GROUP ULJANIK PLOVIDBA

CONSOLIDATED AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY - DECEMBER 2017

Pula, April 2018

CONTENT:

GROUP ULJANIK PLOVIDBA
PULA

Audited annual consolidated financial statements for the year ended 31 December 2017

CONTENTS

RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Management of the Parent Company is responsible for ensuring that the 2017 consolidated financial statements are prepared in accordance with the Croatian Accounting Law and International Financial Reporting Standards ('IFRS'), as adopted by the European Union, which give a true and fair view of the financial position, results of operations, changes in equity and cash flows of the Group for that period.

After making enquiries, the Board of the parent company has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Management has adopted the going concern basis in preparing the consolidated financial statements of the Group.

In the course of preparing of these consolidated financial statements, the responsibilities of the Management include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgments and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- the consolidated financial statements are prepared on the going concern basis unless such assumption is not appropriate.

The Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position and results of operations of the Group and must also ensure that the consolidated financial statements comply with the Croatian Accounting Law and International Financial Reporting Standards as adopted by the European Union. The Management is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Parent Company Management by:

Dragutin Pavletić, director

ULJANIK PLOVIDBA d.d.

Carrarina 6
52100 Pula

Pula, 30 March 2018

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF GROUP ULJANIK PLOVIDBA PULA

Auditor's report on the annual consolidated financial statements

Opinion

We have audited the annual consolidated financial statements of the GROUP ULJANIK PLOVIDBA Pula (Group) which comprise the consolidated statement of financial position as at 31 December 2017, the related consolidated income statement with comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the attached consolidated financial statements present a *true and fair account* of the financial position of the Group as at 31 December 2016, its financial performance and cash flows for the year then ended in accordance with the Accounting Act and the International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with the Accounting Act, the Audit Act and the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent from the Company in accordance with the Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance for our audit of the annual financial statements of the current period and include the recognized most significant risks of significant misstatement as a result of error or fraud with the greatest impact on our audit strategy, the allocation of our resources and the extent of the audit effort. We have dealt with these matters in the context of our audit of the annual financial statements as a whole and in forming our opinion about them, and we do not give a separate opinion on these matters.

Fixed assets
The Group's carrying amount of fixed assets on 31 December 2017 amounts to 1,070,296,267 HRK, accounting for 95% of the Group's total assets.
We conducted audit procedures related the evaluation of the comparison of the book value of ships with their estimated market values at the balance sheet date.
In accordance with the adopted accounting policy, where market values of ships were lower than current carrying values, they were either adjusted to the market value or the calculation of the value in use of assets through estimated future cash flows was made and discounted using an appropriate discount rate.
We have compared the assessed value of the vessels, calculated using the estimated future cash flows method, discounted by an appropriate discount rate, which is higher than the reported current book value of the vessels at the balance sheet date.
We have estimated that the book value of the vessels is reported in accordance with the IFRSs adopted by the EU.

Responsibilities of the Management and Those Who Are Responsible for the Management for the Consolidated Financial Statements

The management of parent company is responsible for the preparation and fair presentation of the annual consolidated financial statements in accordance with IFRS and for such internal control as the management determines is necessary to enable the preparation of annual consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual consolidated financial statements, the management of the parent company is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those who are responsible for the management are responsible for overseeing the Group's consolidated financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud and error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management of the parent company.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those who are responsible for the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those responsible for the management with a statement that we have complied with relevant ethical requirements regarding independence, and that we shall communicate with them regarding all relationships

and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
Among the matters about which we communicate with those responsible for the management we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our independent auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

Report based on the requirements of Regulation (EU) No. 537/2014

In accordance with Article 10 (2) of Regulation (EU) No. 537/2014 of the European Parliament and the Council and the Croatian Audit Act, in our Independent Auditor's Report, we provide the following information that is required in addition to the requirements of the International Auditing Standards:

Appointment of auditor and period of engagement

We have been appointed Auditors of the Company by the General Assembly on July 14, 2017 and our uninterrupted engagement has lasted for a total of 15 years.

Consistency with the Supplementary Report to the Audit Committee

Our audit opinion is consistent with the supplementary audit report submitted to the Company's Audit Committee in accordance with the provisions of Article 11 of Regulation (EU) No. 537/2014.

Provision of non-audit services
We declare that we did not provide the prohibited non-audit services to the Company and its subsidiaries referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and Council. Furthermore, we did not provide any other non-audit services to the Company and its controlled companies that have not been disclosed in the financial statements.

Report based on the requirements of Accounting Act

1. In our opinion, based on the work we have performed during the audit, the information in the attached report of the Group management for the year 2017 complies with the attached annual consolidated financial statements of the Group for the year 2017.
2. In our opinion, based on the work we have performed during the audit, the attached report of the Group management for the year 2017 is made in accordance with the Accounting Act.
3. On the basis of the knowledge and understanding of the Group's operations and its environment obtained during the audit, we found no material misstatements in the report of the Group management.
4. In our opinion, based on the work we have performed during the audit, the *Statement of Compliance with the Corporate Governance Code*, included in the Group's annual report for 2017, complies with the requirements of Article 22, points 3 and 4 of the Accounting Act.
5. *The Statement of Compliance with the Corporate Governance Code* included in the Group's annual report for 2017, includes information from Article 22, points 1, 2, 5 and 6 of the Accounting Act.

The partner engaged in the audit that has resulted in this independent auditor's report is Sonja Košara.

Revidas, revizija i konzalting, d.o.o.
Vukovarska 47
Pula

Pula, 11 April 2018

For and on behalf of Revidas d.o.o.:

REVIZIJA I KONZALTING REVIDAS PULA

Sonja Košara
director

Sonja Košara
certified auditor

GROUP ULJANIK PLOVIDBA, PULA

CONSOLIDATED INCOME STATEMENT WITH COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

(in HRK)	Notes	2017	2016
Sales	3	179,545,925	179,142,085
Other operating income	4	24,649,110	5,478,737
Operating income		**204,195,035**	**184,620,822**
Cost of raw material and supplies		*(320,001)*	*(272,244)*
Other external costs		*(26,875,558)*	*(34,990,415)*
Material costs	5	***(27,195,559)***	***(35,262,659)***
Staff costs	6	***(58,340,081)***	***(62,458,916)***
Depreciation	7	***(52,772,171)***	***(78,851,610)***
Other operating expenses	8	***(14,313,203)***	***(15,317,051)***
Operating expenses		**(152,621,014)**	**(191,890,236)**
Financial income	9	**37,913,933**	**40,476,375**
Financial expenses	10	**(89,168,940)**	**87,767,188**
TOTAL INCOME		**242,108,968**	**225,097,197**
TOTAL EXPENSES		**(241,789,954)**	**(279,657,424)**
LOSS BEFORE TAXATION		**319,014**	**(54,560,227)**
Loss of the minority interest	33	**4,343,914**	**11,422,708**
Income tax expense	11	(71,190)	(121,017)
Tonnage tax	12	(231,659)	(309,926)
LOSS FOR THE YEAR		**4,360,079**	**(43,568,462)**
Gain / (Loss) from revaluation of financial assets		(683,680)	414,240
Exchange differences on translating foreign operations		(90,275,952)	15,251,791
		(90,959,632)	**15,666,031**
Tax on net other comprehensive profit		16,372,734	(3,133,206)
Net other comprehensive profit		**(74,586,898)**	**12,532,825**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(70,226,819)**	**(31,035,637)**

Signed on behalf of the Parent Company Management:

Dragutin Pavletić, director
Pula, 30 March 2018

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2017

(in HRK)	Notes	2017	2016
ASSETS			
Concessions, patents, licences, trade and service marks, software and other rights		9,752	-
Intangible assets	14	**9,752**	**-**
Land and biological assets		3,252,604	3,294,534
Buildings		2,833,741	2,884,388
Vessels		1,070,296,267	1,280,707,700
Other plant and equipment		97,411	105,890
Tangible assets	15	**1,076,480,023**	**1,286,992,512**
Long-term financial assets	16	**6,013,526**	**31,839,437**
Long-term receivables	17	**14,317,291**	**10,325,636**
LONG TERM ASSETS		**1,096,820,592**	**1,329,157,585**
Inventories	18	**1,530,306**	**5,775,072**
Trade receivables	19	2,515,053	6,989,204
Amounts due from the state and other institutions	20	161,736	155,335
Other receivables	21	17,929,728	6,230,031
Receivables		**20,606,517**	**13,374,570**
Short-term financial assets	22	**680,922**	**4,075,832**
Cash and cash equivalents	23	**4,320,376**	**14,166,377**
CURRENT ASSETS		**27,138,121**	**37,391,851**
Prepaid expenses and accrued income	24	**5,121**	**6,192**
TOTAL ASSETS		**1,123,963,834**	**1,366,555,628**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
AS OF 31 DECEMBER 2017

(in HRK)	Notes	2017	2016
EQUITY AND LIABILITIES			
Share capital	25	232,000,000	232,000,000
Capital reserves	26	(22,705,367)	(21,979,230)
Legal reserves	27	19,079,004	18,666,126
Reserves for Treasury shares	28	36,382,812	36,382,812
Treasury shares	29	(12,006,420)	(13,348,739)
Revaluation reserves	30	(60,759,889)	166,964,163
Retained profit	31	(333,141,305)	(505,891,201)
Loss of the year	32	4,360,079	(43,568,462)
Minority interest	33	142,202,269	167,289,948
CAPITAL AND RESERVES		**5,411,183**	**36,515,417**
Provisions for retirement costs, severance pays and similar liabilities	34	1,738,293	1,794,717
LONG-TERM PROVISIONS		**1,738,293**	**1,794,717**
Amounts due to banks and other financial institutions	35	869,045,614	1,061,460,895
LONG-TERM LIABILITIES		**869,045,614**	**1,061,460,895**
Borrowings, deposits etc.	36	5,056,842	9,632,460
Amounts due to banks and other financial institutions	37	123,114,260	116,999,747
Trade payables	38	20,139,703	28,920,606
Amounts due to employees	39	2,387,503	2,490,288
Taxes, contributions and other duties payable	40	67,423	7,958
Dividends payable	41	1,324,750	2,528,594
Other short-term liabilities	42	37,141,612	43,111,721
SHORT-TERM LIABILITIES		**189,232,093**	**203,691,374**
Accrued expenses and deferred income	43	**58,536,651**	**63,093,225**
TOTAL EQUITY AND LIABILITIES		**1,123,963,834**	**1,366,555,628**

Signed on behalf of the Parent Company Management:

Dragutin Pavletić, director

Pula, 30 March 2018

CONSOLIDATED STATEMENT OF CHANGES IN SHARHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

(in HRK)	Share capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares	Revaluation reserves	Retained profit	Minority interest	Total
At 31 December 2015	**232,000,000**	**(21,677,477)**	**17,505,676**	**36,382,812**	**(13,764,816)**	**151,298,132**	**(485,068,843)**	**174,904,016**	**91,579,500**
Allocation of profit of the Parent Company from 2015	-	-	1,160,450	-	-	-	(1,160,450)	-	-
Reconciliation of securities at fair value	-	-	-	-	-	414,240	-	-	414,240
Adjustment of share value	-	-	-	-	-	15,251,791	-	-	15,251,791
Purchase of treasury shares	-	-	-	-	(84,024)	-	-	-	(84,024)
Sale of treasury shares	-	-	-	-	500,101	-	-	-	500,101
Capital losses	-	(301,753)	-	-	-	-	-	-	(301,753)
Adjustment to retained earnings under the equity method	-	-	-	-	-	-	2,083,401	-	2,083,401
Loss for 2016	-	-	-	-	-	-	(43,568,462)	-	(43,568,462)
Exchange differences	-	-	-	-	-	-	(21,745,309)	-	(21,745,309)
Minority interest	-	-	-	-	-	-	-	(7,614,068)	(7,614,068)
At 31 December 2016	**232,000,000**	**(21,979,230)**	**18,666,126**	**36,382,812**	**(13,348,739)**	**166,964,163**	**(549,459,663)**	**167,289,948**	**36,515,417**
Allocation of profit of the Parent Company from 2016	-	-	412,878	-	-	-	(412,878)	-	-
Reconciliation of securities at fair value	-	-	-	-	-	(683,680)	-	-	(683,680)
Simplified reduction in share capital USSO	-	-	-	-	-	(136,764,420)	(136,764,420)	-	-
Adjustment of share value	-	-	-	-	-	(90,275,952)	-	-	(90,275,952)
Sale of treasury shares	-	-	-	-	1,342,319	-	-	-	1,342,319
Capital losses	-	(726,137)	-	-	-	-	-	-	(726,137)
Adjustment to retained earnings under the equity method	-	-	-	-	-	-	1,915,198	-	1,915,198
Profit for 2017	-	-	-	-	-	-	4,360,079	-	4,360,079
Exchange differences	-	-	-	-	-	-	78,051,618	-	78,051,618
Minority interest	-	-	-	-	-	-	-	(25,087,679)	(25,087,679)
At 31 December 2017	**232,000,000**	**(22,705,367)**	**19,079,004**	**36,382,812**	**(12,006,420)**	**(60,759,889)**	**(328,781,226)**	**142,202,269**	**5,411,183**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED CASH-FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

(in HRK)	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	**319,014**	**(54,560,227)**
Depreciation	52,772,171	78,851,610
Decrease in short-term receivables	-	14,378,879
Decrease in inventories	4,244,766	-
Other increases in cash	17,358,213	5,760
Total increase in cash from operating activities	**74,694,164**	**38,676,022**
Increase in short-term receivables	(7,231,947)	(3,147,954)
Decrease in in current liabilities	(15,998,174)	-
Increase in inventories	-	(1,095,852)
Other decreases in cash	(4,915,847)	(39,075,376)
Total decrease in cash from operating activities	**(28,145,968)**	**(43,319,182)**
NET INCREASE/(DECREASE)/INCREASE IN CASH GENERATED FROM OPERATING ACTIVITIES	**46,548,196**	**(4,643,160)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of tangible and intangible assets	(43,597)	(27,127)
Total cash expenses from investing activities	**(43,597)**	**(27,127)**
NET DECREASE IN CASH FROM INVESTING ACTIVITIES	**(43,597)**	**(27,127)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash receipts from the loan principal, debentures, advances and other loans	-	91,347,943
Other cash receipts from financial activities	25,845,348	5,149,809
Total cash receipts from financial activities	**25,845,348**	**96,497,752**
Cash expenses for the repayment of loan principal and bonds	(61,452,183)	(77,045,390)
Other cash expenses from financial activities	(20,743,765)	(26,265,106)
Total cash expenses from financial activities	**(82,195,948)**	**(103,310,496)**
NET DECREASE IN CASH FROM FINANCING ACTIVITIES	**(56,350,600)**	**(6,812,744)**
Cash and cash equivalents at beginning of period	**14,166,377**	**25,649,408**
Increase in cash and cash equivalents	-	-
Decrease in cash and cash equivalents	**(9,846,001)**	**(11,483,031)**
Cash and cash equivalents at end of period	**4,320,376**	**14,166,377**

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL

ULJANIK PLOVIDBA, maritime transport d.d. Pula (the Company), is incorporated in Croatia. The Company is registered at the Commercial Court in Pazin.

The Group Uljanik Plovidba, Pula consists of the parent company Uljanik Plovidba d.d. Pula and its subsidiaries: UNITED SHIPPING SERVICES ONE Inc., Monrovia, Liberia and REAL d.o.o. Pula, both in its 100% ownership.

The major part of the Parent company's operations is conducted through its subsidiary UNITED SHIPPING SERVICES ONE INC., registered in Liberia, pursuant to the applicable management contract concluded with its subsidiaries Uljanik Shipmanagement Pte. Ltd. and Uljanik Tanker Management Pte. Ltd. In Singapore. The subsidiary UNITED SHIPPING SERVICES ONE INC., and its subsidiaries United United Shipping Services Three Inc., United Shipping Services Ten Inc., United Shipping Services Eleven Inc., United Shipping Services Twelve Inc., United Shipping Services Thirteen Inc., United Shipping Services Fourteen Inc., United Shipping Services Seventeen Inc., Uljanik Shipmanagement Inc, Uljanik Tanker Management Inc., Uljanik Shipmanagement Pte. Ltd and Uljanik Tanker Management Pte. Ltd., constitute the Group UNITED SHIPPING SERVICES ONE.

Companies that are members of the Group UNITED SHIPPING SERVICES ONE are engaged in time-chartering of vessels in the maritime transport.

The ownership structure as at 31 December 2017 is shown in Note 25.

The registered office of the Group is in Pula, Carrarina 6, Croatia.

As at 31 December 2017, the number of staff employed by the Group Uljanik Plovidba, Pula was 35 (2016: 33).

As at 31 December 2017 and 2016, the Company's shares are listed as public stock companies on the Zagreb stock Exchange.

The joint stock company has the General Assembly, the Supervisory Board and Management Board.

Members of the Management Board: Dragutin Pavletić, director

Members of Supervisory Board: Amra Pende, president
Anton Brajković and Robert Banko, members.

1.1. GOING CONCERN

The business operations of the ULJANIK PLOVIDBA Group have marked a positive trend in 2017, with the increase in realized operating income and the decrease of operating expenses compared to 2016.
Revenues from dry cargo freights, a maximised fleet utilization and the results of the tankers at the spot market influenced the increase in revenues. In addition to revenues from freight, revenues from ship management services to third-parties in 2017 were also increased.

Operating expenses were significantly lower in 2017 than in 2016, due to the application of continuing savings measures concerning the vessels' operating costs, while maintaining a high degree of fleet utilization.
In order to surmount the period of low freight rates prevailing in the recent years, the Company has, continuing the restructuring of the Group's financial liabilities, which has begun in 2014 and is still ongoing, taken additional measures in terms of reprogramming / refinancing of financial liabilities. In this regard, additional arrangements have been made both with domestic banks and with the foreign bank syndicate, in order to facilitate the contracted loan repayment dynamics in 2017 and 2018, as well as a reduction of the interests on loans. In December 2017, the Croatian Government adopted the decision to grant a state guarantee to the Company amounting to 54 million USD for a new loan facility aimed at securing of the refinancing of the existing loan obligation for the vessels Champion Istria and Verige.
In addition to the measures relating to the said restructuring of the Group's financial liabilities, in 2017 the Company launched a number of additional measures to increase cost control and achieve savings in different business segments. In February 2017, in order to optimize costs and rationalize the businesses of two sister companies, the merger of the Singapore companies Uljanik Shipmanagement PTE. LTD and Uljanik Tanker Shipmanagement PTE. LTD was carried out, that have carried on with their operation since the day of the merger under the name Uljanik Shipmanagement PTE. LTD.
In April 2017, a joint company named ULJANIK PLOVIDBA LNG d.o.o. Pula was established, by which the Company created the legal form that allows it to enter the LNG and LPG vessel transport and management market, which it recognized as an opportunity for its future development.
As a result, the Management Board of the mother company considers that the measures taken and the recovery of the dry cargo and liquid cargo markets that occurred in 2017 and has continued in 2018 ensure the continuation of the Group as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Set out below are the principal accounting policies applied in the preparation of these consolidated financial statements. The accounting policies have been applied consistently to all the periods covered by the consolidated financial statements, except as stated otherwise.

2.1. Compliance Statement

The consolidated financial statements of the Group have been made in accordance with the International Financial Reporting Standards as adopted by the European Union.

Standards, amendments and supplements issued by the IASB and adopted by the European Union that have entered into force:

- Amendments to IAS 7 – Disclosure Initiative (effective for periods beginning on 1 January 2017 or later).
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses (effective for periods beginning on 1 January 2017 or later).

The adoption of the listed amendments and supplements to existing standards and interpretations has not led to any changes in the accounting policies of the entity or has it affected the Group's profit in the current and previous year.

Standards, interpretations and supplements that have not yet come into effect and that were not previously applied

At the date of approval of these consolidated financial statements, the following interpretations and standards were published that have not yet come into force and have not been previously applied by the Group for the year ended 31 December 2017.

- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective for periods beginning on 1 January 2018 or later).
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for periods beginning on 1 January 2018 or later).
- IFRS 9 – Financial instruments (the new standard effective for periods beginning on 1 January 2018 or later).
- Clarifications to IFRS 15 – Revenue from Contracts with Customers (effective for periods beginning on 1 January 2018 or later).
- IFRS 16 – Leases Accounts (the new standard effective for periods beginning on 1 January 2019 or later).
- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective for periods beginning on 1 January 2019 or later).
- IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration (effective for periods beginning on 1 January 2018 or later).
- Amendments to IAS 40 – Transfers of Investmenty Property (effective for periods beginning on 1 January 2018 or later).

The Management of the Parent company anticipates that all of the above-mentioned standards and interpretations will be applied in the consolidated financial statements of the Group when they come into force, and that their adoption will not have a material impact on the Group's consolidated financial statements in the period in which they will be applied.

2.2. Basis of preparation

The consolidated financial statements are prepared on an accrual basis of accounting whereby the effects of transactions and other events are recognized when they occur and they are reported in the financial statements of the period to which they relate and under the going concern assumption.

The consolidated financial statements of the GROUP ULJANIK PLOVIDBA Pula have been prepared under the historical cost (purchase cost) method, except for financial assets available for sale which are stated at fair value.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires that the Management of the parent company make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses of the Group and the disclosure of potential liabilities of the Group. The estimates and the associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the given circumstances, the result of which forms the basis

for making estimates of the value of assets and liabilities, which cannot be obtained from other sources. Actual results may differ from such estimates.
The estimates used in preparing of the consolidated financial statements are subject to change as new events occur, additional experience is gained, new information and knowledge are obtained and as the environment in which the Group operates changes.

2.3. Principles and methods of consolidation

a) Subsidiaries

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 year-end 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 at consolidation.

b) Transactions and minority interests

The Group is treating transactions with minority interests as transactions with the entities out of the Group. The results of sale to minority interests are gains/losses which are recognised in the Income statement.

2.4. Reporting currency

The consolidated financial statements of the Group have been prepared in Croatian kuna, which is the measurement i.e. reporting currency of the Group.

2.5. Revenue recognition

Revenue comprises the fair value of completed and billed services in the course of ordinary business. Revenue is stated at invoiced amounts net of value-added tax and any recognised discounts.

2.6. Recognition of expenses

Operating expenses are stated as at the date of received invoices or at the date of prepared calculations.
They include material costs, staff costs, depreciation, other expenses, impairment of current assets (receivables), provisions and other operating expenses.

2.7. Financial income and expenses

Financial income consists of accrued interest on loans which is determined by using the effective interest method, and foreign exchange gains. Dividend income is recognized in the income statement as of the date on which the dividend is received.

Financial expenses comprise interest on borrowings and credits received determined using the effective interest method, foreign exchange losses, as well as losses on impairment and disposal of financial assets.

2.8. Transactions in foreign currencies

Transactions in currencies other than Croatian kuna are initially recorded at mean exchange rates of the Croatian National Bank ('the CNB') prevailing on the dates of the transactions. Monetary assets, receivables and liabilities denominated in foreign currencies are retranslated at mean exchange rates of the CNB prevailing on the balance sheet date. Profits and losses arising on exchange are included in the income statement for the year.

On 31 December 2017 the official exchange rate for the Croatian kuna was 7.51 HRK for 1 euro (on 31 December 2016 it was 7.56 HRK) and 6.27 HRK for 1 USD (on 31 December 2016 it was 7.17 HRK).

2.9. Income tax and tonnage tax

Income tax is determined on the basis of income reported in accordance with Croatian laws and regulations.

Income tax consists of the current and deferred taxes and is reported in the income statement.

Income tax liability for the current year is determined on the basis of the result for that year, adjusted for prescribed items of permanent adjustment (income from dividends, a share in the profit and non-deductible expenses) in accordance with national regulations in individual countries in which the subsidiaries operate. Income tax is calculated by the application of tax rates valid on the balance sheet date.
Deferred tax assets and deferred tax liabilities arise from temporary differences between the value of the assets and liabilities reported in the financial statements and the values reported for the purpose of determining of the profit tax base. Deferred tax assets are recognized if there is a probability that taxable profit will be realized in the future on the basis of which the deferred tax assets will be utilized. Deferred tax assets and deferred tax liability are calculated by applying the income tax rate applicable to future periods when such assets or liability will be realized.

In accordance with the provisions of the Maritime Act and by fulfilling the conditions laid down in it, starting from the year 2014, the Group calculates and pays the tonnage tax for the maritime activities based on the Decision issued by the Croatian Ministry of Finance

2.10. Intangible assets

Intangible assets relate to IT programs-software licenses that are capitalized on the basis of the cost of acquisition and costs incurred in bringing of the same into working condition. These costs are amortized over their useful lives over a period of two years.

2.11. Property, plant and equipment

Items of property, plant and equipment are carried at historical cost less accumulated depreciation. Historical cost includes costs directly attributable to bringing an asset in a condition for its intended use. Subsequent improvements are capitalized or, if required, recognized as a separate asset only if future economic benefits will flow to the Company and if the cost of such asset can be measured reliably. All other improvements and maintenance costs are recognized in the income statement in the period in which they arise.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard performance, the expenditures are capitalized i.e. added to the carrying amount of the asset.

Fittings and equipment are classified as non-current assets if their individual useful lives are over one year and individual cost exceeds HRK 3,500.

Property, plant and equipment include land, building, vessels, office equipment and furniture.

According to the broker's valuation, the values of the ships have been adjusted to their market value.

When the market values exceed the carrying values they either need to be adjusted with the market values or value in use has to be calculated by estimating of future cash flows and discounting them by the use of the appropriate discount rate.

Gains and losses on disposal of assets are determined by comparing of the income and the carrying amounts of assets and are captured under "Other net gains/(losses)" in the income statement.

Depreciation of property, vessels, plant and equipment commences when the assets are put in use. Depreciation is provided on a straight-line basis so as to allocate the cost of an asset over its estimated useful life. Depreciation is provided for each asset until it is written-off or until it reaches its residual value, if material.
In the course of 2017, by re-examination of the expected lifetime of the vessels and by the decision of the Board of Directors, the depreciation lifetime of the vessels was extended from 20 to 25 years. The change in the accounting estimate was made in accordance with the provisions of the IFRS 16 and the depreciation amount was adjusted for current and future periods.

The estimated useful lives are as follows:

Buildings	100 years
Ships	25 years
Machinery and equipment	10 – 28 years
Inventory and accessories	2 – 10 years

Land is not depreciated because it is considered to have unlimited useful life.

2.12. Investments into subsidiaries and associated companies

a) Investments into subsidiaries

Subsidiaries are companies whose operations are directly or indirectly controlled by the Company. Control is achieved if the Company manages the financial and operating policies of the entity so as to obtain benefits from its activities. Investments in subsidiaries are reported by use of the cost method, except for investments abroad that are revalued at the mean rate of the Croatian National Bank on the balance sheet date. Changes are recognized in equity (unrealized gains/losses). Income from shares in subsidiaries is recognized in the period in which transfer of profit occurs, in accordance with the Decision of the owner.

b) Investments into associated companies

Associated companies are entities over which the Company has significant influence but does not have control (generally investments with an ownership portion in the amount of 20% to 50% in the share capital). Significant influence signifies the power to participate in decisions about financial and operating policies of the entity into which the investment was made, but does not signify control or joint control over such policies. Investments into associated companies are reported by use of the cost method.

2.13. Financial assets

Investments are classified into the following categories: held-to-maturity, held for trading and available for sale investments.

Investments with fixed or determinable payments and fixed maturity in respect of which the Company has the positive intent and ability to hold to until maturity are classified as held-to-maturity investments.
Investments acquired primarily for the purpose of generating a profit from short-term fluctuations in price are classified as held-for-trading. All other investments, other than loans and receivables originating from the Company, are classified as available for sale.
Financial instruments included in assets available for sale include debt and equity securities. After initial recognition these instruments (investment cost plus transaction expenses) are recorded at fair value. Fair value of financial instruments traded in active markets is determined on the reporting date in relation to quoted market prices.
The fair value of financial instruments that are not traded in an active market, if possible, is determined using appropriate assessment techniques.

Gains and losses arising from changes in fair value of financial assets available for sale are recognized directly in equity until the moment of sale or decrease, when the cumulative gains or losses previously recognized in equity are included in the profit or loss account for the period.

Dividends from securities classified as available for sale are recorded when their payment is received or when the shareholder's right to receive payment is established.

Financial assets are derecognised when cash is collected or the rights to receive cash flows from the assets have expired.

2.14. Impairment of financial assets

At each balance sheet date the parent Company and related companies assesses whether there is objective evidence of impairment of the financial assets or groups of financial assets. A financial asset or a group of financial assets is considered impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and if the loss affects the estimated future cash flows from the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or group of debtors is experiencing significant financial difficulties, omissions or errors in the payment of interest or principal, credibility of bankruptcy or other financial reorganizations and when observable data indicates that there is a measurable decrease in the estimated future cash flows, such as previous variations or economic conditions related to such failures.

2.15. Trade receivables

Trade and other receivables are initially carried at fair value and are subsequently measured at cost, less any impairment losses. Receivables are impaired and impairment losses are incurred only if there is objective evidence of impairment, as a result of one or more events that occurred after the initial recognition of an asset that have an impact on the estimated future cash flows of the asset that can be reliably estimated. At each balance sheet date the Branch Office assesses whether there is objective evidence that an account receivable is impaired. At each balance sheet date, receivables are subject to an individual review to determine whether there is objective evidence that a trade receivable account might be impaired. If any such evidence exists, the carrying amount of the account receivable is reduced directly or through a separate allowance account. The related impairment loss is charged in the income statement for the year.

2.16. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks, as well as other high liquid instruments with maturities of up to three months.

2.17. Share capital

Share capital consists of ordinary shares. Costs directly attributable to the issue of ordinary shares are recognized as a decrease in equity.

The amount paid for the shares, including directly attributable costs, is recognized as a decrease in equity and reserves. Repurchased shares are classified as treasury shares and represent a deduction from total equity and reserves.

2.18. Borrowings

Borrowings are initially recognized at fair value of cash received. In subsequent periods, borrowings are stated at amortized cost. Any difference between the cash received and the redemption value is recognized in the profit and loss account over the period, using the effective interest method.

Borrowing costs that are directly attributable to the acquisition of assets or assets under construction are capitalized during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are recognised in the profit and loss account.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

2.19. Government grants

Government grants related to assets of the subsidiaries (vessels) are recorded as deferred income and recognised as income over the periods necessary to match them with the related costs on a systematic basis.

2.20. Employee benefits

(a) Retirement benefits

In the normal course of business, the Parent Company makes contributions on behalf of its employees who are members of mandatory pension funds, in accordance with applicable law. The mandatory pension contributions to the funds are included in the salary cost when they are calculated. The Group has no obligation to provide any post-retirement benefits to its employees.

b) Other long-term employee benefits

Other long-term employee benefits include jubilee-awards and termination benefits which fall due later than 12 months after the balance sheet date.

2.21. Provisions

A provision is recognized only when the entity has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of expenses expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Provisions are reconsidered at each reporting date and adjusted according to the latest best estimates.

2.22. Dividend distribution

Liabilities in respect of dividends payable to the shareholders are recognised in the financial statements in the period in which they are approved by the General Assembly of Shareholders.

2.23. Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.24. Comparative amounts

Comparative information has been reclassified, where necessary, to achieve consistency in disclosure of information with data for the current financial year and other data.

2.25. Events after the balance sheet date

Events after the balance sheet date that relate to the financial position of the Company are those favourable and unfavourable events that occurred after the date of the balance sheet, but prior to the date that the financial statements were approved for issue. The Company adjusts the amounts recognized in its financial statements for events that occurred after the balance sheet date that relate to its financial position that require harmonization.

3. REVENUES

(in HRK)	2017	2016
Domestic revenue	488,549	422,281
Foreign revenue /i/	178,941,876	178,569,440
Other revenues	115,500	150,364
	179,545,925	**179,142,085**

/i/ Within the stated amount, freight revenue realized by companies within the Group United Shipping Services One amounts to HRK 168,857,990 (2016: HRK 170,149,616) , while revenue from management services provided by the parent company to non affiliated company amounts to HRK 10,083,886 (2016: HRK 8,419,824).

4. OTHER OPERATING REVENUES

(in HRK)	2017	2016
Income from sale vessel /i/	17,655,310	-
Recognized part of deferred income (Note 44)	4,548,405	4,548,405
Income from liability write-off /ii/	1,204,473	-
Income from reversal of provisions (Note 35)	56,424	60,644
Government grants	683,067	185,594
Other revenues	501,431	684,094
	24,649,110	**5,478,737**

/i/ Sales revenue of the vessel "Levan" was recorded on the basis of a contract concluded on 28 November 2017 with Gaundong Yuean Shipping Co., LTD from China.

/ii/ The write - off of the liabilities was carried out on the basis of the Management Decision and in accordance with the provisions on general obligations from the General Obligations Act.

5. COST OF MATERIAL AND SERVICES

(in HRK)	2017	2016
Raw materials and supplies	113,756	89,041
Energy	159,198	157,613
Spare parts and small inventory	47,047	25,590
Raw materials and supplies	**320,001**	**272,244**

(in HRK)	2017	2016
Operating ship expenses and docking expenses	19,828,731	26,314,747
Transport, telephone, postage	217,341	301,110
Repairs and maintenance	6,516,348	8,062,605
Rental costs	265,983	260,144
Promotion costs	17,070	15,510
Other	30,085	36,299
Other external services	**26,875,558**	**34,990,415**
	27,195,559	**35,262,659**

6. STAFF COSTS

(in HRK)	2017	2016
Crew salaries based on contracts	48,864,864	52,499,514
Net salaries	5,201,296	5,214,330
Taxes and contributions *from* and *on* salary /i/	4,273,921	4,745,072
	58,340,081	**62,458,916**

/i/ Taxes and contributions *from* and *on* salaries are included in defined pension contributions to mandatory pension funds in Croatia. They are determined at a percentage of the gross salary.

7. DEPRECIATION AND AMORTISATION

(in HRK)	2017	2016
Amortisation (Note 14)	424	-
Depreciation (Note 15)	52,771,747	78,851,610
	52,772,171	**78,851,610**

8. OTHER EXPENSES

(in HRK)	2017	2016
Losses on sale of vessels (Note 15)		-
Marine insurance	6,927,701	8,221,114
Fees for administration and management services abroad	4,997,008	3,851,435
Reimbursement of costs to employees /i/	926,199	1,066,562
Intellectual services /ii/	219,385	176,602
Entertainment	238,138	527,618
Supervisory board (gross fees)	147,019	160,255

Contributions and municipal levies	122,310	118,708
Bank charges	326,692	660,605
Depository services and broker commission	43,619	45,497
Insurance	69,389	101,116
Account receivables write off	5,862	10,503
Donations	1,600	4,768
Other expenses /iii/	288,281	372,268
	14,313,203	**15,317,051**

/i/ Reimbursement of costs to employees comprise: allowances, benefits of using private cars for official purposes, the cost of transportation to work, termination benefits, jubilee awards and supports. Furthermore, the amount of accrued employees' gross salaries, which in accordance with the provisions of the signed Employment contracts are entitled to compensation on the basis of the collected insurance premiums upon expiry of the insurance period, was reported under other substantive rights of employees (Note 4).

/ii/ In the reported amount the audit of financial statements constitutes 50% of the costs.

/iii/ Within other expenses, membership fees amounts to HRK 133,731, legal and notary fees amounts to HRK 15,356, scholarships in the amount of HRK 34,000, costs of submission of the financial reports in the amount of HRK 81,431 and the rest amounts to HRK 23,763.

9. FINANCIAL INCOME

(in HRK)	2017	2016
Interest income	1,856,262	246,036
Foreign exchange gains	36,056,891	40,230,053
Dividend income	780	286
	37,913,933	**40,476,375**

10. FINANCIAL EXPENSE

(in HRK)	2017	2016
Interest expense	52,121,017	52,005,668
Foreign exchange losses	36,879,720	35,635,759
Expense from value adjustment of the investments (Note 16.1)	168,203	125,761
	89,168,940	**87,767,188**

11. CORPORATE INCOME TAX

The reconciliation between the accounting profit and taxable profit of the Parent company is provided in the table below:

(in HRK)	2017	2016
Profit /(Loss) of the parent company before tax	4,457,700	(16,408,060)
Effect of tax disallowable expenses	16,139	54,846
Effect of non-taxable profit	(66,608)	(77,933)
	4,407,231	**(16,431,147)**
Tax losses brought forward	**(16,431,147)**	-
(Tax loss)/Taxable profit for the year	**(12,023,916)**	**(16,431,147)**
Tax rate	**18%**	**20%**
Tax liability for the year	-	-
Income Tax liability of the Companies from Singapore	**71,190**	**121,017**
Income Tax liability of the current year	**71,190**	**121,017**

12. TONNAGE TAX

(in HRK)	2017	2016
Total annual tonnage tax liability	**231,659**	**309,926**
The amount of tonnage tax paid abroad		-
Annual tonnage tax liability	**231,659**	**309,926**

/i/ The tonnage tax liability of the vessels in 2017 is determined by the Resolution of the Croatian Ministry of Finance issued on 20 June 2017, in accordance with the provisions of the Maritime Act and its conditions which the parent company Uljanik Plovidba d.d. have fulfilled.

13. EARNINGS (LOSSES) PER SHARE

Earnings per share in the amount of HRK 7.72 (in 2016 losses: HRK 80.53) have been determined on the basis of the Group's consolidated profit in the amount of HRK 4,360,079 (in 2016 loss: HRK 43,568,462) and the weighted average of ordinary shares, reduced for treasury shares, that was 564,239 (2016: 541.058).

14. INTANGIBLE ASSETS

(in HRK)	Total
PURCHASE VALUE	
At 31 December 2015	**171,078**
Retirements, disposals and other	-
At 31 December 2016	**171,078**
Additions	10,176
Retirements, disposals and other	(16,398)
At 31 December 2017	**164,856**
ACCUMULATED AMORTISATION	
At 31 December 2015	**171,078**
Retirements, disposals and other	-
At 31 December 2016	**171,078**
Depreciation charge for the year	424
Retirements, disposals and other	(16,398)
At 31 December 2017	**155,104**
NET BOOK VALUE	
At 31 December 2017	**9,752**
At 31 December 2016	-

Intangible assets consist of investments in software.

15. PROPERTY, PLANT AND EQUIPMENT

(in HRK)	Land and buildings	Plant and equipment	Vessels	Total
Cost				
At 31 December 2015	**8,690,792**	**1,420,261**	**1,985,370,589**	**1,995,481,642**
Additions	-	27,127	-	27,127
Retirements, disposals and other	-	(108,520)	-	(108.520)
Exchange differences	-	-	50,185,134	50,185,134
At 31 December 2016	**8,690,792**	**1,338,868**	**2,035,555,723**	**2,045,585,383**
Additions	-	33,421	-	33,421
Retirements, disposals and other	-	-	-	-
Exchange differences	-	-	(255,221,371)	(255,221,371)
At 31 December 2017	**8,690,792**	**1,372,289**	**1,780,334,352**	**1,790,397,433**
Accumulated depreciation				
At 31 December 2015	**2,422,037**	**1,294,121**	**655,347,188**	**659,063,346**
Depreciation charge for the year	89,833	47,166	78,714,612	78,851,611
Retirements, disposals and other	-	(108,309)	-	(108,309)
Exchange differences	-	-	20,786,223	20,786,223
At 31 December 2016	**2,511,870**	**1,232,978**	**754,848,023**	**758,592,871**
Depreciation charge for the year	92,577	41,900	52,637,270	52,771,747
Retirements, disposals and other	-	-	-	-
Exchange differences	-	-	(97,447,208)	(97,447,208)
At 31 December 2017	**2,604,447**	**1,274,878**	**710,038,085**	**713,917,410**
Net book value				
At 31 December 2017	**6,086,345**	**97,411**	**1,070,296,267**	**1,076,480,023**
At 31 December 2016	**6,178,922**	**105,890**	**1,280,707,700**	**1,286,992,512**

The Company has determined that the value of vessels, which was calculated by using the estimated future cash flows method and discounting them at the appropriate discount rate, is higher than their current values stated in the books. Pursuant to the above, there was no need for impairment of the vessels at the balance sheet date.

16. LONG-TERM FINANCIAL ASSETS

(in HRK)	Holding in %	2017	2016
16.1. Investments in subsidiaries and shares			
- United Shipping Adriatic Inc. (100 USD)	0,0007%	627	717
- Istarska kreditna banka d.d. Umag		8,300	8,300
- Istarska autocesta d.o.o. Pula /i/	23,425%	3,597,711	3,763,336
- Uljanik Plovidba LNG d.o.o. Pula /ii/		7,422	-
- Uljanik d.d. Pula /iii/		130,560	814,240
- Other investments		10	10
		3,744,630	**4,586,603**
16.2. Loans, deposits etc. given to the associated companies		**1,600,000**	**1,600,000**
16.3. Other			
Deposits in Zagrebačka banka d.d. Zagreb		105,937	25,089,876
Other deposits		562,959	562,958
		668,896	**25,652,834**
		6,013,526	**31,839,437**

/i/ According to the provisions of IFRS, holding of 20% or more of the share capital is recorded by applying the equity method, meaning that the investments have been adjusted with the associate's equity, with parallel crediting of the income statement (Note 10).

/ii/ In April 2017, the company Uljanik Plovidba LNG d.o.o. Pula was established, with a capital of 20,000 HRK. Uljanik Plovidba d.d. owns 50% of the stakes. The remaining 50% belong to ECTA CASPIAN LIMITED from Cyprus.

/iii/ In accordance with the adopted accounting policy, investments in securities are valued at fair value at the balance sheet date. Unrealized losses from investments in assets available for sale were attributed to equity as a revaluation reserve.

17. LONG-TERM RECEIVABLES

(in HRK)	2017	2016
Long-term receivables of the parent company	**14,317,291**	**10,393,695**
Current portion of long-term receivables (Note 22)	-	(68,059)
Long-term portion of receivables	**14,317,291**	**10,325,636**

18. INVENTORIES

(in HRK)	2017	2016
Foodstuff, fuel and lubricant supplies on ships	1,440,276	5,775,072
Oil suppliers	90,030	-
	1,530,306	**5,775,072**

19. TRADE RECEIVABLES

(in HRK)	2017	2016
Domestic trade debtors	498,226	513,343
Foreign trade debtors	2,016,827	6,475,861
	2,515,053	**6,989,204**

20. AMOUNTS DUE FROM THE STATE AND OTHER INSTITUTIONS

(in HRK)	2017	2016
Income tax refund	15,573	76,573
Tonnage tax refund	110,727	34,900
VAT refund	24,210	23,994
Other receivables	11,226	19,868
	161,736	**155,335**

21. OTHER CURRENT ASSETS

(in HRK)	2017	2016
Receivables for net sale of the vessel (Note 4)	16,888,120	-
Advances to vessels for the current costs	355,911	405,465
Receivables from the insurers and agents of foreign companies	320,604	5,252,949
Prepayments made	333,214	334,288
Receivables based on the court ruling	-	142,983
Interest receivables	-	28
Other receivables	31,879	94,318
	17,929,728	**6,230,031**

22. SHORT-TERM FINANCIAL ASSETS

(in HRK)	2017	2016
Total short-term financial assets	**680,922**	**4,007,773**
Plus: Current portion of long-term receivables (Note 17)	-	68,059
	680,922	**4,075,832**

23. CASH AND CASH EQUIVALENTS

(in HRK)	2017	2016
Current account balance	4,316,815	14,151,127
Foreign account balance of the parent company	2	11,049
Cash in hand	3,559	4,201
	4,320,376	**14,166,377**

24. PREPAID EXPENSES AND ACCRUED INCOME

(in HRK)	2017	2016
Prepaid expenses	5,121	6,192
	5,121	**6,192**

25. SHARE CAPITAL

At 31 December 2017, the share capital of the Parent Company amounted to HRK 232,000,000 and consisted of 564,239 ordinary shares, with a nominal value of HRK 400 per share, and of 35,761 treasury shares.

In the ownership structure as at 31 December 2017, small shareholders accounted for 94.04% and treasury shares accounted for 5.96%.

26. CONSOLIDATED CAPITAL RESERVES

(in HRK)	2017	2016
At 31 December of the prior year	(21,979,230)	(21,677,477)
Decrease	(726,137)	(301,753)
At 31 December of the current year	**(22,705,367)**	**(21,979,230)**

27. CONSOLIDATED LEGAL RESERVES

(in HRK)	2017	2016
At 31 December of the prior year	18,666,126	17,505,676
Increase /i/	412,878	1,160,450
At 31 December of the current year	**19,079,004**	**18,666,126**

/i/ Under Croatian law, a legal reserve is formed of 5% of the profits of the year until such time that the total reserve balance, together with capital gains, reaches 5% of the Company's share capital. The legal reserves represent non-distributable reserves. The increase in legal reserves was followed by distribution of profit of the parent Company for the year 2016, according to the Decision of the Assembly.

28. CONSOLIDATED RESERVES FOR TREASURY SHARES

(in HRK)	2017	2016
At 31 December of the prior year	36,382,812	36,382,812
Increase / Decrease	-	-
At 31 December of the current year	**36,382,812**	**36,382,812**

29. TREASURY SHARES (DEDUCTIBLE ITEM)

(in HRK)	2017	2016
At 31 December of the prior year	(13,348,739)	(13,764,816)
Purchase of treasury shares	-	(84,024)
Sale of treasury shares	1,342,319	500,101
At 31 December of the current year	**(12,006,420)**	**(13,348,739)**

30. CONSOLIDATED REVALUATION RESERVES

(in HRK)	2017	2016
At 31 December of the prior year	166,964,163	**151,298,132**
Increase / Decrease	(227,724,052)	15,666,031
At 31 December of the current year	**(60,759,889)**	**166,964,163**

/i/ The decrease of revaluation reserves resulted from the reduction of a stake in USSO in the amount of HRK 136,764,420 (USD 20,000,000), from adjustments of investments in foreign subsidiaries in 2017 at the mid-exchange rate of USD at the end of the accounting period in the amount of HRK 90,275,952, and from decrease on the basis of revaluation of financial assets at fair value at the balance sheet date in the amount of HRK 683,680.

31. CONSOLIDATED RETAINED LOSS

(in HRK)	2017	2016
At 31 December of the prior year	(505,891,201)	(18,629,325)
Changes /i/	172,749,896	(487,261,876)
At 31 December of the current year	**(333,141,305)**	**(505,891,201)**

/i/ Decrease in accumulated losses in 2017 was achieved by adjusting of the participating shares in accordance with IAS 28 (Note 16), by calculating exchange rate differences, by reducing the capital of USSO, while the increase refers to the transfer of loss from 2016.

32. CONSOLIDATED PROFIT/(LOSS) FOR THE CURRENT YEAR

In 2017, the Group generated a net consolidated profit in the amount of HRK 4,360,079 (2016 consolidated loss: HRK 43,568,462).

33. MINORITY INTEREST

(in HRK)	2017	2016
Related Company: Group Uljanik Pula		
% of minority interest /i/	45%	45%
Share capital USD 27,675,090 (2013: 27,675,090)	173,515,425	188,293,508
Exchange differences	231,327	7,229,601
Loss carried forward	(27,200,569)	(16,810,453)
Loss of the current year	(4,343,914)	(11,422,708)
Net-capital of minority interest	**142,202,269**	**167,289,948**

/i/ The minority interest of 45% stake in the capital of the companies United Shipping Services Twelve Inc. and United Shipping Services Thirteen Inc. is in the ownership of the GROUP ULJANIK, Pula.

34. LONG-TERM PROVISIONS

(in HRK)	2017	2016
Accrued commitments to employees /i/	1,738,293	1,794,717
	1,738,293	**1,794,717**

/i/ The accrued commitments arise from provisions of the IAS 19. In the stated amount, according to the Parent company's Internal Act, gross termination benefits amount to HRK 813,986 (2016: HRK 813,986) and gross jubilee-awards amount to HRK 924,307 (2016: HRK 980,731). The decrease in provisions compared to 2016 was made with parallel accounting of earning in the amount of 56,424 (Note 4).

35. LONG TERM LIABILITIES TO BANKS AND OTHER CREDITORS

(in HRK)	2017	2016
Entities within the Group:		
Credit Suisse /i/	464,400,969	556,065,447
Privredna banka Zagreb d.d., Zagreb - United Shipping Services Seventeen Inc.	165,927,054	198,747,661
	630,328,023	**754,813,108**
Parent company:		
HBOR/RBA d.d. Zagreb	30,455,306	30,545,669
HBOR/RBA d.d. Zagreb	38,081,694	38,193,219
HBOR/RBA d.d. Zagreb	21,052,080	21,175,751
HBOR/ZABA d.d. Zagreb	213,606,021	269,196,448
	303,195,101	**359,111,087**
Non financial institutions	**53,916,863**	**57,604,494**
Total long-term borrowings including current portion	**987,439,987**	**1,171,528,689**
Capitalized borrowing costs	(5,796,821)	(7,642,249)
Current portion of long-term borrowings (Note 36, 37)	(112,597,552)	(102,425,545)
Long-term borrowings	**869,045,614**	**1,061,460,895**

/i/ Loans are granted to related companies United Shipping Services Three Inc., United Shipping Services Ten Inc., United Shipping Services Eleven Inc. and United Shipping Services Fourteen Inc., with final maturity in September 2022.

Long-term borrowings are secured by pledging of shares of the foreign subsidiaries, by first priority mortgages over the ships Levan, Kastav, Verige, Veruda, Stoja, Pomer and Champion Istra. They are also secured by assignment of insurances and pledging of earnings and retention accounts as well as by pledging of shares of the parent company and shares in company Istarska autocesta d.d. Pula. Furthermore, they are secured by a lien on the property owned by the parent company and the subsidiary, bills of exchange and promissory notes.

36. SHORT TERM BORROWINGS, DEPOSITS, ETC.

(in HRK)	2017	2016
Short term liabilities towards non-financial institutions	-	5,734,829
Current portion of long-term borrowings (Note 35)	5,056,842	3,897,631
	5,056,842	**9,632,460**

37. LIABILITIES TOWARDS BANKS AND OTHER FINANCIAL INSTITUTIONS

Short-term financial liabilities are as follows:

(in HRK)	2017.	2016.
Liabilities of the Parent company	15,573,550	18,471,833
Total short-term financial liabilities	**15,573,550**	**18,471,833**
Current portion of long-term borrowings (Note 35)	107,540,710	98.527.914
	123,114,260	**116.999.747**

Short-term loans are secured by blank bills of exchange and promissory notes.

38. TRADE PAYABLES

(in HRK)	2017	2016
Domestic trade payables	630,619	307,380
Foreign trade payables	19,509,084	28,613,226
	20,139,703	**28,920,606**

39. AMOUNTS DUE TO EMPLOYEES

(in HRK)	2017	2016
Liabilities for net wages and salaries	390,081	379,232
Payroll taxes and contributions	354,955	346,873
Other payables to employees /i/	1,642,467	1,764,183
	2,387,503	**2,490,288**

/i/ Within the stated obligations, the amount of HRK 723,566 (in 2016: HRK 698,841) represents the accrued obligation for the gross salary of employees deriving from premiums collected upon expiry of the insurance period (Note 8).

40. TAXES, CONTRIBUTIONS AND OTHER DUTIES PAYABLE

(in HRK)	2017	2016
Other	**67,423**	**7,958**

41. DIVIDENDS PAYABLE

(in HRK)	2017	2016
Outstanding dividends payable	1,324,750	2,528,594
	1,324,750	**2,528,594**

42. OTHER SHORT-TERM LIABILITIES

(in HRK)	2017	2016
Due to brokers and ship lessees	12,808,186	6,314,751
Due to crew	10,608,831	13,205,986
Interest payable	9,744,319	8,717,317
Due to agents	3,773,425	6,446,590
Accruals and other liabilities	206,851	8,427,077
	37,141,612	**43,111,721**

43. DEFERRED INCOME

(in HRK)	2017	2016
Deferred income /i/	58,514,973	63,063,378
Other	21,678	29,847
	58,536,651	**63,093,225**

/i/ Decrease in deferred revenue in the amount of HRK 4,548,405 represents a portion of the pertaining subsidy for the year 2017, according to the plan of recognition of revenue (Note 4).

44. FINANCIAL RISK MANAGEMENT

44.1. Financial risk factors

The Group's activities expose it to a variety of financial risks that include: the market risk (including the currency, interest rate and price risk), credit risk and liquidity risk. Overall risk management is carried out by the Finance Department and the Management Board of the parent Company.

/i/ Currency and interest rate risk

Currency risk is the risk that the value of financial instruments may change due to fluctuations in the exchange rates. The Company operates internationally and is exposed to foreign exchange risk arising from various foreign exchange rates primarily tied to the US dollar (USD) and the Euro (EUR). Foreign exchange risk arises from future commercial transactions and from recognized assets and liabilities. Currently valid policies of the Company do not include active hedging.

The majority of income from sales of services abroad and from long-term and short-term debt is denominated in US dollars or Euros. Therefore, fluctuations in exchange rates between the US dollar and the Euro and HRK may have an impact on future operating results and cash flows.

Interest rate risk is the risk that the value of financial instruments will change due to changes in market interest rates. Interest rate risk in cash flows is the risk that the cost of interest on financial instruments will fluctuate over the reporting period.

/ii/ Credit risk

Credit risk is the risk of failure of a party to a financial instrument to fulfil its obligation, which could cause a financial loss to the other side. The maximum exposure to credit risk is shown in the value of each financial asset in the balance sheet. The main financial assets of the Company consist of cash and balances on accounts with banks, trade receivables and other receivables and investments.
The credit risk on liquid funds is limited, because the other side is usually represented by banks that have high credit ratings with international agencies. The credit risk of the Company is primarily attributable to its trade receivables, however it is limited due to the fact that most of the receivables from customers abroad represent receivables from its subsidiaries.
Management believes that no additional credit risk exists that could affect the provisions for impairment of trade and other receivables.

/iii/ Liquidity risk

Liquidity risk, which is considered a funding risk, is the risk posed by difficulties that the Company may encounter in raising funds to meet its commitments associated with financial instruments. Prudent liquidity risk management implies maintaining of sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet all obligations. The finance department regularly monitors available cash resources.

/iv/ Management of capital

The Company monitors capital in accordance with the laws and regulations of the Republic of Croatia that require a minimum paid up capital of HRK 200,000 for joint stock companies.
The primary objective of the Company's management of capital is to support the business and maximize shareholder value. The Company manages its capital and makes adjustments in light of the changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016.

44.2. Fair value estimates

Management's estimates of fair value of the Group's financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

(in HRK)	Note	2017 Carrying value	2017 Fair value
Long-term financial assets	16	6,179,151	6,179,151
Long –term receivables	17	14,317,291	14,317,291
Inventories, trade receivables and other receivables	18,19,20,21, 23,24	26,462,320	26,462,320
Short-term financial assets	22	680,922	680,922
Liabilities from debt on which are calculated interests	35,36,37	997,216,716	997,216,716
Trade payables and other liabilities	38,39,40,41, 42,43	119,597,642	119,597,642

Fair value of financial assets and liabilities is based on the quoted market price at the balance sheet date, if it is available. Where the market price is not available, the Company estimates fair value based on publicly available information from external sources or on the basis of the discounted cash flow method, where applicable.
For receivables and payables whose maturity is less than one year it is deemed that their value reflects the fair value. All other receivables and payables are discounted to determine the fair value.

45. KEY MANAGEMENT

Company's key management includes the executive management which consists of the director, assistant director and two fleet managers.

Total amount of fees paid to the key management for the year 2017 amounts to HRK 2,941,482 (2016.: HRK 3,799,995).
During the year, the Supervisory Board received fees in the amount of HRK 147,019 (2016.: HRK 160,255).

46. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates are, by definition, seldom equal to the actual results. Estimates and assumptions that could represent a significant risk of adjustment to the carrying amounts of assets and liabilities within the next financial year are given below.

a) Significant accounting estimates and sources of estimates

Income tax

The income tax calculation has been prepared on the basis of the current interpretation of applicable laws and regulations. The calculations serving as the basis for the income tax are subject to tax audit reviews by tax authorities.

Impairment of receivables
Receivables are assessed for impairment at each balance sheet date and during the year and reduced by the estimated amount of doubtful receivables. Each debtor is reviewed by reference to its status, the overdue receivables and the stage of litigation if any.

b) Significant accounting judgments used in the application of accounting standards

In addition to the accrued commitments to employees as disclosed in Note 34 the management is of the opinion that no other significant judgments should be disclosed in the consolidated financial statements.

47. EVENTS AFTER THE BALANCE SHEET DATE

By using a risk allocation model Uljanik Plovidba d.d. Pula entered on 26 March 2018, into a Long Term Loan Agreement with Privredna banka Zagreb d.d. Zagreb and the Croatian Bank for Reconstruction and Development Zagreb for the amount of 54,189,773 USD. The loan has been granted with a repayment term of 10 years and has been secured by a state guarantee. The loan has been granted with the purpose of refinancing of the existing loans for the vessels Champion Istria and Verige.

48. PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on the preceding pages were prepared and authorized for issue by the management of the parent company on 30 March 2018.

49. AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year 2017 were audited by the audit firm REVIDAS d.o.o., Vukovarska 47, Pula.

For the **GROUP ULJANIK PLOVIDBA** Pula:

Dragutin Pavletić,
Director of Uljanik Plovidba d.d. Pula

ULJANIK PLOVIDBA

DIRECTOR

Pula, 30.03.2018

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 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 104.3 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.

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.

6. IMPORTANT EVENTS IN 2018

On 26th February 2018 at the port of Zhoushan, China, the oldest vessel from Uljanik Plovidba fleet, bulk carrier m/v Levan built in 2006, was sold.

On 26th March 2018, company ULJANIK PLOVIDBA d.d. entered into a Long-term Foreign Currency Syndicated Loan Agreement according to Risk-Sharing Model with Privredna banka Zagreb d.d. and Croatian Bank for Reconstruction and Development in the amount of 54 million USD. The subject Loan Agreement was concluded in order to refinance loan previously granted by Privredna banka Zagreb d.d. for acquisition of oil and chemical tanker named Champion Istra and and syndicate loan of foreign banks led by Credit Suisse AG for acquisition of oil and chemical tanker named Verige, both built in 3. Maj Brodogradilište d.d., Rijeka, in 2010 and 2012. The new loan was granted with a 10 year repayment period at a considerably lower interest rate and instalments which will enable regular repayment of the loan and is secured by a State Guarantee in the amount of 43 million USD. Although the amount of the new loan is significant, there was no increase of the Company's debt exposure.

7. 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.

8. 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.

9. 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.

10. CORPORATE MANAGEMENT CODE

The Company fully complies with its Corporate Governance Code.

Pula, 30th March 2018

Dragutin Pavletić, Director

ULJANIK PLOVIDBA

STATEMENT OF THE PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

According to the best of our knowledge:

The audited 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 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	Director
Bojana Mihajlović	Dragutin Pavletić

Pula, 23rd April, 2018

ULJANIK PLOVIDBA

Supervisory Board

Pula, 24 April 2018

In accordance with the provisions of Article 300c and Article 300d of the Companies Act (Official Gazette, Number 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13 and 110/15) and Article 37 of ULJANIK PLOVIDBA d.d.'s Articles of Association (full text of 14 July 2017), the Supervisory Board of ULJANIK PLOVIDBA Maritime Transport, public limited company of Pula, Carrarina 6, at the meeting held on the 24th of April 2018 passed the following

RESOLUTION
on approval of annual financial statements

I. Approval is given to the audited unconsolidated and consolidated annual financial statements of ULJANIK PLOVIDBA d.d. and the Group ULJANIK PLOVIDBA for the year 2017 comprising Income statement with comprehensive income, Balance sheet, Statement of changes in equity, Cash flow statement and Notes to the financial statements.

II. Approval is given to the report of the independent auditor REVIDAS revizija i konzalting d.o.o. on the performed audit of unconsolidated and consolidated annual financial statements of ULJANIK PLOVIDBA d.d. and the Group ULJANIK PLOVIDBA for the year 2017.

III. Approval is given to the Management report on ULJANIK PLOVIDBA d.d. and the Group ULJANIK PLOVIDBA status for the year 2017.

IV. Income statement of ULJANIK PLOVIDBA d.d. for the year 2017 is approved with the following figures

	2017	2016
TOTAL INCOME	74,176,714.03	70,577,065.02
TOTAL EXPENSES	68,771,615.36	62,009,572.51
PROFIT	5,405,098.67	8,567,492.51
TAX	231,658.50	309,925.88
NET PROFIT	5,173,440.17	8,257,566.63

V. Consolidated Income statement of the Group ULJANIK PLOVIDBA for the year 2017 is approved with the following figures

	2017	2016
TOTAL INCOME	242,108,968.00	225,097,197.00
TOTAL EXPENSES	241,789,954.00	279,657,424.00
PROFIT/LOSS	319,014.00	-54,560,227.00
TAX	302,849.00	430,943.00
LOSS OF MINORITY INTEREST	-4,343,914.00	-11,422,708.00
NET PROFIT/LOSS	4,360,079.00	-43,568,462.00

Pula, 24 April 2018

VI. Being approved in accordance with the above Items, the audited unconsolidated and consolidated annual financial statements of ULJANIK PLOVIDBA d.d. and the Group ULJANIK PLOVIDBA for the year 2017 are considered to be approved both by the Management Board and the Supervisory Board in accordance with Article 300d of the Companies Act.

VII. It is proposed to the General Meeting of ULJANIK PLOVIDBA d.d. to pass a resolution on approval of the Management report on ULJANIK PLOVIDBA d.d. and the Group ULJANIK PLOVIDBA status for the year 2017.

President of the Supervisory Board
Amra Pende

ULJANIK PLOVIDBA

Supervisory Board

Pula, 24 April 2018

In accordance with Article 300c Paragraph 1 and Article 280 Paragraph 3 of the Companies Act (Official Gazette, Number 111/93, 34/99, 121/99, 52/00, 118/03, 107/07, 146/08, 137/09, 125/11, 152/11, 111/12, 68/13 and 110/15) and Article 37 of ULJANIK PLOVIDBA d.d.'s Articles of Association (full text of 14 July 2017), the Supervisory Board of ULJANIK PLOVIDBA Maritime Transport, public limited company of Pula, Carrarina 6, at the meeting held on the 24th of April 2018 passed the following

RESOLUTION
on profit distribution proposal

I. Approval is given to the proposal made by the Director of ULJANIK PLOVIDBA d.d. on the 30th day of March 2018 for distribution of profit generated in 2017.

II. It is proposed to the General Meeting of ULJANIK PLOVIDBA d.d. to pass a resolution on distribution of profit generated in 2017 according to which the profit of the company ULJANIK PLOVIDBA d.d. (the "Company") generated in 2017 in the amount of HRK 5,173,440.17 shall be distributed as follows:
- HRK 258,672.00 to the Company's legal reserves,
- HRK 4,914,768.17 to the Company's retained profits.

President of the Supervisory Board
Amra Pende