



GROUP ULJANIK PLOVIDBA

**PRELIMINARY CONSOLIDATED UNAUDITED FINANCIAL
STATEMENTS**

FOR THE PERIOD

JANUARY - DECEMBER 2017

Pula, February 2018

CONTENT:

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

Notes

Management Report

Statement of the persons responsible for preparing Financial Statements

Attachment 1.

Reporting period:

01.01.2017.

to

31.12.2017.

Preliminary consolidated 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: 32

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.



(person authorized to represent the company)

CONSOLIDATED BALANCE SHEET
as of 31.12.2017.

Company: ULJANIK PLOVIDBA D.D.			
Position	AOP	Previous period	Current period
1	2	3	4
A) RECEIVABLES FOR SUBSCRIBED AND NON - PAID CAPITAL	001		
B) LONG - TERM ASSETS (003+010+020+029+033)	002	1.329.157.585	1.096.986.216
I. INTANGIBLE ASSETS (004 to 009)	003	0	9.752
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	0	9.752
3. Goodwill	006		
4. Prepayments for purchase of intangible assets	007		
5. Intangible assets in preparation	008		
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 to 019)	010	1.286.992.512	1.076.480.022
1. Land	011	121.829	121.829
2. Buildings	012	2.884.388	2.833.741
3. Plant and equipment	013	105.890	97.410
4. Instruments, plant inventories and transportation assets	014	1.280.707.700	1.070.296.267
5. Biological assets	015	3.172.705	3.130.775
6. Prepayments for tangible assets	016	0	0
7. Tangible assets in preparation	017		
8. Other material assets	018		
9. Investment in buildings	019		
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	31.839.437	6.179.151
1. Shares (stocks) in related parties	021		
2. Loans given to related parties	022		
3. Participating interests (shares)	023	4.586.603	3.910.255
4. Loans to entrepreneurs in whom the entity hold participating interests	024	1.600.000	1.600.000
5. Investment in securities	025		
6. Loans, deposits and similar assets	026	25.652.834	668.896
7. Other long - term financial assets	027		
8. Investments accounted by equity method	028		
IV. RECEIVABLES (030 to 032)	029	10.325.636	14.317.291
1. Receivables from related parties	030		
2. Receivables based on trade loans	031		
3. Other receivables	032	10.325.636	14.317.291
V. DEFERRED TAX ASSETS	033		
C) SHORT- TERM ASSETS (035+043+050+058)	034	37.391.851	25.170.891
I. INVENTORIES (036 to 042)	035	5.775.072	1.530.306
1. Raw material	036	5.775.072	1.530.306
2. Work in progress	037		
3. Finished goods	038		
4. Merchandise	039		
5. Prepayments for inventories	040		
6. Long - term assets held for sale	041		
7. Biological assets	042		
II. RECEIVABLES (044 to 049)	043	13.374.570	18.626.861
1. Receivables from related parties	044		
2. Accounts receivable	045	6.989.204	636.810
3. Receivables from participating entrepreneurs	046		
4. Receivables from employees and shareholders	047		
5. Receivables from government and other institutions	048	155.335	161.736
6. Other receivables	049	6.230.031	17.828.315
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	4.075.832	680.922
1. Shares (stocks) in related parties	051		
2. Loans given to related parties	052		
3. Participating interests (shares)	053		
4. Loans to entrepreneurs in whom the entity hold participating interests	054		
5. Investment in securities	055		
6. Loans, deposits and similar assets	056	4.075.832	680.922
7. Other financial assets	057		
IV. CASH AT BANK AND IN CASHIER	058	14.166.377	4.332.802
D) PREPAID EXPENSES AND ACCRUED INCOME	059	6.192	5.121
E) TOTAL ASSETS (001+002+034+059)	060	1.366.555.628	1.122.162.228
F) OFF-BALANCE SHEET NOTES	061		

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	36.515.417	5.490.718
I. SUBSCRIBED CAPITAL	063	232.000.000	232.000.000
II. CAPITAL RESERVES	064	-21.979.230	-22.705.367
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	41.700.199	43.455.396
1. Reserves prescribed by law	066	18.666.126	19.079.004
2. Reserves for treasury stocks	067	36.382.812	36.382.812
3. Treasury stocks and shares (deduction)	068	13.348.739	12.006.420
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071	166.964.163	-60.709.889
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	-505.891.201	-333.134.333
1. Retained earnings	073		
2. Accumulated loss	074	505.891.201	333.134.333
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	-43.568.462	4.392.810
1. Profit for the current year	076		4.392.810
2. Loss for the current year	077	43.568.462	
VII. MINORITY INTEREST	078	167.289.948	142.192.101
B) PROVISIONS (080 to 082)	079	1.794.717	1.738.293
1. Provisions for pensions, severance pay and similar liabilities	080	1.794.717	1.738.293
2. Reserves for tax liabilities	081		
3. Other reserves	082		
C) LONG TERM LIABILITIES (084 to 092)	083	1.061.460.895	869.045.614
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits etc.	085		
3. Liabilities to banks and other financial institutions	086	1.061.460.895	869.045.614
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		
D) SHORT - TERM LIABILITIES (094 to 105)	093	203.691.374	187.350.952
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits etc.	095	9.632.460	5.056.842
3. Liabilities to banks and other financial institutions	096	116.999.747	123.114.260
4. Liabilities for received prepayments	097		
5. Accounts payable	098	28.920.606	23.351.331
6. Liabilities arising from debt securities	099	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100		
8. Liabilities to employees	101	2.490.288	2.339.462
9. Liabilities for taxes, contributions and similar fees	102	7.958	67.423
10. Liabilities to share - holders	103	2.528.594	1.324.750
11. Liabilities for long term assets held for sale	104		
12. Other short - term liabilities	105	43.111.721	32.096.884
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	63.093.225	58.536.651
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	107	1.366.555.628	1.122.162.228
G) OFF-BALANCE SHEET NOTES	108		
APPENDIX TO BALANCE SHEET (only for consolidated financial statements)			
A) CAPITAL AND RESERVES			
1. Attributed to equity holders of parent company	109	-130.774.531	-136.701.383
2. Attributed to minority interests	110	167.289.948	142.192.101

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for period 01.01.2017. to 31.12.2017.

Company: ULJANIK PLOVIDBA D.D.

Position	AOP	Previous period		Current period	
		Cummulative	Periodical	Cummulative	Periodical
1	2	3	4	5	6
I. OPERATING REVENUES (112+113)	111	184.620.822	46.611.857	204.114.112	57.123.116
1. Sales revenues	112	179.142.085	44.829.907	179.464.702	35.120.018
2. Other operating revenues	113	5.478.737	1.781.950	24.649.410	22.003.098
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	191.890.236	41.635.617	152.633.393	41.083.655
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	35.262.659	6.051.258	27.239.624	9.307.750
a) Raw material and material costs	117	272.244	79.218	320.002	85.904
b) Costs of goods sold	118				
c) Other external costs	119	34.990.415	5.972.040	26.919.622	9.221.846
3. Staff costs (121 to 123)	120	62.458.916	16.543.785	58.309.162	19.710.994
a) Net salaries and wages	121	57.713.844	15.371.224	54.047.348	18.637.605
b) Costs for taxes and contributions from salaries	122	3.300.917	810.362	2.900.839	729.727
c) Contributions on gross salaries	123	1.444.155	362.199	1.360.975	343.662
4. Depreciation	124	78.851.610	14.872.392	52.772.171	7.896.729
5. Other costs	125	15.317.051	4.168.182	14.312.436	4.168.182
6. Impairment (127+128)	126	0	0	0	0
a) Impairment of long-term assets (excluding financial assets)	127	0	0	0	0
b) Impairment of short-term assets (excluding financial assets)	128				
7. Provisions	129	0	0	0	0
8. Other operating expenses	130	0	0	0	0
III. FINANCIAL INCOME (132 to 136)	131	40.476.375	32.350.195	37.902.184	3.193.656
1. Interest income, foreign exchange gains, dividends and similar income from related	132		0		0
2. Interest income, foreign exchange gains, dividends and similar income from non-related	133	40.476.375	32.350.195	37.902.184	3.193.656
3. Share in income from affiliated entrepreneurs and participating interests	134				
4. Unrealized gains (income) from financial assets	135				
5. Other financial income	136				
IV. FINANCIAL EXPENSES (138 to 141)	137	87.767.188	44.050.755	89.041.897	19.863.283
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	87.767.188	44.050.755	89.041.897	19.863.283
3. Unrealized losses (expenses) on financial assets	140				
4. Other financial expenses	141				
V. INCOME FROM INVESTMENT SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS	142				
VI. LOSS FROM INVESTMENT SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS	143				
VII. EXTRAORDINARY - OTHER INCOME	144				
VIII. EXTRAORDINARY - OTHER EXPENSES	145				
IX. TOTAL INCOME (111+131+142 + 144)	146	225.097.197	78.962.052	242.016.296	60.316.772
X. TOTAL EXPENSES (114+137+143 + 145)	147	279.657.424	85.686.372	241.675.290	60.946.938
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	-54.560.227	-6.724.320	341.006	-630.166
1. Profit before taxation (146-147)	149	0	0	341.006	0
2. Loss before taxation (147-146)	150	54.560.227	6.724.320	0	630.166
XII. PROFIT TAX	151	430.943	181.423	302.850	129.106
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-54.991.170	-6.905.743	38.156	-759.272
1. Profit for the period(149-151)	153	0	0	38.156	0
2. Loss for the period (151-148)	154	54.991.170	6.905.743	0	759.272
APPENDIX TO P&L (only for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributed to equity holders of parent company	155	-43.568.462	-4.288.459	4.392.810	-80.811
2. Attributed to minority interests	156	-11.422.708	-2.617.284	-4.354.654	-678.461
STATEMENT OF COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	-54.991.170	-6.905.743	38.156	-759.272
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)	158	15.666.031	46.677.734	-227.674.051	-11.937.762
1. Exchange differences on translation of foreign operations	159	15.251.791	46.263.494	-226.990.371	-11.254.082
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	414.240	414.240	-683.680	-683.680
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				
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	3.133.206	9.335.547	-40.981.329	-2.148.797
IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)	167	12.532.825	37.342.187	-186.692.722	-9.788.965
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)	168	-42.458.345	30.436.444	-186.654.566	-10.548.237
APPENDIX to Statement of comprehensive income (only for consolidated financial statements)					
VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD					
1. Attributed to equity holders of parent company	169	-31.035.637	33.053.728	-182.299.912	-9.869.776
2. Attributed to minority interests	170	-11.422.708	-2.617.284	-4.354.654	-678.461

CONSOLIDATED CASH FLOW STATEMENT - Indirect method
period 01.01.2017. to 31.12.2017.

Company: ULJANIK PLOVIDBA D.D.			
Position	AOP	Previous period	Current period
1	2	3	4
CASH FLOW FROM OPERATING ACTIVITIES			
1. Profit before tax	001	-54.560.227	341.006
2. Depreciation	002	78.851.610	52.772.171
3. Increase in short-term liabilities	003	14.378.879	
4. Decrease in short term receivables	004	0	0
5. Decrease in inventories	005		4.244.766
6. Other cash flow increases	006	5.760	15.519.115
I. Total increase in cash flow from operating activities (001 to 006)	007	38.676.022	72.877.058
1. Decrease in short - term liabilities	008	0	17.879.316
2. Increase in short - term receivables	009	3.147.954	5.252.291
3. Increase in inventories	010	1.095.852	
4. Other cash flow decreases	011	39.075.376	4.915.848
II. Total decrease in cash flow from operating activities (008 to 011)	012	43.319.182	28.047.455
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	0	44.829.603
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	4.643.160	0
CASH FLOW FROM INVESTING ACTIVITIES			
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		
III. Total cash inflows from investing activities(015 to 019)	020	0	0
1. Cash outflows for purchase of long - term tangible and intangible assets	021	27.127	43.597
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investing activities	023		
IV. Total cash outflows from investing activities (021 to 023)	024	27.127	43.597
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES(020-024)	025	0	0
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES(024-020)	026	27.127	43.597
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	027		
2. Cash inflows from loans, debentures, credits and other borrowings	028	91.347.943	1.896.072
3. Other cash inflows from financing activities	029	5.149.809	30.397.515
V. Total cash inflows from financing activities (027 to 029)	030	96.497.752	32.293.587
1. Cash outflows for repayment of loans and bonds	031	77.045.390	61.452.183
2. Dividends paid	032		
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034	0	726.137
5. Other cash outflows from financing activities	035	26.265.106	24.734.848
VI. Total cash outflows from financing activities (031 do 035)	036	103.310.496	86.913.168
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	6.812.744	54.619.581
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	11.483.031	9.833.575
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	11.483.031	9.833.575
Cash and cash equivalents at the end of period	044	14.166.377	4.332.802

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
from 1.1.2017 to 31.12.2017

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	232.000.000	232.000.000
2. Capital reserves	002	-21.979.230	-22.705.367
3. Reserves from profit	003	41.700.199	43.455.396
4. Retained earnings or accumulated loss	004	-505.891.201	-333.134.333
5. Profit / loss for the current year	005	-43.568.462	4.392.810
6. Revaluation of long - term tangible assets	006		
7. Revaluation of intangible assets	007	167.289.948	142.192.101
8. Revaluation of financial assets available for sale	008	-625.760	-1.309.440
9. Other revaluation	009	167.589.923	-59.400.449
10. Total capital and reserves (AOP 001 to 009)	010	36.515.417	5.490.718
11. Currency gains and losses arising from net investments in foreign operations	011	15.251.791	-226.990.371
12. Current and deferred taxes (part)	012		
13. Cash flow hedging	013		
14. Changes in accounting policies	014		
15. Correction of significant errors in prior periods	015		
16. Other changes in capital	016	-70.315.874	195.965.672
17. Total increase or decrease in capital (AOP 011 to 016)	017	-55.064.083	-31.024.699
17 a. Attributed to equity holders of parent company	018	-47.450.015	-5.926.852
17 b. Attributed to minority interest	019	-7.614.068	-25.097.847

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 PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2017

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 31st December 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 31st December 2017 the Group had 35 employees (2016: 33).

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 (HRK), 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.

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2017

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

1. Operating income for the year 2017 amounts to 204.1 mil HRK while in the same period of 2016, it amounted to 184.6 mil HRK. Freight revenues expressed in USD are higher in comparison to the year 2016 due to significant increase of freights in the dry cargo shipping market in the year 2017. Besides the realized freight revenue in 2017 the Company realized income from ship management for third parties. Other income refers to the recognition of deferred income on the basis of received government grants for the vessels and other operating income.
2. Operating expenses have decreased in the year 2017 (152.6 mil HRK) with respect to the year 2016 (191.7 mil HRK) due to continuation of restriction measures in operating expenses of the vessels and due to adjustment of the depreciation expense according to the estimated lifetime of the vessels.
3. Net financial expenses for 2017 for the Group amounted to 51.1 mil HRK, with respect to 47.2 mil HRK realized in the previous year. The largest impact on total consolidated financial income and expenses have positive and negative exchange rate differences recorded in the parent company.
4. As at 31st December 2017 the total book value of the vessels amounts to 1,070.2 mil HRK (170.7 mil USD).
5. In the period from 1.01. to 31.12.2017 the Company disposed of treasury shares in the amount of 1,342.3 thousand HRK.
6. Revaluation reserves have been decreased with respect to the balance as at 31.12.2016, as a result of adjustment of the stake (according to decrease and increase of the share capital of the foreign subsidiary United Shipping Services One Inc.) and adjusting the new, higher value of the stake amounting 90.8 mil USD at the mean rate of exchange for USD as at 31.12.2017.
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 31st December 2017. As at 31st December 2017 the total consolidated long-term loans amount to 869,046 thousand HRK while at 31st December 2016 they amounted to 1,061,461 thousand HRK. In 2017 the Group repaid a total of 9.8 mil USD of long-term and short-term loans.
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 31st December 2017. Other current liabilities are related to amounts owed to charterers, brokers and vessels' crew, calculated interest payable and other accruals.

NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS AS AT 31.12.2017

9. In the period January-December 2017 the applicable amount of income from grants from previous years in the total of 4,548 thousand HRK was recorded in accordance with the deferred income recognition plan.
10. The minority as at 31st December 2017 in the total amount of 142,192 thousand HRK refers to the ownership of Uljanik Brodogradilište in foreign companies United Shipping Services Twelve Inc. and United Shipping Services Thirteen Inc.
11. On 14th July 2017 the General Assembly of the Company was held which passed the resolution on the sharing of profit/loss for the year 2016. According to the same resolution the profit of HRK 8,257,566.63 to be allocated as follows: HRK 412,878.33 to legal reserves and HRK 7,844,688.30 to retained profit.
12. The presented financial statements are subject to change and they represent the preliminary unaudited financial statements until the final annual financial statements are accepted by the Management.

For the GROUP ULJANIK PLOVIDBA Pula

A handwritten signature in black ink, appearing to read 'D. Pavletić', is written over a faint circular stamp.

Dragutin Pavletić
Director of ULJANIK PLOVIDBA d.d.

Pula, 16th February 2018

MANAGEMENT REPORT FOR THE YEAR 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 December 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 4 MR tankers and 3 Supramax bulk carriers with an average age of 6 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 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 2017 was regular, with full employment of vessels and high functioning management system.

In line with expectations, in the bulk cargo sector there was a significant correction of freight rates and values of the vessels compared to the same period of 2016. Freight rates for these types of vessels have increased by over 40% with respect to previous year, along with very optimistic expectations in this segment. Strong recovery of the world economy with special emphasis on China's increased activity related to bulk cargo transportation with reduced deliveries of this type of vessels in the next two years will cause a further growth in freight rates especially from March 2018. Keeping the low level of newly built ships of this type in this year as a result of a more conservative approach of leading banks specialized in the ship financing, a reduced number of newbuilding deliveries in 2018 and an increase in ship scrapping activities due to the introduction of new technical rules, will lead to stability in operations of this segment of transport at a higher level of freight rates and higher ship values. Forecasts for the upcoming years are very optimistic since the growth of the fleet will not

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meet the needs for bulk cargo transportation, so that the shortage of ships is already expected in 2018.

In the petroleum products, oils and chemicals transportation sector the year 2017 was characterized by a correction of freight rates especially in the spot market, primarily due to the delivery of a larger number of tankers. Nevertheless, contracts concluded for a longer period of time as well as the values of ships, were stable throughout the year. The recovery of the market in tanker sector is expected in 2018 as a result of increased demand and reduced number of newly constructed / newly contracted tankers.

In the year 2017 the Company:

- a) achieved a consolidated positive EBITDA for the Group of 104.2 mil HRK,
- b) generated consolidated profit of 4.3 mil HRK as a result of a higher operating profit in 2017
- c) realized an increase of the total operating income in relation to the previous year,
- d) realized reduction in total operating costs,
- 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) reduced its overall credit exposure and fulfilled all its loan payment obligations. In 2017 the Company repaid loans in a total of 9.8 mil USD,
- h) proceeded with full implementation of the safety and quality system on the vessels and in the office, with continuous increase in the quality and expertise of the employees and maintenance of a high level of professionalism
- i) maintained high efficiency of vessels' management including 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 total operating revenues for the reporting period of 204 mil HRK compared to 184 mil HRK in the year 2016 have been under direct impact of the higher freight rates in the dry cargo sector, constant employment of the fleet, positive results of tankers achieved on the spot market with full collection of freights and revenues from the third party management. Operational costs have been reduced in all vessels as a result of rigorous business rationalization measures while maintaining a high efficiency of vessel exploitation.

2. PERSONNEL

As at 31st December 2017 the Company had 35 employees.

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3. TECHNICAL ASPECT

In 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. In addition, the maintenance and servicing costs of cranes have increased on all bulkers, especially on *m/v Levan*. The company keeps maintaining high efficiency of vessel exploitation with all vessels in the fleet.

4. ACQUISITION OF TREASURY SHARES

In the period January – December 2017 the Company did not acquired treasury shares. The Company disposed of treasury shares in the amount of 1,342.3 thousand HRK.

On 26th April 2017, the Company adopted the Program for the Acquisition and Disposal of Treasury Shares for the period 2017-2020.

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 4th 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.

Based on the decision of the Board of Directors of United Shipping Services One Inc., the foreign subsidiary in the 100% ownership of the Company, dated 4th May 2017, the foreign company reduced its share capital by reducing the accumulated loss, for the amount of 20 mil USD. Furthermore, the Company, on the basis of the Contract of Investment concluded with the aforementioned subsidiary, increased its investment by converting its receivables totalling 24.5 mil USD, into a founding stake. After the registration of the decrease and increase of the share capital of the foreign company United Shipping Services One Inc. in the court register, the stake of the parent company in the subsidiary increased from USD 86,297,413 to USD 90,803,203.

On 14th July 2017 the General Assembly of the Company was held which passed the resolution on the sharing of profit/loss for the year 2016. According to the same resolution, the profit of HRK 8,257,566.63 to be allocated as follows: HRK 412,878.33 to legal reserves and HRK 7,844,688.30 to retained profit.

On 28th December 2017, the Government of the Republic of Croatia issued a decision on granting a state guarantee for a loan amounting to HRK 54 million in order to refinance the existing loan commitments for the vessels *Champion Istra* and *Verige*.

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6. COMPANY GROWTH

The Strategy of development of ULJANIK PLOVIDBA d.d. until the year 2030 envisages the continuation of the primary maritime activity in two sectors, transport of dry cargo (supramax) and transport of petroleum products and chemicals (product carriers).

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

7. COMPANY ACTIVITIES CONCERNING RESEARCH AND DEVELOPMENT AND ENVIRONMENTAL PROTECTION

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

8. BUSINESS RISKS

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, 13th February 2018



Dragutin Pavletić, Director

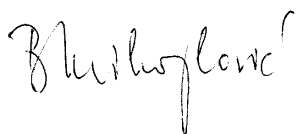
STATEMENT OF THE PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

According to the best of our knowledge:

The unaudited consolidated financial reports of GROUP ULJANIK PLOVIDBA for the period January – December 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 same represent the preliminary unaudited financial statements which are subject to changes up to their acceptance by the Management.

The Management Report for the period January – December 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, 16th February, 2018