



GROUP ULJANIK PLOVIDBA

CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY - JUNE 2017

Pula, July 2017

CONTENT:

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

Notes

Management Report

Statement of the persons responsible for preparing Financial Statements

Attachment 1.

Reporting period:

to

Semiannual financial statement of the entrepreneur - TFI-POD

 Tax number (MB):

 Company registration number (MBS):

 Personal identification number (OIB):

 Issuing company:

 Postal code and place:

 Street and house number:

 E-mail adress:

 Internet adress:

 Municipality/city code and name:

 County code and name:

 Number of employees

 Consolidated report:

(quarter end)

 NKD code:

Companies of the consolidation subject (according to IFRS):

Seat:

MB:

 Bookkeeping service:

 Contact person:

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

 Telephone:

 Telefax:

 E-mail adress:

 Family name and name:

(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.

BALANCE SHEET
as of 30.06.2017.

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	1.160.030.359
I. INTANGIBLE ASSETS (004 to 009)	003	0	0
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	0	0
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	1.128.208.183
1. Land	011	121.829	121.829
2. Buildings	012	2.884.388	2.859.065
3. Plant and equipment	013	105.890	96.573
4. Instruments, plant inventories and transportation assets	014	1.280.707.700	1.121.978.977
5. Biological assets	015	3.172.705	3.151.739
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	16.874.174
1. Shares (stocks) in related parties	021		
2. Loans given to related parties	022		
3. Participating interests (shares)	023	4.586.603	4.596.535
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	10.677.639
7. Other long - term financial assets	027		
8. Investments accounted by equity method	028		
IV. RECEIVABLES (030 to 032)	029	10.325.636	14.948.002
1. Receivables from related parties	030		
2. Receivables based on trade loans	031		
3. Other receivables	032	10.325.636	14.948.002
V. DEFERRED TAX ASSETS	033		
C) SHORT- TERM ASSETS (035+043+050+058)	034	37.391.851	24.924.471
I. INVENTORIES (036 to 042)	035	5.775.072	2.458.362
1. Raw material	036	5.775.072	2.458.362
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	11.832.935
1. Receivables from related parties	044		
2. Accounts receivable	045	6.989.204	5.318.947
3. Receivables from participating entrepreneurs	046		
4. Receivables from employees and shareholders	047		
5. Receivables from government and other institutions	048	155.335	156.400
6. Other receivables	049	6.230.031	6.357.588
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	4.075.832	272.359
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	272.359
7. Other financial assets	057		
IV. CASH AT BANK AND IN CASHIER	058	14.166.377	10.360.815
D) PREPAID EXPENSES AND ACCRUED INCOME	059	6.192	9.190
E) TOTAL ASSETS (001+002+034+059)	060	1.366.555.628	1.184.964.020
F) OFF-BALANCE SHEET NOTES	061		

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	36.515.417	13.833.855
I. SUBSCRIBED CAPITAL	063	232.000.000	232.000.000
II. CAPITAL RESERVES	064	-21.979.230	-22.351.427
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	41.700.199	42.456.051
1. Reserves prescribed by law	066	18.666.126	18.666.126
2. Reserves for treasury stocks	067	36.382.812	36.382.812
3. Treasury stocks and shares (deduction)	068	13.348.739	12.592.887
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071	166.964.163	-35.904.807
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	-505.891.201	-350.947.210
1. Retained earnings	073		
2. Accumulated loss	074	505.891.201	350.947.210
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	-43.568.462	592.672
1. Profit for the current year	076		592.672
2. Loss for the current year	077	43.568.462	
VII. MINORITY INTEREST	078	167.289.948	147.988.576
B) PROVISIONS (080 to 082)	079	1.794.717	1.763.714
1. Provisions for pensions, severance pay and similar liabilities	080	1.794.717	1.763.714
2. Reserves for tax liabilities	081		
3. Other reserves	082		
C) LONG TERM LIABILITIES (084 to 092)	083	1.061.460.895	944.417.311
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	944.417.311
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	164.132.161
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits etc.	095	9.632.460	3.897.631
3. Liabilities to banks and other financial institutions	096	116.999.747	106.719.739
4. Liabilities for received prepayments	097		
5. Accounts payable	098	28.920.606	16.328.985
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	2.491.356
9. Liabilities for taxes, contributions and similar fees	102	7.958	0
10. Liabilities to share - holders	103	2.528.594	2.528.594
11. Liabilities for long term assets held for sale	104		
12. Other short - term liabilities	105	43.111.721	32.165.856
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	63.093.225	60.816.979
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	107	1.366.555.628	1.184.964.020
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	-134.154.721
2. Attributed to minority interests	110	167.289.948	147.988.576

PROFIT AND LOSS ACCOUNT
for period 01.01.2017. to 30.06.2017.

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	97.313.495	53.816.796	98.851.545	58.488.515
1. Sales revenues	112	94.925.164	52.593.618	96.496.555	57.149.180
2. Other operating revenues	113	2.388.331	1.223.178	2.354.990	1.339.335
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	101.928.211	49.830.908	80.204.689	32.470.117
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	20.187.274	8.093.381	12.154.260	3.186.751
a) Raw material and material costs	117	133.210	66.623	166.140	62.655
b) Costs of goods sold	118				
c) Other external costs	119	20.054.064	8.026.758	11.988.120	3.124.096
3. Staff costs (121 to 123)	120	30.729.305	15.925.609	24.455.211	9.143.210
a) Net salaries and wages	121	28.305.141	14.711.333	22.306.575	8.051.501
b) Costs for taxes and contributions from salaries	122	1.691.366	847.228	1.463.668	745.381
c) Contributions on gross salaries	123	732.798	367.048	684.968	346.328
4. Depreciation	124	43.259.112	22.084.649	37.611.684	17.539.829
5. Other costs	125	7.752.520	3.727.269	5.983.534	2.600.327
6. Impairment (127+128)	126	0	0	0	0
a) Impairment of long-term assets (excluding financial assets)	127				
b) Impairment of short-term assets (excluding financial assets)	128				
7. Provisions	129	0	0	0	0
8. Other operating expenses	130				
III. FINANCIAL INCOME (132 to 136)	131	10.201.361	8.783.601	29.429.311	18.571.190
1. Interest income, foreign exchange gains, dividends and similar income from related	132				
2. Interest income, foreign exchange gains, dividends and similar income from non-related	133	10.201.361	8.783.601	29.429.311	18.571.190
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	32.083.134	12.770.643	50.800.366	31.462.293
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	32.083.134	12.770.643	50.800.366	31.462.293
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	107.514.856	62.600.397	128.280.856	77.059.705
X. TOTAL EXPENSES (114+137+143 + 145)	147	134.011.345	62.601.551	131.005.055	63.932.410
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	-26.496.489	-1.154	-2.724.199	13.127.295
1. Profit before taxation (146-147)	149	0	0	0	13.127.295
2. Loss before taxation (147-146)	150	26.496.489	1.154	2.724.199	0
XII. PROFIT TAX	151	166.347	83.173	154.963	77.481
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	-26.662.836	-84.327	-2.879.162	13.049.814
1. Profit for the period(149-151)	153	0	0	0	13.049.814
2. Loss for the period (151-148)	154	26.662.836	84.327	2.879.162	0
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	-19.893.682	3.111.723	592.672	13.797.983
2. Attributed to minority interests	156	-6.769.154	-3.196.050	-3.471.834	-748.169
STATEMENT OF COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	-26.662.836	-84.327	-2.879.162	13.049.814
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)	158	-21.787.021	-7.869.810	-202.868.969	-177.094.914
1. Exchange differences on translation of foreign operations	159	-21.787.021	-7.869.810	-202.868.969	-177.094.914
2. Movements in revaluation reserves of long-term tangible and intangible assets	160				
3. Profit or loss from revaluation of financial assets available for sale	161				
4. Gains or losses on efficient cash flow hedging	162				
5. Gains or losses on efficient hedge of a net investment in foreign countries	163				
6. Share in other comprehensive income / loss of associated companies	164				
7. Actuarial gains / losses on defined benefit plans	165				
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	-4.357.404	-1.573.962	-40.573.793	-35.418.983
IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)	167	-17.429.617	-6.295.848	-162.295.176	-141.675.931
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)	168	-44.092.453	-6.380.175	-165.174.338	-128.626.117
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	-37.323.299	-3.184.125	-161.702.504	-127.877.948
2. Attributed to minority interests	170	-6.769.154	-3.196.050	-3.471.834	-748.169

CASH FLOW STATEMENT - Indirect method
period 01.01.2017. to 30.06.2017.

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	-26.496.489	-2.724.200
2. Depreciation	002	43.259.112	37.611.684
3. Increase in short-term liabilities	003		
4. Decrease in short term receivables	004		1.541.635
5. Decrease in inventories	005	2.073.071	3.316.710
6. Other cash flow increases	006	9.716.743	15.904.248
I. Total increase in cash flow from operating activities (001 to 006)	007	28.552.437	55.650.077
1. Decrease in short - term liabilities	008	43.782	23.544.375
2. Increase in short - term receivables	009	4.463.126	
3. Increase in inventories	010	0	0
4. Other cash flow decreases	011	2.829.303	2.465.210
II. Total decrease in cash flow from operating activities (008 to 011)	012	7.336.211	26.009.585
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	21.216.226	29.640.492
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	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	6.775	12.228
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	6.775	12.228
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	6.775	12.228
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	0	0
3. Other cash inflows from financing activities	029	561.786	19.152.391
V. Total cash inflows from financing activities (027 to 029)	030	561.786	19.152.391
1. Cash outflows for repayment of loans and bonds	031	27.219.384	32.134.313
2. Dividends paid	032		
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034	0	0
5. Other cash outflows from financing activities	035	5.011.098	20.451.904
VI. Total cash outflows from financing activities (031 do 035)	036	32.230.482	52.586.217
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	31.668.696	33.433.826
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	10.459.245	3.805.562
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	10.459.245	3.805.562
Cash and cash equivalents at the end of period	044	15.190.163	10.360.815

STATEMENT OF CHANGES IN EQUITY
from 1.1.2017 to 30.6.2017

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	-22.351.427
3. Reserves from profit	003	41.700.199	42.456.051
4. Retained earnings or accumulated loss	004	-505.891.201	-350.947.210
5. Profit / loss for the current year	005	-43.568.462	592.672
6. Revaluation of long - term tangible assets	006		
7. Minority interest	007	167.289.948	147.988.576
8. Revaluation of financial assets available for sale	008	-625.760	-625.760
9. Other revaluation	009	167.589.923	-35.279.047
10. Total capital and reserves (AOP 001 to 009)	010	36.515.417	13.833.855
11. Currency gains and losses arising from net investments in foreign operations	011	15.251.791	-202.868.969
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	180.187.408
17. Total increase or decrease in capital (AOP 011 to 016)	017	-55.064.083	-22.681.561
17 a. Attributed to equity holders of parent company	018	-47.450.015	-3.380.189
17 b. Attributed to minority interest	019	-7.614.068	-19.301.372

Items decreasing the capital are entered with a negative number sign

Data entered under AOP marks 001 to 009 are entered as situation on the Balance Sheet date

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30.06.2017

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 30th June 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 30th June 2017 the Group had 33 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30.06.2017

1. Operating income for the first half of 2017 amounts to 98.8 mil HRK while in the same period of 2016, it amounted to 97.3 mil HRK. Other income is mostly related to the recognition of the deferred income on the basis of received government grants for vessels construction.
2. Operating expenses are significantly lower in the first half of 2017 with respect to 2016, in accordance with the measures of rationalization adopted in all segments of business.
3. Financial income and financial expenses in the first half of 2017 are considerably higher compared with the same period of 2016 as a result of accrued exchange rate differences, due to the fall of US dollar in the current period.
4. As at 30.06.2017 the book value of the vessels amounts to 172.8 mil USD (1,121.9 mil HRK).
5. In the period from 1.01. to 30.06.2017 the Company disposed of treasury shares in the amount of 755.8 thousand HRK.
6. Revaluation reserves have been decreased with respect to the balance as at 31.12.2016, as a result of recording increase and decrease of the investment in shares (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 at the mean rate of exchange for USD as at 30.06.2017.
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 30th June 2017. At 30th June 2017 long-term debt amounts to 944,417 thousand HRK (at 31.12.2016 it amounted to 1,061,461 HRK). In the first half of 2017 long-term loans were repaid in the total amount of USD 4,371,666.
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 30th June 2017.
9. In the period from January-June 2017 the applicable amount of income from grants from previous years in the amount of 2,274 thousand HRK was recorded

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT
30.06.2017**

with the proportional decrease of the deferred income, in accordance with the deferred income recognition plan.

10. The minority in equity as at 30th June 2017 in the amount of 147,988 thousand HRK refers to the ownership of ULJANIK Group Pula in foreign companies United Shipping Services Twelve Inc. and United Shipping Services Thirteen Inc.

For the GROUP ULJANIK PLOVIDBA Pula



Dragutin Pavletić
Director of ULJANIK PLOVIDBA d.d.

Pula, 5th July 2017

MANAGEMENT REPORT FOR THE PERIOD 01.01-30.06/2017

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 30 June 2017 represent financial statements of the Company and its subsidiaries. The principal activity of the Company is an international maritime transport in the dry cargo sector with Supramax bulk carriers and transportation of petroleum products, chemicals and oil with MR tankers.

At the end of the reporting period the fleet consists of four MR tankers and three Supramax bulk carriers with an average age of 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 the first half of 2017 there were no changes of members of the Supervisory Board, nor of the Management Board.

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

The business activity of the Company and its foreign subsidiaries in the first half of 2017 was regular, with full employment of vessels and high functioning management system.

In the current period after a strong growth in freight rates and values of the vessels in dry cargo sector, particularly after Chinese New year, there was a significant correction of freight rates due to a larger number of newly built vessels, reduced ship scraping activity, and slowdown of activity in some markets. However, looking at the average, realized freight rates are significantly higher than in the same period of the last year, and the value of bulk carriers increased by over 40% in this period. Forecasts of market trends, despite the current correction of 25%, are still optimistic as early as the following quarter, under the influence of announced business results in the lead agro-products exporting countries and reduced deliveries of new built vessels in the upcoming years.

In the petroleum products, oils and chemicals transportation sector in the first half of 2017 there was a correction of freight rates, primarily due to the delivery of a larger number

of newly built tankers in the last six months. The recovery of the market in tanker transportation is expected in the next half of this year as a result of increased demand and reduced number of newly constructed / newly contracted tankers.

In the first half of 2017 the Company:

- a) achieved a consolidated positive EBITDA for the Group of 56.2 mil HRK,
- b) generated consolidated net profit of 592,672 HRK,
- c) realized an increase of the total income,
- d) realized significant reduction in total operating costs of the vessels in line with measures of business rationalization, despite the increased costs related to dry docking of the vessel *Stoja* caused by extraordinary works on shafting,
- e) achieved constant employment of vessels with the continuation of the Company's fleet high efficiency trend,
- f) retained the proper solvency and liquidity,
- g) decreased its overall credit exposure and fulfilled all its loan payment obligations. In the first half of 2017 the Company repaid its long-term loans in a total of 4,371,666 USD,
- h) proceeded with full implementation of the safety and quality system on the vessels and in the office, with continuous increase in the quality and expertise of the employees and maintenance of a high level of professionalism
- i) maintained high efficiency of vessels' management including the third party management,
- j) collected 100% of contracted freights from the Charterers of all vessels with their full performance.

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

1. COMMERCIAL ASPECT

The consolidated operating revenues for the reporting period of 98,852 thousand HRK compared to 97,313 thousand HRK in the same period of 2016. The operating revenues were significantly influenced by trends in the bulk cargo market, full employment of the fleet, full collection of tanker freight on the spot market, as well as by realized revenue from ship management.

2. PERSONNEL

As at 30th June 2017 the Company had 33 employees.

3. TECHNICAL ASPECT

In the first half of 2017 after five years of operating bulk carrier *Stoja* underwent its regular dry docking in China. Extraordinary work carried out on propeller shaft had a negative

impact on expenses and a longer off-hire period of the said vessel. The company keeps maintaining high efficiency of vessel exploitation with all vessels in the fleet.

4. ACQUISITION OF TREASURY SHARES

In the period January – June 2017 the Company did not acquired treasury shares. The Company disposed of treasury shares in the amount of 756 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.

6. COMPANY GROWTH

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

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

7. COMPANY ACTIVITIES CONCERNING RESEARCH AND DEVELOPMENT AND ENVIRONMENTAL PROTECTION

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

8. BUSINESS RISKS

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

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

9. CORPORATE MANAGEMENT CODE

The Company fully complies with its Corporate Governance Code.

Pula, 5th July 2017



Dragutin Pavletić, Director

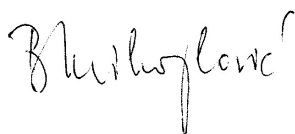
STATEMENT OF THE PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

According to the best of our knowledge:

The unaudited consolidated financial reports of GROUP ULJANIK PLOVIDBA for the period January – June 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 – June 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, 5th July, 2017