>	13.764.816	13.604.304
4. Statutory reserves	<b>069</b>		
5. Other reserves	<b>070</b>		
IV. REVALUATION RESERVES	<b>071</b>	151.298.132	129.511.100
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	<b>072</b>	-18.629.325	-466.470.618
1. Retained earnings	<b>073</b>		
2. Accumulated loss	<b>074</b>	18.629.325	466.470.618
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	<b>075</b>	-466.439.518	-19.893.682
1. Profit for the current year	<b>076</b>		
2. Loss for the current year	<b>077</b>	466.439.518	19.893.682
VII. MINORITY INTEREST	<b>078</b>	174.904.016	163.123.764
<b>B) PROVISIONS (080 to 082)</b>	<b>079</b>	1.855.361	1.814.237
1. Provisions for pensions, severance pay and similar liabilities	<b>080</b>	1.855.361	1.814.237
2. Reserves for tax liabilities	<b>081</b>		
3. Other reserves	<b>082</b>		
<b>C) LONG TERM LIABILITIES (084 to 092)</b>	<b>083</b>	1.038.542.892	991.682.225
1. Liabilities to related parties	<b>084</b>		
2. Liabilities for loans, deposits etc.	<b>085</b>		
3. Liabilities to banks and other financial institutions	<b>086</b>	1.038.542.892	991.682.225
4. Liabilities for received prepayments	<b>087</b>		
5. Accounts payable	<b>088</b>		
6. Liabilities arising from debt securities	<b>089</b>		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	<b>090</b>		
8. Other long-term liabilities	<b>091</b>		
9. Deferred tax liability	<b>092</b>		
<b>D) SHORT - TERM LIABILITIES (094 to 105)</b>	<b>093</b>	197.927.946	192.323.391
1. Liabilities to related parties	<b>094</b>		
2. Liabilities for loans, deposits etc.	<b>095</b>		
3. Liabilities to banks and other financial institutions	<b>096</b>	135.247.657	129.686.884
4. Liabilities for received prepayments	<b>097</b>		
5. Accounts payable	<b>098</b>	19.461.946	21.099.288
6. Liabilities arising from debt securities	<b>099</b>	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	<b>100</b>		
8. Liabilities to employees	<b>101</b>	2.431.302	2.468.308
9. Liabilities for taxes, contributions and similar fees	<b>102</b>	228	0
10. Liabilities to share - holders	<b>103</b>	2.534.798	2.531.814
11. Liabilities for long term assets held for sale	<b>104</b>		
12. Other short - term liabilities	<b>105</b>	38.252.015	36.537.097
<b>E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD</b>	<b>106</b>	67.993.729	65.371.897
<b>F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	1.397.899.428	1.307.920.077
<b>G) OFF-BALANCE SHEET NOTES</b>	<b>108</b>		
<b>APPENDIX TO BALANCE SHEET (only for consolidated financial statements)</b>			
<b>A) CAPITAL AND RESERVES</b>			
1. Attributed to equity holders of parent company	<b>109</b>	-83.324.516	-106.395.437
2. Attributed to minority interests	<b>110</b>	174.904.016	163.123.764

**PROFIT AND LOSS ACCOUNT**  
for period 01.01.2016. to 30.06.2016.

Company: ULJANIK PLOVIDBA D.D.

Position	AOP	Previous period		Current period	
		Cummulative	Periodical	Cummulative	Periodical
1	2	3	4	5	6
<b>I. OPERATING REVENUES (112+113)</b>	<b>111</b>	128.157.043	52.816.966	97.313.495	53.816.796
1. Sales revenues	112	112.649.289	51.679.363	94.925.164	52.593.618
2. Other operating revenues	113	15.507.754	1.137.603	2.388.331	1.223.178
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	128.053.296	56.794.855	101.928.211	49.830.908
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	22.846.591	14.190.778	20.187.274	8.093.381
a) Raw material and material costs	117	107.970	41.951	133.210	66.623
b) Costs of goods sold	118				
c) Other external costs	119	22.738.621	14.148.827	20.054.064	8.026.758
3. Staff costs (121 to 123)	120	44.016.343	20.662.296	30.729.305	15.925.609
a) Net salaries and wages	121	41.668.625	19.485.667	28.305.141	14.711.333
b) Costs for taxes and contributions from salaries	122	1.633.624	818.708	1.691.366	847.228
c) Contributions on gross salaries	123	714.094	357.921	732.798	367.048
4. Depreciation	124	50.775.574	16.906.007	43.259.112	22.084.649
5. Other costs	125	10.414.788	5.035.774	7.752.520	3.727.269
6. Impairment (127+128)	126	0	0	0	0
a) Impairment of long-term assets (excluding financial assets)	127				
b) Impairment of short-term assets (excluding financial assets)	128				
7. Provisions	129	0	0	0	0
8. Other operating expenses	130				
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>131</b>	23.619.219	1.249.176	10.201.361	8.783.601
1. Interest income, foreign exchange gains, dividends and similar income from related parties	132				
2. Interest income, foreign exchange gains, dividends and similar income from non-related	133	23.619.219	1.249.176	10.201.361	8.783.601
3. Share in income from affiliated entrepreneurs and participating interests	134				
4. Unrealized gains (income) from financial assets	135				
5. Other financial income	136				
<b>IV. FINANCIAL EXPENSES (138 to 141)</b>	<b>137</b>	25.773.558	16.788.634	32.083.134	12.770.643
1. Interest expenses, foreign exchange losses and similar expenses from related parties	138				
2. Interest expenses, foreign exchange losses and similar expenses from non - related parties	139	25.773.558	16.788.634	32.083.134	12.770.643
3. Unrealized losses (expenses) on financial assets	140				
4. Other financial expenses	141				
<b>V. INCOME FROM INVESTMENT SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS</b>	<b>142</b>				
<b>VI. LOSS FROM INVESTMENT SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS</b>	<b>143</b>				
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	151.776.262	54.066.142	107.514.856	62.600.397
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	153.826.854	73.583.489	134.011.345	62.601.551
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	-2.050.592	-19.517.347	-26.496.489	-1.154
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	2.050.592	19.517.347	26.496.489	1.154
<b>XII. PROFIT TAX</b>	<b>151</b>	158.152	79.076	166.347	83.173
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	-2.208.744	-19.596.423	-26.662.836	-84.327
1. Profit for the period(149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	2.208.744	19.596.423	26.662.836	84.327
<b>APPENDIX TO P&amp;L (only for consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributed to equity holders of parent company	155	1.386.919	-17.759.497	-19.893.682	3.111.723
2. Attributed to minority interests	156	-3.595.663	-1.836.926	-6.769.154	-3.196.050
<b>STATEMENT OF COMPREHENSIVE INCOME (IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	-2.208.744	-19.596.423	-26.662.836	-84.327
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)</b>	<b>158</b>	40.506.059	24.057.598	-21.787.021	-7.869.810
1. Exchange differences on translation of foreign operations	159	40.506.059	24.057.598	-21.787.021	-7.869.810
2. Movements in revaluation reserves of long-term tangible and intangible assets	160				
3. Profit or loss from revaluation of financial assets available for sale	161				
4. Gains or losses on efficient cash flow hedging	162				
5. Gains or losses on efficient hedge of a net investment in foreign countries	163				
6. Share in other comprehensive income / loss of associated companies	164				
7. Actuarial gains / losses on defined benefit plans	165				
<b>III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>166</b>	8.101.212	4.811.520	-4.357.404	-1.573.962
<b>IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)</b>	<b>167</b>	32.404.847	19.246.078	-17.429.617	-6.295.848
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)</b>	<b>168</b>	30.196.103	-350.345	-44.092.453	-6.380.175
<b>APPENDIX to Statement of comprehensive income (only for consolidated financial statements)</b>					
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b>					
1. Attributed to equity holders of parent company	169	33.791.766	1.486.581	-37.323.299	-3.184.125
2. Attributed to minority interests	170	-3.595.663	-1.836.926	-6.769.154	-3.196.050

**CASH FLOW STATEMENT - Indirect method**  
period 01.01.2016. to 30.06.2016.

Company: ULJANIK PLOVIDBA D.D.			
Position	AOP	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	-2.050.592	-26.496.489
2. Depreciation	002	50.775.574	43.259.112
3. Increase in short-term liabilities	003		
4. Decrease in short term receivables	004		
5. Decrease in inventories	005	854.075	2.073.071
6. Other cash flow increases	006		9.716.743
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>007</b>	49.579.057	28.552.437
1. Decrease in short - term liabilities	008	9.606.716	43.782
2. Increase in short - term receivables	009	2.876.928	4.463.126
3. Increase in inventories	010	0	0
4. Other cash flow decreases	011	152.351.625	2.829.303
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>012</b>	164.835.269	7.336.211
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	0	21.216.226
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)</b>	<b>014</b>	115.256.212	0
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash flow from sale of long - term tangible and intangible assets	015	128.561.345	0
2. Cash inflows from sale of equity and debt financial instruments	016		
3. Interest receipts	017		
4. Dividend receipts	018		
5. Other cash inflows from investing activities	019		
<b>III. Total cash inflows from investing activities(015 to 019)</b>	<b>020</b>	128.561.345	0
1. Cash outflows for purchase of long - term tangible and intangible assets	021	35.391	6.775
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investing activities	023		
<b>IV. Total cash outflows from investing activities (021 to 023)</b>	<b>024</b>	35.391	6.775
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES(020-024)</b>	<b>025</b>	128.525.954	0
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES(024-020)</b>	<b>026</b>	0	6.775
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Cash receipts from issuance of equity and debt financial instruments	027		
2. Cash inflows from loans, debentures, credits and other borrowings	028	111.751.359	0
3. Other cash inflows from financing activities	029	20.765.985	561.786
<b>V. Total cash inflows from financing activities (027 to 029)</b>	<b>030</b>	132.517.344	561.786
1. Cash outflows for repayment of loans and bonds	031	147.756.917	27.219.384
2. Dividends paid	032		
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034	166.282	0
5. Other cash outflows from financing activities	035		5.011.098
<b>VI. Total cash outflows from financing activities (031 do 035)</b>	<b>036</b>	147.923.199	32.230.482
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)</b>	<b>037</b>	0	0
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)</b>	<b>038</b>	15.405.855	31.668.696
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	<b>039</b>	0	0
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	<b>040</b>	2.136.113	10.459.245
Cash and cash equivalents at the beginning of period	<b>041</b>	36.876.409	25.649.408
Increase in cash and cash equivalents	<b>042</b>	0	0
Decrease in cash and cash equivalents	<b>043</b>	2.136.113	10.459.245
Cash and cash equivalents at the end of period	<b>044</b>	34.740.296	15.190.163

## STATEMENT OF CHANGES IN EQUITY

from 1.1.2016 to 30.6.2016

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	-21.826.421
3. Reserves from profit	003	40.123.672	40.284.184
4. Retained earnings or accumulated loss	004	-18.629.325	-466.470.618
5. Profit / loss for the current year	005	-466.439.518	-19.893.682
6. Revaluation of long - term tangible assets	006		
7. Minority interest	007	174.904.016	163.123.764
8. Revaluation of financial assets available for sale	008	-1.040.000	-1.040.000
9. Other revaluation	009	152.338.132	130.551.100
<b>10. Total capital and reserves (AOP 001 to 009)</b>	<b>010</b>	<b>91.579.500</b>	<b>56.728.327</b>
11. Currency gains and losses arising from net investments in foreign operations	011	59.518.877	-21.787.021
12. Current and deferred taxes (part)	012		
13. Cash flow hedging	013		
14. Changes in accounting policies	014		
15. Correction of significant errors in prior periods	015		
16. Other changes in capital	016	-480.514.918	-13.064.152
<b>17. Total increase or decrease in capital (AOP 011 to 016)</b>	<b>017</b>	<b>-420.996.041</b>	<b>-34.851.173</b>
17 a. Attributed to equity holders of parent company	018	-429.860.838	-23.070.921
17 b. Attributed to minority interest	019	8.864.797	-11.780.252

Items decreasing the capital are entered with a negative number sign

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



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30.06.2016**

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

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

The ownership structure as at 30<sup>th</sup> June 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 30<sup>th</sup> June 2016 the Group had 33 employees (2015: 35).

The consolidated financial statements for the Group have been prepared in accordance with the International Financial Reporting Standards ('IFRS'), the application of which has been approved by the Croatian Financial Reporting Standards Board.

The financial statements for the Group have been prepared in Croatian currency, kuna (KN), which is the reporting currency of the Group.

The financial statements for the Group have been prepared using the historical cost convention with the exception for the valuation of the vessels by using the fair value.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires from the management to make certain key accounting estimates and judgments in the applying of the accounting policies of the Company.

Subsidiaries are all entities over which the Group Uljanik Plovidba is entitled to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control commences and excluded from consolidation once the control terminates.

The consolidated financial statements of the Group consist of consolidated data from the annual financial statements of Uljanik Plovidba d.d. Pula, Real d.o.o. Pula and the consolidated financial statements of the Group United Shipping Services One. The effects of all intra-group transactions have been eliminated on consolidation.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30.06.2016

1. Operating income for the first half-year of 2016 amounts to 97.3 mil HRK while in the same period of 2015, it amounted to 128.2 mil HRK. Freight revenues in the HRK counter value have been decreased in comparison to the same period of 2015 due to the lower number of vessels in 2016 as well due to lower freight rates in the bulk sector. Other income which is mostly related to the recognition of the deferred income on the basis of received government grants for vessels construction was higher in the first half-year of 2015 due to the recognition of the outstanding deferred income from the subsidy of the m/t Pula which was written-off after the termination of the bareboat contract, when the vessel has been returned to the owner.
2. Operating expenses have decreased with respect to the first half-year of 2015 due to the reduced number of vessels in the fleet in the current period.
3. Financial income in the first half-year of 2016 has decreased while financial expenses has increased significantly in comparison to the same period of 2015 due to the decrease in the rate of exchange for USD, as a result of the calculation of exchange rate differences in the current period, which, along with reduction in operating revenue, had a significant influence on the total loss generated in the first half-year of 2016.
4. As at 30.06.2016 the book value of the vessels amounts to 183.9 mil USD (1,248.7 mil HRK).
5. In the period from 1.01. to 30.06.2016 the Company purchased treasury shares in the total amount of 68.4 thousand HRK and disposed of treasury shares in the amount of 228.9 thousand HRK.
6. Revaluation reserves have been decreased with respect to balance as at 31.12.2015 due to the adjustment of the investment in the foreign subsidiary at the mean rate of exchange for USD as at 30.06.2016 and amount to 129,511 thousand HRK.
7. Long-term loans in foreign currencies were converted in HRK by applying the mean rate of exchange of the Croatian National bank as at 30<sup>th</sup> June 2016. As at 30.06.2016 long-term loans amount to 991,682 thousand HRK while at 31.12.2015 they amounted to 1,038,543 thousand HRK.
8. Current liabilities are mostly referring to short-term borrowings which also include the current portion of long-term borrowings. All short-term borrowings

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT  
30.06.2016**

in foreign currencies were converted in HRK by applying the mean rate of exchange of the Croatian National bank as at 30<sup>th</sup> June 2016. Short-term borrowings as at 30.06.2016 amount to 129,687 thousand HRK (31.12.2015: 135,248 thousand HRK).

9. In the period January-June 2016 the applicable amount of income from grants from previous years in the amount of 2,274 thousand HRK was recorded with the proportional decrease of the deferred income, in accordance with the deferred income recognition plan.
  
10. The minority in equity as at 30<sup>th</sup> June 2016 in the amount of 163,124 thousand USD refers to the ownership of ULJANIK Group Pula in foreign companies United Shipping Services Twelve Inc. and United Shipping Services Thirteen Inc.

For the GROUP ULJANIK PLOVIDBA Pula

A handwritten signature in black ink, appearing to read 'D. Pavletić', with a large, stylized initial 'D'.

Dragutin Pavletić  
Director of ULJANIK PLOVIDBA d.d.

Pula, 29<sup>th</sup> July 2016

## MANAGEMENT REPORT FOR THE PERIOD 01-06/2016

The business activity of ULJANIK PLOVIDBA (the Company) and its foreign subsidiaries in the first half-year of 2016 was with full employment of vessels and high functioning management system. The second quarter was characterized by positive trends in the sector of dry cargo, after a long period of historically lowest freight rates, and by decline in freights in the tanker sector. Global economic trends indicate a recovery of the maritime transport by the end of this year, on which will additionally influence:

- increased activity on disposal of ships, and so far there have been scrapped about 23 million DWT of bulkers (in comparison with 30 million DWT in the whole 2015);
- additional reduction in contracting newbuildings and postponement of delivery of already built ships;
- increased number of laid up vessels;
- reduction in shipbuilding capacity.

In this period the Company:

- a) achieved a positive consolidated EBITDA of HRK 38,644,396,
- b) generated a consolidated loss of 19.8 mil HRK as a direct result of financial expenses - foreign exchange losses due to decreased rate of exchange for USD in relation to the same period of 2015 (net financial expenses amount to 22 mil HRK in the current period against 2 mil HRK in the same period of 2015),
- c) realized lower total income as a result of the lower number of vessels, low freight rates in dry cargo sector as well as dry docking of two vessels (Pomer and Levan). Total income was positively influenced by the results of the tanker fleet, as a result of long-term contracts and also by positive effects of operating on the spot market,
- d) retained total operating costs of the vessels while increasing costs related to the dry docking of two vessels,
- e) maintained constant employment of vessels with the continuation of the Company's fleet high efficiency trend,
- f) retained the proper liquidity,
- g) decreased its overall credit exposure and fulfilled all its loan payment obligations,
- 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, including management for other ship owners
- j) collected all contracted freights from the Charterers of all vessels,

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

## **1. COMMERCIAL ASPECT**

Sales revenues for the period I-VI 2016 were 94.9 mil HRK, compared to 112.6 mil HRK in the same period of 2015. Sales income has been under strong impact of the lower number of vessels, lower freight rates of the bulk sector and higher revenues in the sector of tankers. The operating result was influenced negatively by dry docking expenses of two vessels.

## **2. PERSONNEL**

As at 30<sup>th</sup> June 2016 the Company had 33 employees.

## **3. TECHNICAL ASPECT**

In the period January-June 2016 product tanker Pomer underwent dry docking in Singapore while bulk carrier Levan underwent dry docking in China and there were no technical problems on board. 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 I-VI 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 68.4 thousand HRK and disposed of treasury shares in the amount of 228.9 thousand HRK.

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

In the period January-June 2016 apart from the usual activities, there was no business event that should be specifically mentioned.

## **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 and transport of petroleum products and chemicals. The Company intends to continue participating on the new and second hand vessel market with the purpose to optimise its fleet and fleet efficiency. Even though its principal business will continue to be operation and management of its own fleet, the development of the Company shall also be aimed at ship management for other ship owners.

## 7. COMPANY ACTIVITIES CONCERNING RESEARCH AND DEVELOPMENT

Within its ship management operations, the Company continuously engages in research which is primarily connected with the introduction of new technical solutions and technologies related to vessel exploitation. Special attention is focused on technical solutions that enable further savings in fuel consumption, reduce pollution and protect the environment. 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 the vessels;
- the risk of strict conditions of business operation;
- long and uncertain period of return on capital;
- fluctuation in the basic costs of business operation;
- workforce fluctuation.

## 9. CORPORATE MANAGEMENT CODE

The Company fully complies with its Corporate Management Code.

Pula, 29<sup>th</sup> July 2016



Dragutin Pavletić, Director

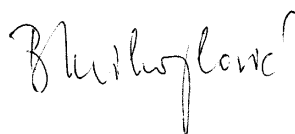
## **STATEMENT OF THE PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS**

According to the best of our knowledge:

The unaudited consolidated financial reports of GROUP ULJANIK PLOVIDBA for the period January – June 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 – June 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, 29<sup>th</sup> July, 2016