



**GROUP ULJANIK PLOVIDBA**

**CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

**FOR THE PERIOD**

**JANUARY - MARCH 2017**

Pula, April 2017

**CONTENT:**

**Consolidated Financial Statements of GROUP ULJANIK PLOVIDBA  
(unaudited) for the period January – March 2017**

**Notes**

**Management Report**

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

**Attachment 1.**

Reporting period:

01.01.2017.

to

31.03.2017.

**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 **34**

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)

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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.**



(person authorized to represent the company)

**BALANCE SHEET**  
as of 31.03.2017.

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>	1.329.157.585	1.256.731.803
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>	1.286.992.512	1.223.925.548
1. Land	<b>011</b>	121.829	121.829
2. Buildings	<b>012</b>	2.884.388	2.871.726
3. Plant and equipment	<b>013</b>	105.890	106.976
4. Instruments, plant inventories and transportation assets	<b>014</b>	1.280.707.700	1.217.662.795
5. Biological assets	<b>015</b>	3.172.705	3.162.222
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>	31.839.437	22.539.569
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>	4.586.603	4.586.579
4. Loans to entrepreneurs in whom the entity hold participating interests	<b>024</b>	1.600.000	1.600.000
5. Investment in securities	<b>025</b>		
6. Loans, deposits and similar assets	<b>026</b>	25.652.834	16.352.990
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>	10.325.636	10.266.686
1. Receivables from related parties	<b>030</b>		
2. Receivables based on trade loans	<b>031</b>		
3. Other receivables	<b>032</b>	10.325.636	10.266.686
V. DEFERRED TAX ASSETS	<b>033</b>		
<b>C) SHORT- TERM ASSETS (035+043+050+058)</b>	<b>034</b>	37.391.851	24.725.604
I. INVENTORIES (036 to 042)	<b>035</b>	5.775.072	3.177.812
1. Raw material	<b>036</b>	5.775.072	3.177.812
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>	13.374.570	11.884.427
1. Receivables from related parties	<b>044</b>		
2. Accounts receivable	<b>045</b>	6.989.204	5.367.544
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>	155.335	171.972
6. Other receivables	<b>049</b>	6.230.031	6.344.911
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	<b>050</b>	4.075.832	4.071.421
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>	4.075.832	4.071.421
7. Other financial assets	<b>057</b>		
IV. CASH AT BANK AND IN CASHIER	<b>058</b>	14.166.377	5.591.944
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	6.192	7.037
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	1.366.555.628	1.281.464.444
<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>	36.515.417	14.025.067
I. SUBSCRIBED CAPITAL	<b>063</b>	232.000.000	232.000.000
II. CAPITAL RESERVES	<b>064</b>	-21.979.230	-22.210.103
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	41.700.199	42.169.822
1. Reserves prescribed by law	<b>066</b>	18.666.126	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>	13.348.739	12.879.116
4. Statutory reserves	<b>069</b>		
5. Other reserves	<b>070</b>		
IV. REVALUATION RESERVES	<b>071</b>	166.964.163	141.190.108
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	<b>072</b>	-505.891.201	-525.047.983
1. Retained earnings	<b>073</b>		
2. Accumulated loss	<b>074</b>	505.891.201	525.047.983
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	<b>075</b>	-43.568.462	-11.528.972
1. Profit for the current year	<b>076</b>		
2. Loss for the current year	<b>077</b>	43.568.462	11.528.972
VII. MINORITY INTEREST	<b>078</b>	167.289.948	157.452.195
<b>B) PROVISIONS (080 to 082)</b>	<b>079</b>	1.794.717	1.763.715
1. Provisions for pensions, severance pay and similar liabilities	<b>080</b>	1.794.717	1.763.715
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>	1.061.460.895	1.016.747.644
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>	1.061.460.895	1.016.747.644
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>	203.691.374	186.972.343
1. Liabilities to related parties	<b>094</b>		
2. Liabilities for loans, deposits etc.	<b>095</b>	9.632.460	5.283.193
3. Liabilities to banks and other financial institutions	<b>096</b>	116.999.747	113.777.589
4. Liabilities for received prepayments	<b>097</b>		
5. Accounts payable	<b>098</b>	28.920.606	26.394.323
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>	2.490.288	2.488.669
9. Liabilities for taxes, contributions and similar fees	<b>102</b>	7.958	21
10. Liabilities to share - holders	<b>103</b>	2.528.594	2.528.594
11. Liabilities for long term assets held for sale	<b>104</b>		
12. Other short - term liabilities	<b>105</b>	43.111.721	36.499.954
<b>E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD</b>	<b>106</b>	63.093.225	61.955.675
<b>F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	1.366.555.628	1.281.464.444
<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>	-130.774.531	-143.427.128
2. Attributed to minority interests	<b>110</b>	167.289.948	157.452.195

**PROFIT AND LOSS ACCOUNT**  
for period 01.01.2017. to 31.03.2017.

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>	43.496.699	43.496.699	40.543.030	40.543.030
1. Sales revenues	112	42.331.546	42.331.546	39.347.375	39.347.375
2. Other operating revenues	113	1.165.153	1.165.153	1.195.655	1.195.655
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	47.798.773	47.798.773	47.734.572	47.734.572
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	8.093.345	8.093.345	8.967.509	8.967.509
a) Raw material and material costs	117	66.587	66.587	103.485	103.485
b) Costs of goods sold	118				
c) Other external costs	119	8.026.758	8.026.758	8.864.024	8.864.024
3. Staff costs (121 to 123)	120	14.803.696	14.803.696	15.312.001	15.312.001
a) Net salaries and wages	121	13.593.808	13.593.808	14.255.074	14.255.074
b) Costs for taxes and contributions from salaries	122	844.138	844.138	718.287	718.287
c) Contributions on gross salaries	123	365.750	365.750	338.640	338.640
4. Depreciation	124	21.174.463	21.174.463	20.071.855	20.071.855
5. Other costs	125	3.727.269	3.727.269	3.383.207	3.383.207
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>	1.417.760	1.417.760	10.858.121	10.858.121
1. Interest income, foreign exchange gains, dividends and similar income from related	132				
2. Interest income, foreign exchange gains, dividends and similar income from non-related	133	1.417.760	1.417.760	10.858.121	10.858.121
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>	19.312.491	19.312.491	19.338.073	19.338.073
1. Interest expenses, foreign exchange losses and similar expenses from related parties	138				
2. Interest expenses, foreign exchange losses and similar expenses from non - related	139	19.312.491	19.312.491	19.338.073	19.338.073
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>	44.914.459	44.914.459	51.401.151	51.401.151
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	67.111.264	67.111.264	67.072.645	67.072.645
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	-22.196.805	-22.196.805	-15.671.494	-15.671.494
1. Profit before taxation (146-147)	149	0	0	0	0
2. Loss before taxation (147-146)	150	22.196.805	22.196.805	15.671.494	15.671.494
<b>XII. PROFIT TAX</b>	<b>151</b>	83.173	83.173	77.481	77.481
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	-22.279.978	-22.279.978	-15.748.975	-15.748.975
1. Profit for the period(149-151)	153	0	0	0	0
2. Loss for the period (151-148)	154	22.279.978	22.279.978	15.748.975	15.748.975
<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	-18.706.874	-18.706.874	-11.528.972	-11.528.972
2. Attributed to minority interests	156	-3.573.104	-3.573.104	-4.220.003	-4.220.003
<b>STATEMENT OF COMPREHENSIVE INCOME (IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	-22.279.978	-22.279.978	-15.748.975	-15.748.975
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)</b>	<b>158</b>	-29.656.831	-29.656.831	-25.774.055	-25.774.055
1. Exchange differences on translation of foreign operations	159	-29.656.831	-29.656.831	-25.774.055	-25.774.055
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>	-5.931.366	-5.931.366	-5.154.811	-5.154.811
<b>IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)</b>	<b>167</b>	-23.725.465	-23.725.465	-20.619.244	-20.619.244
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)</b>	<b>168</b>	-46.005.443	-46.005.443	-36.368.219	-36.368.219
<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	-42.432.339	-42.432.339	-32.148.216	-32.148.216
2. Attributed to minority interests	170	-3.573.104	-3.573.104	-4.220.003	-4.220.003

**CASH FLOW STATEMENT - Indirect method**  
period 01.01.2017. to 31.03.2017.

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	-15.671.494	-15.671.494
2. Depreciation	002	20.071.855	20.071.855
3. Increase in short-term liabilities	003	0	
4. Decrease in short term receivables	004	1.490.143	1.490.143
5. Decrease in inventories	005	2.597.259	2.597.259
6. Other cash flow increases	006	3.476.205	3.476.205
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>007</b>	<b>11.963.968</b>	<b>11.963.968</b>
1. Decrease in short - term liabilities	008	9.147.605	9.147.605
2. Increase in short - term receivables	009	0	0
3. Increase in inventories	010	0	0
4. Other cash flow decreases	011	1.246.878	1.246.878
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>012</b>	<b>10.394.483</b>	<b>10.394.483</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	<b>1.569.485</b>	<b>1.569.485</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	0	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>0</b>	<b>0</b>
1. Cash outflows for purchase of long - term tangible and intangible assets	021	0	12.228
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>0</b>	<b>12.228</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>0</b>	<b>12.228</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	0	0
3. Other cash inflows from financing activities	029	79.710	9.601.979
<b>V. Total cash inflows from financing activities (027 to 029)</b>	<b>030</b>	<b>79.710</b>	<b>9.601.979</b>
1. Cash outflows for repayment of loans and bonds	031	12.735.763	14.115.919
2. Dividends paid	032		
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034	0	0
5. Other cash outflows from financing activities	035	8.642.674	5.617.750
<b>VI. Total cash outflows from financing activities (031 do 035)</b>	<b>036</b>	<b>21.378.437</b>	<b>19.733.669</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>21.298.727</b>	<b>10.131.690</b>
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	0	0
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	19.729.242	8.574.433
Cash and cash equivalents at the beginning of period	041	25.649.408	14.166.377
Increase in cash and cash equivalents	042	0	0
Decrease in cash and cash equivalents	043	19.729.242	8.574.433
Cash and cash equivalents at the end of period	044	5.920.166	5.591.944

**STATEMENT OF CHANGES IN EQUITY**  
from 1.1.2017 to 31.3.2017

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>	-21.979.230	-22.210.103
3. Reserves from profit	<b>003</b>	41.700.199	42.169.822
4. Retained earnings or accumulated loss	<b>004</b>	-505.891.201	-525.047.983
5. Profit / loss for the current year	<b>005</b>	-43.568.462	-11.528.972
6. Revaluation of long - term tangible assets	<b>006</b>		
7. Minority interest	<b>007</b>	167.289.948	157.452.195
8. Revaluation of financial assets available for sale	<b>008</b>	-625.760	-625.760
9. Other revaluation	<b>009</b>	167.589.923	141.815.868
<b>10. Total capital and reserves (AOP 001 to 009)</b>	<b>010</b>	36.515.417	14.025.067
11. Currency gains and losses arising from net investments in foreign operations	<b>011</b>	15.251.791	-25.774.055
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>	-70.315.874	3.283.705
<b>17. Total increase or decrease in capital (AOP 011 to 016)</b>	<b>017</b>	-55.064.083	-22.490.350
17 a. Attributed to equity holders of parent company	<b>018</b>	-47.450.015	-12.652.597
17 b. Attributed to minority interest	<b>019</b>	-7.614.068	-9.837.753

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 31.03.2017**

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 31<sup>st</sup> March 2017 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 31<sup>st</sup> March 2017 the Group had 33 employees (2016: 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  
31.03.2017**

1. Operating income for the first quarter of 2017 amounts to 40.5 mil HRK while in the same period of 2016, it amounted to 43.5 mil HRK. Freight revenues in the HRK counter value have been decreased in comparison to the same period of 2016 due to the lower freight rates in the tanker sector and due to the prolonged stay of the vessel Stoja in dry dock. Other income is mostly related to the recognition of the deferred income on the basis of received government grants for vessels construction. Total operating expenses were influenced by dry docking expenses of the vessel Stoja which took place in February 2017.
2. Net financial expenses in the first quarter of 2017 of 8.5 mil HRK (17.9 mil HRK in the same period of 2016) resulting from accrued exchange rate differences, have affected the total result of the first quarter of 2017.
3. As at 31.03.2017 the book value of the vessels amounts to 175.7 mil USD (1,217.6 mil HRK).
4. In the period from 1.01. to 31.03.2017 the Company disposed of treasury shares in the amount of 470 thousand HRK.
5. Revaluation reserves have been decreased for 25,774 thousand HRK with respect to balance as at 31.12.2016, as a result of the adjustment of the investment in the foreign subsidiary at the mean rate of exchange for USD as at 31.03.2017.
6. Long-term loans in foreign currencies were converted in HRK by applying the mean rate of exchange of the Croatian National bank as at 31<sup>st</sup> March 2017. In the first quarter of 2017 long-term loans were repaid in the total amount of USD 1,870,775.
7. 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 31<sup>st</sup> March 2017.
8. In the period from January-March 2017 the applicable amount of income from grants from previous years in the amount of 1,137 thousand HRK was recorded with the proportional decrease of the deferred income, in accordance with the deferred income recognition plan.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT  
31.03.2017**

9. The minority in equity as at 31<sup>st</sup> March 2017 in the amount of 157,452 thousand HRK 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", is positioned above the printed name.

Dragutin Pavletić  
Director of ULJANIK PLOVIDBA d.d.

Pula, 24<sup>th</sup> April 2017

## MANAGEMENT REPORT FOR THE PERIOD 01.01-31.03/2017

ULJANIK PLOVIDBA d.d. (the Company) with its registered office in Pula, Carrarina 6, Personal identification number (OIB): 49693360447 and Tax number: 3292754, is a joint stock company registered at the Commercial Court in Pazin. The share capital of the Company amounts to 232,000,000 HRK, and is divided into 580,000 ordinary shares. The Company's shares are listed on the Official Market of the Zagreb Stock Exchange, under the symbol ULPL-R-A, and represent one of the CROBEX index components. The consolidated financial statements of the Group ULJANIK PLOVIDBA for the period 1 January to 31 March 2017 represent financial statements of the Company and its subsidiaries. The principal activity of the Company is an international maritime transport in the dry cargo sector with Supramax bulk carriers and transportation of petroleum products, chemicals and oil with MR tankers.

At the end of the reporting period the fleet consists of four MR tankers and three Supramax bulk carriers with an average age of 5 years. In addition, the company performs management services for third party customers for several vessels.

Bodies of the Company are the General Assembly, the Supervisory Board and Management Board. The members of the Supervisory Board are: Amra Pende, the president, Anton Brajković and Robert Banko, the members. The Management Board represents Dragutin Pavletić, the director of the Company. During the first quarter of 2017 there were no changes of members of the Supervisory Board, nor of the Management Board.

The consolidated financial statements have been presented in HRK and prepared in accordance with International Financial Reporting Standards.

The business activity of the Company and its foreign subsidiaries in the first quarter of 2017 was regular, with full employment of vessels and high functioning management system. In the current period trends in dry cargo sector have been characterized by a strong growth in freight rates and values of the vessels particularly after Chinese New year, on all routes and for all types of vessels. The realized freight rates are twice as high as in the same period last year, and the value of the bulkers increased by more than 40% in the mentioned period. This is the result of a small number of contracted newbuildings and increased pressure on disposal of vessels in 2016. In particular, the market absorbed a large number of newly built vessels (around 150 bulk carriers) in the observed period, suggesting that a smaller number of newbuildings that are expected in the future periods will have a positive impact on the growth of freight rates. It is indisputable that revival of economic activities in China is the main activity generator for bulk cargo transport.

In the petroleum products, oils and chemicals transportation sector in the first quarter of 2017 there was a decrease in activity in all markets, primarily due to the delivery of a larger number of newly built tankers in the last six months, as well as the reduced consumption caused by weather trends this winter. The recovery of the market in tanker transportation is expected in the second quarter of this year as a result of increased demand and a fall in the number of newly constructed / newly contracted tankers.

In the first quarter of 2017 the Company:

- a) achieved a consolidated positive EBITDA for the Group of 12.8 mil HRK,
- b) generated consolidated net loss of 11,528,972 HRK as a direct effect of the net financial expenses (8.5 mil HRK)
- c) realized a reduction of the total income as a direct result of lower freight rates in the tanker sector and prolonged dry docking of the vessel Stoja,
- d) retained total operating costs of the vessels with increased costs related to dry docking of the vessel Stoja caused by extraordinary works on shafting,
- e) achieved constant employment of vessels with the continuation of the Company's fleet high efficiency trend,
- f) retained the proper solvency and liquidity,
- g) decreased its overall credit exposure and fulfilled all its loan payment obligations.  
In the first quarter of 2017 the Company repaid its long-term loans in a total of 1,880,776 USD,
- h) proceeded with full implementation of the safety and quality system on the vessels and in the office, with continuous increase in the quality and expertise of the employees and maintenance of a high level of professionalism
- i) maintained high efficiency of vessels' management including the third party management,
- j) collected 100% of contracted freights from the Charterers of all vessels with their full performance.

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

## 1. COMMERCIAL ASPECT

The consolidated operating revenues for the reporting period of 40,543 thousand HRK compared to 43,496 thousand HRK in the same period of 2016 have been under direct impact of the lower freight rates in the tanker sector and dry docking of m/v Stoja. Fixing of all bulk carriers to periods with freights directly related to the movement of the relevant index as well as the effects of already concluded contracts in the tanker sector in addition to the effects of measures for additional cost reduction will, in the upcoming periods, certainly have a positive impact on the total revenue and operating results. According the expectations the second quarter of 2017 should bring the long-awaited improvement in business.

## **2. PERSONNEL**

As at 31<sup>st</sup> March 2017 the Company had 33 employees.

## **3. TECHNICAL ASPECT**

In the first quarter of 2017 after five years of operating bulk carrier *Stoja* underwent its regular dry docking in China. Extraordinary work carried out on propeller shaft had a negative impact on expenses and a longer off-hire period of the said vessel. The company keeps maintaining high efficiency of vessel exploitation with all vessels in the fleet.

## **4. ACQUISITION OF TREASURY SHARES**

In the period January – March 2017 the Company disposed of treasury shares in the amount of 470 thousand HRK.

## **5. IMPORTANT EVENTS IN 2017**

In February 2017 after five years of operation, the bulk carrier *Stoja* underwent the first regular dry docking in China.

In February 2017, in order to achieve operating economies and synergy benefits, ULJANIK SHIPMANAGEMENT PTE. LTD. and ULJANIK TANKER MANAGEMENT PTE. LTD., two sister companies of the Group ULJANIK PLOVIDBA with headquarters in Singapore, amalgamated and continued their operations as one company under the name of ULJANIK SHIPMANAGEMENT PTE. LTD.

On 4<sup>th</sup> April 2017 the joint company ULJANIK PLOVIDBA LNG d.o.o. with headquarters in Pula was established and registered at the Commercial Court in Pazin.

## **6. COMPANY GROWTH**

The Strategy of development of ULJANIK PLOVIDBA d.d. until the year 2030 envisages the continuation of the primary maritime activity in two sectors, transport of dry cargo (supramax) and transport of petroleum products and chemicals (product carriers). In addition, the company intends to expand its activity on the gas transportation segment.

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

## **7. COMPANY ACTIVITIES CONCERNING RESEARCH AND DEVELOPMENT AND ENVIRONMENTAL PROTECTION**

Within its shipping and ship management operations, the Company continuously engages in research which is primarily connected with the introduction of new technical solutions and technologies related to vessel exploitation. Special attention is focused on technical solutions that enable further savings in fuel consumption, reduce pollution and protect the environment. On the other hand, with a socially responsible business, through investing in the community, care and welfare of employees and their education, the Company's aim is to contribute to the continued economic and social development.

## **8. BUSINESS RISKS**

It is well known that the principal activities that the Company engages in, i.e. international maritime transport and ship management are among the most risky activities and that they are directly connected with significant business risks, of which the currently most risky are:

- global economic trends;
- the risk of interest rate increase;
- the volatility of USD exchange rate in relation to other currencies;
- significant oscillations in the value of ships;
- the risk of strict conditions of business operation;
- long and uncertain period of return on capital;
- fluctuation in the basic costs of business operation;
- workforce fluctuation.

## **9. CORPORATE MANAGEMENT CODE**

The Company fully complies with its Corporate Governance Code.

Pula, 24<sup>th</sup> April 2017



Dragutin Pavletić, Director

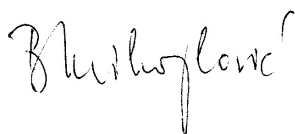
## **STATEMENT OF THE PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS**

According to the best of our knowledge:

The unaudited consolidated financial reports of GROUP ULJANIK PLOVIDBA for the period January – March 2017, 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 – March 2017 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, 24<sup>th</sup> April, 2017