



**ULJANIK PLOVIDBA d.d.**

**UNAUDITED FINANCIAL STATEMENTS**

**FOR THE PERIOD**

**JANUARY - JUNE 2016**

Pula, July 2016

## CONTENT:

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

Notes

Management Report

Statement of the persons responsible for preparing Financial Statements

**Attachment 1.**

Reporting period:

1.1.2016

to

30.6.2016

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**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: 33

(quarter end)

Consolidated report: NO

NKD code: 5020

Companies of the consolidation subject (according to IFRS):

Seat:

MB:

Bookkeeping service:

Contact person: VANESA PERUŠKO TOPIĆ

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

Telephone: 052 211544

Telefax: 052 492598

E-mail address: vanesa.topic@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>	<b>625.669.652</b>	<b>608.198.502</b>
I. INTANGIBLE ASSETS (004 to 009)	<b>003</b>		
1. Assets development	<b>004</b>		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	<b>005</b>		
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>	3.183.005	3.140.787
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>	86.621	73.098
4. Instruments, plant inventories and transportation assets	<b>014</b>	39.519	36.148
5. Biological assets	<b>015</b>		
6. Prepayments for tangible assets	<b>016</b>		
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>	611.736.242	594.449.210
1. Shares (stocks) in related parties	<b>021</b>	609.084.339	591.797.327
2. Loans given to related parties	<b>022</b>		
3. Participating interests (shares)	<b>023</b>	2.088.944	2.088.924
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>	562.959	562.959
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>	10.750.405	10.694.455
3. Other receivables	<b>032</b>		
V. DEFERRED TAX ASSETS	<b>033</b>		
<b>C) SHORT- TERM ASSETS (035+043+050+058)</b>	<b>034</b>	<b>204.732.917</b>	<b>196.488.080</b>
I. INVENTORIES (036 to 042)	<b>035</b>	0	0
1. Raw material	<b>036</b>		
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>	130.850.463	124.974.589
1. Receivables from related parties	<b>044</b>	97.924.601	94.233.552
2. Accounts receivable	<b>045</b>	32.393.900	30.275.782
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	118.507
6. Other receivables	<b>049</b>	420.854	346.748
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	<b>050</b>	73.814.796	71.445.470
1. Shares (stocks) in related parties	<b>051</b>		
2. Loans given to related parties	<b>052</b>	70.112.120	68.151.111
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>	3.702.676	3.294.359
7. Other financial assets	<b>057</b>		
IV. CASH AT BANK AND IN CASHIER	<b>058</b>	67.658	<b>68.021</b>
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	<b>11.741</b>	<b>10.068</b>
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>830.414.310</b>	<b>804.696.650</b>
<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>	<b>635.716.615</b>	<b>614.881.205</b>
I. SUBSCRIBED CAPITAL	063	232.000.000	232.000.000
II. CAPITAL RESERVES	064	-21.677.477	-21.826.421
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	40.123.672	40.284.184
1. Reserves prescribed by law	066	17.505.676	17.505.676
2. Reserves for treasury stocks	067	36.382.812	36.382.812
3. Treasury stocks and shares (deduction)	068	13.764.816	13.604.304
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071	151.298.132	129.511.100
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	210.763.280	233.972.288
1. Retained earnings	073	210.763.280	233.972.288
2. Accumulated loss	074		
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	23.209.008	940.054
1. Profit for the current year	076	23.209.008	940.054
2. Loss for the current year	077		
VII. MINORITY INTEREST	078		
<b>B) PROVISIONS (080 to 082)</b>	<b>079</b>	<b>1.855.361</b>	<b>1.814.237</b>
1. Provisions for pensions, severance pay and similar liabilities	080	1.855.361	1.814.237
2. Reserves for tax liabilities	081		
3. Other reserves	082		
<b>C) LONG TERM LIABILITIES (084 to 092)</b>	<b>083</b>	<b>93.241.491</b>	<b>92.288.207</b>
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits etc.	085	93.241.491	92.288.207
3. Liabilities to banks and other financial institutions	086		
4. Liabilities for received prepayments	087		
5. Accounts payable	088		
6. Liabilities arising from debt securities	089		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	090		
8. Other long-term liabilities	091		
9. Deferred tax liability	092		
<b>D) SHORT - TERM LIABILITIES (094 to 105)</b>	<b>093</b>	<b>99.252.690</b>	<b>95.712.522</b>
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits etc.	095	57.960.521	57.960.521
3. Liabilities to banks and other financial institutions	096	33.788.066	29.504.720
4. Liabilities for received prepayments	097	138.844	138.844
5. Accounts payable	098	596.517	770.429
6. Liabilities arising from debt securities	099		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100		
8. Liabilities to employees	101	2.431.302	2.468.308
9. Liabilities for taxes, contributions and similar fees	102		
10. Liabilities to share - holders	103	2.534.798	2.531.814
11. Liabilities for long term assets held for sale	104		
12. Other short - term liabilities	105	1.802.642	2.337.886
<b>E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD</b>	<b>106</b>	<b>348.153</b>	<b>479</b>
<b>F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	<b>830.414.310</b>	<b>804.696.650</b>
<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	109		
2. Attributed to minority interests	110		

**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>	<b>11.705.305</b>	<b>5.777.024</b>	<b>10.181.498</b>	<b>4.948.069</b>
1. Sales revenues	112	11.676.892	5.748.611	10.080.599	4.875.220
2. Other operating revenues	113	28.413	28.413	100.899	72.849
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>7.005.976</b>	<b>3.669.110</b>	<b>7.357.560</b>	<b>3.456.657</b>
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	322.592	150.988	538.812	249.197
a) Raw material and material costs	117	92.866	31.924	133.210	66.623
b) Costs of goods sold	118				
c) Other external costs	119	229.726	119.064	405.602	182.574
3. Staff costs (121 to 123)	120	4.862.804	2.438.362	5.045.564	2.515.370
a) Net salaries and wages	121	2.515.086	1.261.733	2.621.400	1.301.094
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	74.079	36.433	48.993	23.801
5. Other costs	125	1.746.501	1.043.327	1.724.191	668.289
6. Impairment (127+128)	126				
a) Impairment of long-term assets (excluding financial assets)	127				
b) Impairment of short-term assets (excluding financial assets)	128				
7. Provisions	129				
8. Other operating expenses	130				
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>131</b>	<b>24.350.642</b>	<b>1.777.269</b>	<b>11.961.824</b>	<b>9.666.094</b>
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	24.350.642	1.777.269	11.961.824	9.666.094
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>	<b>6.482.998</b>	<b>3.885.143</b>	<b>13.679.361</b>	<b>1.932.447</b>
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	6.482.998	3.885.143	13.679.361	1.932.447
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>	<b>36.055.947</b>	<b>7.554.293</b>	<b>22.143.322</b>	<b>14.614.163</b>
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	<b>13.488.974</b>	<b>7.554.253</b>	<b>21.036.921</b>	<b>5.389.104</b>
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	<b>22.566.973</b>	<b>40</b>	<b>1.106.401</b>	<b>9.225.059</b>
1. Profit before taxation (146-147)	149	22.566.973	40	1.106.401	9.225.059
2. Loss before taxation (147-146)	150	0	0	0	0
<b>XII. PROFIT TAX</b>	<b>151</b>	<b>158.152</b>	<b>79.076</b>	<b>166.347</b>	<b>83.173</b>
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>22.408.821</b>	<b>-79.036</b>	<b>940.054</b>	<b>9.141.886</b>
1. Profit for the period(149-151)	153	22.408.821	0	940.054	9.141.886
2. Loss for the period (151-148)	154	0	79.036	0	0
<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				
2. Attributed to minority interests	156				
<b>STATEMENT OF COMPREHENSIVE INCOME (IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	<b>22.408.821</b>	<b>-79.036</b>	<b>940.054</b>	<b>9.141.886</b>
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)</b>	<b>158</b>	<b>40.506.059</b>	<b>24.057.598</b>	<b>-21.787.021</b>	<b>-7.869.810</b>
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>	<b>8.101.212</b>	<b>4.811.520</b>	<b>-4.357.404</b>	<b>-1.573.962</b>
<b>IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)</b>	<b>167</b>	<b>32.404.847</b>	<b>19.246.078</b>	<b>-17.429.617</b>	<b>-6.295.848</b>
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)</b>	<b>168</b>	<b>54.813.668</b>	<b>19.167.042</b>	<b>-16.489.563</b>	<b>2.846.038</b>
<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				
2. Attributed to minority interests	170				

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

<b>Company: ULJANIK PLOVIDBA D.D.</b>			
Position	AOP	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	22.566.973	1.106.401
2. Depreciation	002	74.079	48.993
3. Increase in short-term liabilities	003		743.178
4. Decrease in short term receivables	004		1.375.874
5. Decrease in inventories	005		
6. Other cash flow increases	006	235	
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>007</b>	<b>22.641.287</b>	<b>3.274.446</b>
1. Decrease in short - term liabilities	008	449.636	
2. Increase in short - term receivables	009	8.956.857	
3. Increase in inventories	010		
4. Other cash flow decreases	011	168.566	553.473
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>012</b>	<b>9.575.059</b>	<b>553.473</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	<b>13.066.228</b>	<b>2.720.973</b>
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)</b>	<b>014</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash flow from sale of long - term tangible and intangible assets	015		
2. Cash inflows from sale of equity and debt financial instruments	016		
3. Interest receipts	017		
4. Dividend receipts	018		
5. Other cash inflows from investing activities	019		
<b>III. Total cash inflows from investing activities(015 to 019)</b>	<b>020</b>	<b>0</b>	<b>0</b>
1. Cash outflows for purchase of long - term tangible and intangible assets	021	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>	<b>35.391</b>	<b>6.775</b>
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES(020-024)</b>	<b>025</b>	<b>0</b>	<b>0</b>
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES(024-020)</b>	<b>026</b>	<b>35.391</b>	<b>6.775</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Cash receipts from issuance of equity and debt financial instruments	027		
2. Cash inflows from loans, debentures, credits and other borrowings	028	1.635.130	
3. Other cash inflows from financing activities	029		2.522.794
<b>V. Total cash inflows from financing activities (027 to 029)</b>	<b>030</b>	<b>1.635.130</b>	<b>2.522.794</b>
1. Cash outflows for repayment of loans and bonds	031	14.423.688	5.236.629
2. Dividends paid	032		
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034	166.282	
5. Other cash outflows from financing activities	035		
<b>VI. Total cash outflows from financing activities (031 do 035)</b>	<b>036</b>	<b>14.589.970</b>	<b>5.236.629</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)</b>	<b>037</b>	<b>0</b>	<b>0</b>
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)</b>	<b>038</b>	<b>12.954.840</b>	<b>2.713.835</b>
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	75.997	363
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	0
Cash and cash equivalents at the beginning of period	041	27.871	67.658
Increase in cash and cash equivalents	042	75.997	363
Decrease in cash and cash equivalents	043	0	0
Cash and cash equivalents at the end of period	044	103.868	68.021

## 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	<b>001</b>	232.000.000	232.000.000
2. Capital reserves	<b>002</b>	-21.677.477	-21.826.421
3. Reserves from profit	<b>003</b>	40.123.672	40.284.184
4. Retained earnings or accumulated loss	<b>004</b>	210.763.280	233.972.288
5. Profit / loss for the current year	<b>005</b>	23.209.008	940.054
6. Revaluation of long - term tangible assets	<b>006</b>		
7. Revaluation of intangible assets	<b>007</b>		
8. Revaluation of financial assets available for sale	<b>008</b>	-1.040.000	-1.040.000
9. Other revaluation	<b>009</b>	152.338.132	130.551.100
<b>10. Total capital and reserves (AOP 001 to 009)</b>	<b>010</b>	<b>635.716.615</b>	<b>614.881.205</b>
11. Currency gains and losses arising from net investments in foreign operations	<b>011</b>	59.518.877	-21.787.021
12. Current and deferred taxes (part)	<b>012</b>		
13. Cash flow hedging	<b>013</b>		
14. Changes in accounting policies	<b>014</b>		
15. Correction of significant errors in prior periods	<b>015</b>		
16. Other changes in capital	<b>016</b>	23.170.142	951.611
<b>17. Total increase or decrease in capital (AOP 011 to 016)</b>	<b>017</b>	<b>82.689.019</b>	<b>-20.835.410</b>
17 a. Attributed to equity holders of parent company	<b>018</b>		
17 b. Attributed to minority interest	<b>019</b>		

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 FINANCIAL STATEMENTS AS AT 30.06.2016

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### GENERAL INFORMATION

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

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

The ownership structure as at 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 Company had 33 employees (2015: 35).

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

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

1. Operating income for the first half-year of 2016 are lower with respect to the same period in 2015 due to the translation of foreign income at the lower exchange rate of the USD, while operating expenses are slightly higher compared with the same period of 2015.
2. Financial income has decreased significantly in the first half-year of 2016 while financial expenses have increased significantly compared to 2015 due to the decrease in the rate of exchange for USD which caused high foreign exchange losses accrued in the current period.
3. The investment in the foreign subsidiary United Shipping Services One Inc. has been translated into its counter-value in HRK according to the mean rate of exchange for the USD at 30<sup>th</sup> June 2016.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30.06.2016

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4. The long-term loans in foreign currency have been expressed in their equivalent value in HRK according to the mean rate of exchange of the Croatian National Bank as at 30<sup>th</sup> June 2016.
  
5. In the first half-year of 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 after an adjustment of the investment in the foreign subsidiary by the mean rate of exchange for the USD as at 30<sup>th</sup> June 2016, amount to 129,511 thousand HRK.

For ULJANIK PLOVIDBA d.d. 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

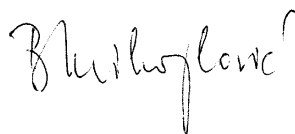
## **STATEMENT OF THE PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS**

According to the best of our knowledge:

Unaudited financial reports of ULJANIK PLOVIDBA d.d. 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 the Company.

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