



**GROUP ULJANIK PLOVIDBA**

**CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

**FOR THE PERIOD**

**JANUARY - SEPTEMBER 2016**

Pula, October 2016

**CONTENT:**

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

**Notes**

**Management Report**

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

**Attachment 1.**

Reporting period:

01.01.2016.

to

30.09.2016.

**Quarterly 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 30.09.2016.

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	1.261.234.481
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	1.216.222.600
1. Land	<b>011</b>	121.829	121.829
2. Buildings	<b>012</b>	2.935.036	2.897.050
3. Plant and equipment	<b>013</b>	126.140	110.054
4. Instruments, plant inventories and transportation assets	<b>014</b>	1.330.023.401	1.209.910.432
5. Biological assets	<b>015</b>	3.211.890	3.183.235
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	34.627.295
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	4.861.035
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>		29.766.260
8. Investments accounted by equity method	<b>028</b>		
IV. RECEIVABLES (030 to 032)	<b>029</b>	10.750.405	10.384.586
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	10.384.586
V. DEFERRED TAX ASSETS	<b>033</b>		
<b>C) SHORT- TERM ASSETS (035+043+050+058)</b>	<b>034</b>	45.857.921	30.750.263
I. INVENTORIES (036 to 042)	<b>035</b>	4.679.220	4.227.833
1. Raw material	<b>036</b>	4.679.220	4.227.833
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	7.013.574
1. Receivables from related parties	<b>044</b>		
2. Accounts receivable	<b>045</b>	8.645.701	1.265.427
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	306.079
6. Other receivables	<b>049</b>	1.469.807	5.442.068
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	<b>050</b>	5.302.677	4.980.122
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	4.980.122
7. Other financial assets	<b>057</b>		
IV. CASH AT BANK AND IN CASHIER	<b>058</b>	25.649.408	14.528.734
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	11.741	8.272
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	1.397.899.428	1.291.993.016
<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	32.570.151
I. SUBSCRIBED CAPITAL	<b>063</b>	232.000.000	232.000.000
II. CAPITAL RESERVES	<b>064</b>	-21.677.477	-21.847.769
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	40.123.672	41.464.017
1. Reserves prescribed by law	<b>066</b>	17.505.676	18.666.126
2. Reserves for treasury stocks	<b>067</b>	36.382.812	36.382.812
3. Treasury stocks and shares (deduction)	<b>068</b>	13.764.816	13.584.921
4. Statutory reserves	<b>069</b>		
5. Other reserves	<b>070</b>		
IV. REVALUATION RESERVES	<b>071</b>	151.298.132	120.286.429
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	<b>072</b>	-18.629.325	-458.755.882
1. Retained earnings	<b>073</b>		
2. Accumulated loss	<b>074</b>	18.629.325	458.755.882
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	<b>075</b>	-466.439.518	-39.280.003
1. Profit for the current year	<b>076</b>		
2. Loss for the current year	<b>077</b>	466.439.518	39.280.003
VII. MINORITY INTEREST	<b>078</b>	174.904.016	158.703.359
<b>B) PROVISIONS (080 to 082)</b>	<b>079</b>	1.855.361	1.805.978
1. Provisions for pensions, severance pay and similar liabilities	<b>080</b>	1.855.361	1.805.978
2. Reserves for tax liabilities	<b>081</b>		
3. Other reserves	<b>082</b>		
<b>C) LONG TERM LIABILITIES (084 to 092)</b>	<b>083</b>	1.038.542.892	1.012.284.219
1. Liabilities to related parties	<b>084</b>		
2. Liabilities for loans, deposits etc.	<b>085</b>		
3. Liabilities to banks and other financial institutions	<b>086</b>	1.038.542.892	1.012.284.219
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	181.096.676
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	120.487.143
4. Liabilities for received prepayments	<b>097</b>		
5. Accounts payable	<b>098</b>	19.461.946	24.278.566
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	2.399.280
9. Liabilities for taxes, contributions and similar fees	<b>102</b>	228	0
10. Liabilities to share - holders	<b>103</b>	2.534.798	2.529.640
11. Liabilities for long term assets held for sale	<b>104</b>		
12. Other short - term liabilities	<b>105</b>	38.252.015	31.402.047
<b>E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD</b>	<b>106</b>	67.993.729	64.235.992
<b>F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	1.397.899.428	1.291.993.016
<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	-126.133.208
2. Attributed to minority interests	<b>110</b>	174.904.016	158.703.359

**PROFIT AND LOSS ACCOUNT**  
for period 01.01.2016. to 30.09.2016.

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>	189.491.573	61.334.530	138.008.965	40.695.470
1. Sales revenues	112	173.466.802	60.817.513	134.312.178	39.387.014
2. Other operating revenues	113	16.024.771	517.017	3.696.787	1.308.456
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	171.139.332	40.630.348	150.254.619	48.326.408
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	31.094.780	8.140.219	29.211.401	9.024.127
a) Raw material and material costs	117	160.532	52.562	193.026	59.816
b) Costs of goods sold	118				
c) Other external costs	119	30.934.248	8.087.657	29.018.375	8.964.311
3. Staff costs (121 to 123)	120	63.252.028	16.887.967	45.915.131	15.185.826
a) Net salaries and wages	121	59.642.047	15.625.704	42.342.620	14.037.479
b) Costs for taxes and contributions from salaries	122	2.517.409	883.785	2.490.555	799.189
c) Contributions on gross salaries	123	1.092.572	378.478	1.081.956	349.158
4. Depreciation	124	61.760.113	10.984.539	63.979.218	20.720.106
5. Other costs	125	15.032.411	4.617.623	11.148.869	3.396.349
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>	23.902.412	283.193	8.126.180	0
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	23.902.412	283.193	8.126.180	0
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>	46.763.366	20.989.808	43.716.433	13.708.480
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	46.763.366	20.989.808	43.716.433	13.708.480
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>	213.393.985	61.617.723	146.135.145	40.695.470
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	217.902.698	61.620.156	193.971.052	62.034.888
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	-4.508.713	-2.433	-47.835.907	-21.339.418
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	4.508.713	2.433	47.835.907	21.339.418
<b>XII. PROFIT TAX</b>	<b>151</b>	237.228	79.076	249.520	83.173
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	-4.745.941	-81.509	-48.085.427	-21.422.591
1. Profit for the period(149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	4.745.941	81.509	48.085.427	21.422.591
<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	331.024	1.399.793	-39.280.003	-19.386.321
2. Attributed to minority interests	156	-5.076.965	-1.481.302	-8.805.424	-2.036.270
<b>STATEMENT OF COMPREHENSIVE INCOME (IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	-4.745.941	-81.509	-48.085.427	-21.422.591
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)</b>	<b>158</b>	42.373.805	1.867.746	-31.011.703	-7.869.810
1. Exchange differences on translation of foreign operations	159	42.373.805	1.867.746	-31.011.703	-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>	8.474.761	373.549	-6.202.340	-1.573.962
<b>IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)</b>	<b>167</b>	33.899.044	1.494.197	-24.809.363	-6.295.848
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)</b>	<b>168</b>	29.153.103	1.412.688	-72.894.790	-27.718.439
<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	34.230.068	2.893.990	-64.089.366	-25.682.169
2. Attributed to minority interests	170	-5.076.965	-1.481.302	-8.805.424	-2.036.270

**CASH FLOW STATEMENT - Indirect method**  
period 01.01.2016. to 30.09.2016.

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	-4.508.712	-47.835.907
2. Depreciation	002	61.761.199	63.979.218
3. Increase in short-term liabilities	003	17.497.441	
4. Decrease in short term receivables	004		3.213.042
5. Decrease in inventories	005		451.387
6. Other cash flow increases	006		52.700.813
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>007</b>	<b>74.749.928</b>	<b>72.508.553</b>
1. Decrease in short - term liabilities	008		2.070.756
2. Increase in short - term receivables	009	8.955.203	
3. Increase in inventories	010	269.064	0
4. Other cash flow decreases	011	139.797.182	4.056.639
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>012</b>	<b>149.021.449</b>	<b>6.127.395</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	<b>0</b>	<b>66.381.158</b>
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)</b>	<b>014</b>	<b>74.271.521</b>	<b>0</b>
<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>	<b>128.561.345</b>	<b>0</b>
1. Cash outflows for purchase of long - term tangible and intangible assets	021	38.190	19.129
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>38.190</b>	<b>19.129</b>
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES(020-024)</b>	<b>025</b>	<b>128.523.155</b>	<b>0</b>
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES(024-020)</b>	<b>026</b>	<b>0</b>	<b>19.129</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	96.532.470	0
3. Other cash inflows from financing activities	029	19.756.059	697.977
<b>V. Total cash inflows from financing activities (027 to 029)</b>	<b>030</b>	<b>116.288.529</b>	<b>697.977</b>
1. Cash outflows for repayment of loans and bonds	031	180.007.360	41.019.187
2. Dividends paid	032		
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034		0
5. Other cash outflows from financing activities	035	136.539	37.161.493
<b>VI. Total cash outflows from financing activities (031 do 035)</b>	<b>036</b>	<b>180.143.899</b>	<b>78.180.680</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>63.855.370</b>	<b>77.482.703</b>
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	<b>039</b>	<b>0</b>	<b>0</b>
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	<b>040</b>	<b>9.603.736</b>	<b>11.120.674</b>
Cash and cash equivalents at the beginning of period	<b>041</b>	<b>36.876.409</b>	<b>25.649.408</b>
Increase in cash and cash equivalents	<b>042</b>	<b>0</b>	<b>0</b>
Decrease in cash and cash equivalents	<b>043</b>	<b>9.603.736</b>	<b>11.120.674</b>
Cash and cash equivalents at the end of period	<b>044</b>	<b>27.272.673</b>	<b>14.528.734</b>

## STATEMENT OF CHANGES IN EQUITY

from 1.1.2016 to 30.9.2016

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	-21.847.769
3. Reserves from profit	<b>003</b>	40.123.672	41.464.017
4. Retained earnings or accumulated loss	<b>004</b>	-18.629.325	-458.755.882
5. Profit / loss for the current year	<b>005</b>	-466.439.518	-39.280.003
6. Revaluation of long - term tangible assets	<b>006</b>		
7. Minority interest	<b>007</b>	174.904.016	158.703.359
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	121.326.429
<b>10. Total capital and reserves (AOP 001 to 009)</b>	<b>010</b>	91.579.500	32.570.151
11. Currency gains and losses arising from net investments in foreign operations	<b>011</b>	59.518.877	-31.011.703
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>	-480.514.918	-27.997.646
<b>17. Total increase or decrease in capital (AOP 011 to 016)</b>	<b>017</b>	-420.996.041	-59.009.349
17 a. Attributed to equity holders of parent company	<b>018</b>	-429.860.838	-42.808.692
17 b. Attributed to minority interest	<b>019</b>	8.864.797	-16.200.657

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 30.09.2016**

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> September 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> September 2016 the Group had 33 employees (2015: 34).

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

The financial statements for the Group have been prepared in Croatian currency, kuna (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 30.09.2016

1. Operating income for the period I-IX of 2016 amounts to 138.0 mil HRK while in the same period of 2015, it amounted to 189.4 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, due to lower freight rates in the bulk sector, due to dry docking of two vessels and also due to replacement of the exhaust gas boiler on m/t Kastav. 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 same period 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 period I-IX of 2015 due to the reduced number of vessels in the fleet in the current period.
3. Financial income in the period I-IX 2016 has decreased significantly in comparison to the same period of 2015 as a result of the calculation of exchange rate differences (net financial expenses for I-IX 2016 amount 35.6 mil HRK), which, along with reduction in operating revenue, had a significant influence on the total loss generated in the current period.
4. As at 30.09.2016 the book value of the vessels amounts to 180.6 mil USD (1,209.9 mil HRK).
5. In the period from 1.01. to 30.09.2016 the Company purchased treasury shares in the total amount of 84.0 thousand HRK and disposed of treasury shares in the amount of 263.9 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 30.09.2016 and amount to 120,286 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> September 2016. By conclusion of the syndicated loan with Zagrebačka banka and Croatian Bank for Reconstruction and Development on 3<sup>rd</sup> August 2016, which refinanced the loans related to the purchase of bulk carriers Veruda and Stoja, the process of restructuring the loan debt of the Company was ended. With the said loan the previous creditors of those vessels which are: Zagrebačka banka, ABN-Amro bank and Credit Suisse have been fully paid. As at 30.09.2016 the total

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30.09.2016

consolidated long-term loans amount to 1,012,284 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 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> September 2016. Short-term borrowings as at 30.09.2016 amount to 120,487 thousand HRK (31.12.2015: 135,248 thousand HRK).
  
9. In the period January-September 2016 the applicable amount of income from grants from previous years in the amount of 3,411 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> September 2016 in the amount of 158,703 thousand USD refers to the ownership of ULJANIK Group Pula in foreign companies United Shipping Services Twelve Inc. and United Shipping Services Thirteen Inc.
  
11. On 30<sup>th</sup> August 2016 the General Assembly of the Company was held which passed the resolution on the sharing of profit/loss for the year 2015. According to the same resolution, the profit of HRK 23,209,008.36 to be allocated as follows: HRK 1,160,450.41 to legal reserves and HRK 22,048,557.95 to retained profit.

For the GROUP ULJANIK PLOVIDBA Pula

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

Dragutin Pavletić  
Director of ULJANIK PLOVIDBA d.d.

Pula, 28<sup>th</sup> October 2016

## MANAGEMENT REPORT FOR THE PERIOD 01-09/2016

The business activity of ULJANIK PLOVIDBA (the Company) and its foreign subsidiaries in the period I-IX 2016 was with full employment of vessels and high functioning management system. The third 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 26 million DWT of bulkers (in comparison with 30 million DWT in the whole 2015);
- 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 51,733,564 HRK,
- b) generated a consolidated loss of 39.3 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 in the current period amount to 35.6 mil HRK),
- c) realized lower total income as a result of the lower number of vessels, low freight rates in dry cargo sector, dry docking of two vessels (Pomer and Levan) and replacement of the exhaust gas boiler on the vessel Kastav. 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, as well as replacement of the exhaust gas boiler on m/t Kastav that caused an off-hire period of two weeks,
- 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-IX 2016 were 134.3 mil HRK, compared to 173.4 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 and a replacement of the boiler on m/t Kastav.

## **2. PERSONNEL**

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

## **3. TECHNICAL ASPECT**

In the period January-September 2016 product tanker Pomer underwent dry docking in Singapore while bulk carrier Levan underwent 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. 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-IX 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 263.9 thousand HRK.

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

On 3<sup>rd</sup> August 2016, in accordance with the Risk sharing model, the Company concluded a syndicated loan with Zagrebačka Banka / Croatian Bank for Reconstruction and Development, in the amount of 39 mil USD. With this loan the Company refinanced the loans related to the purchase of bulk carriers Veruda and Stoja, built in the Uljanik Shipyard in 2011 and 2012. By said loan the previous creditors of those vessels which are: Zagrebačka banka, ABN-Amro bank and Credit Suisse have been fully paid. 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 was ended.

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

## **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, 28<sup>th</sup> October 2016



Dragutin Pavletić, Director

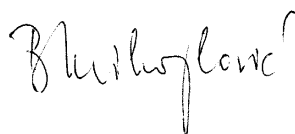
## **STATEMENT OF THE PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS**

According to the best of our knowledge:

The unaudited consolidated financial reports of GROUP ULJANIK PLOVIDBA for the period January – September 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 – September 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, 28<sup>th</sup> October, 2016