



ULJANIK PLOVIDBA d.d.

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY - JUNE 2017

Pula, July 2017

CONTENT:

Financial Statements of ULJANIK PLOVIDBA d.d.
(unaudited) for the period January – June 2017

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Management Report

Statement of the persons responsible for preparing Financial Statements

Attachment 1.

Reporting period:

18

1.1.2017

to

30.6.2017

Semiannual financial statement of the entrepreneur - TFI-PODTax number (MB): **03292754**Company registration number (MBS): **040010793**Personal identification number (OIB): **49693360447**Issuing company: **ULJANIK PLOVIDBA D.D.**Postal code and place: **52100** | **PULA**Street and house number: **CARRARINA 6**E-mail address: **uljanik-plovidba@pu.t-com.hr**Internet address: **www.uljanikplovidba.com**Municipality/city code and name: **359** | **PULA**County code and name: **18** | **ISTARSKA**Number of employees: **33**

(quarter end)

Consolidated report: **NO**NKD code: **5020**

Companies of the consolidation subject (according to IFRS):

Seat:

MB:

Bookkeeping service:

Contact person: **VANESA PERUŠKO TOPIĆ**

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

Telephone: **052 492555**Telefax: **052 492598**E-mail address: **vanesa.topic@uljanikplovidba.com**Family name and name: **DRAGUTIN PAVLETIĆ**

(person authorized to represent the company)

Documents to be published:

1. Financial statements (balance sheet, profit and loss statement, cash flow statement, statement of changes in equity, and notes to financial statements)
2. Report of the Management Board on the Company Status
3. Statement of persons responsible for the drawing-up of financial statements

ULJANIK PLOVIDBA d.d.

Signature of the person authorized to represent the company)

BALANCE SHEET
as of 30.06.2017.

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	913.096.773	824.761.849
I. INTANGIBLE ASSETS (004 to 009)	003		
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005		
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	3.112.107	3.077.467
1. Land	011	121.829	121.829
2. Buildings	012	2.884.388	2.859.065
3. Plant and equipment	013	72.954	66.603
4. Instruments, plant inventories and transportation assets	014	32.936	29.970
5. Biological assets	015		
6. Prepayments for tangible assets	016		
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	899.659.030	820.861.446
1. Shares (stocks) in related parties	021	624.336.112	595.043.218
2. Loans given to related parties	022	245.566.881	211.027.456
3. Participating interests (shares)	023	1.679.935	1.679.935
4. Loans to entrepreneurs in whom the entity hold participating interests	024	1.600.000	1.600.000
5. Investment in securities	025	823.267	833.199
6. Loans, deposits and similar assets	026	25.089.876	10.114.680
7. Other long - term financial assets	027	562.959	562.958
8. Investments accounted by equity method	028		
IV. RECEIVABLES (030 to 032)	029	10.325.636	822.936
1. Receivables from related parties	030		
2. Receivables based on trade loans	031	10.325.636	822.936
3. Other receivables	032		
V. DEFERRED TAX ASSETS	033		
C) SHORT- TERM ASSETS (035+043+050+058)	034	220.988.464	50.962.721
I. INVENTORIES (036 to 042)	035	0	0
1. Raw material	036		
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	128.540.001	27.968.084
1. Receivables from related parties	044	102.017.658	3.747.113
2. Accounts receivable	045	25.869.121	23.697.633
3. Receivables from participating entrepreneurs	046		
4. Receivables from employees and shareholders	047		
5. Receivables from government and other institutions	048	155.335	149.986
6. Other receivables	049	497.887	373.352
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	92.421.477	22.974.288
1. Shares (stocks) in related parties	051		
2. Loans given to related parties	052	88.345.645	22.701.929
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	26.986	20.349
D) PREPAID EXPENSES AND ACCRUED INCOME	059	6.192	9.190
E) TOTAL ASSETS (001+002+034+059)	060	1.134.091.429	875.733.760
F) OFF-BALANCE SHEET NOTES	061		

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	659.754.537	457.861.881
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	232.811.838	241.076.715
1. Retained earnings	073	232.811.838	241.076.715
2. Accumulated loss	074		
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	8.257.567	585.349
1. Profit for the current year	076	8.257.567	585.349
2. Loss for the current year	077		
VII. MINORITY INTEREST	078		
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	402.623.577	351.950.575
1. Liabilities to related parties	084	26.429.062	11.327.149
2. Liabilities for loans, deposits etc.	085	322.487.653	287.126.564
3. Liabilities to banks and other financial institutions	086		
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	2.122.000	1.912.000
8. Other long-term liabilities	091	51.584.862	51.584.862
9. Deferred tax liability	092		
D) SHORT - TERM LIABILITIES (094 to 105)	093	69.915.865	64.156.897
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits etc.	095	3.477.631	3.477.631
3. Liabilities to banks and other financial institutions	096	55.095.268	50.672.870
4. Liabilities for received prepayments	097	138.844	138.844
5. Accounts payable	098	307.380	849.235
6. Liabilities arising from debt securities	099		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100	420.000	420.000
8. Liabilities to employees	101	2.490.288	2.491.355
9. Liabilities for taxes, contributions and similar fees	102	4.687	
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	5.453.173	3.578.368
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	2.733	693
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	107	1.134.091.429	875.733.760
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		
2. Attributed to minority interests	110		

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	10.181.498	4.948.069	10.245.075	4.986.251
1. Sales revenues	112	10.080.599	4.875.220	9.956.176	4.748.879
2. Other operating revenues	113	100.899	72.849	288.899	237.372
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	7.357.560	3.456.657	6.410.885	3.272.850
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	538.812	249.197	472.588	216.181
a) Raw material and material costs	117	133.210	66.623	132.866	50.782
b) Costs of goods sold	118				
c) Other external costs	119	405.602	182.574	339.722	165.399
3. Staff costs (121 to 123)	120	5.045.564	2.515.370	4.728.837	2.394.364
a) Net salaries and wages	121	2.621.400	1.301.094	2.580.201	1.302.655
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	48.993	23.801	46.868	23.065
5. Other costs	125	1.724.191	668.289	1.162.592	639.240
6. Impairment (127+128)	126				
a) Impairment of long-term assets (excluding financial assets)	127				
b) Impairment of short-term assets (excluding financial assets)	128				
7. Provisions	129				
8. Other operating expenses	130				
III. FINANCIAL INCOME (132 to 136)	131	11.961.824	9.666.094	34.935.876	34.935.876
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	11.961.824	9.666.094	34.935.876	22.038.830
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	13.679.361	1.932.447	38.029.754	38.029.754
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	13.679.361	1.932.447	38.029.754	24.124.984
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	22.143.322	14.614.163	45.180.951	39.922.127
X. TOTAL EXPENSES (114+137+143 + 145)	147	21.036.921	5.389.104	44.440.639	41.302.604
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	1.106.401	9.225.059	740.312	-1.380.477
1. Profit before taxation (146-147)	149	1.106.401	9.225.059	740.312	0
2. Loss before taxation (147-146)	150	0	0		
XII. PROFIT TAX	151	166.347	83.173	154.963	77.481
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	940.054	9.141.886	585.349	-1.457.958
1. Profit for the period (149-151)	153	940.054	9.141.886	585.349	0
2. Loss for the period (151-148)	154	0	0	0	1.457.958
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				
2. Attributed to minority interests	156				
STATEMENT OF COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	940.054	9.141.886	585.349	-1.457.958
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	-16.489.563	2.846.038	-161.709.827	-143.133.889
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				
2. Attributed to minority interests	170				

CASH FLOW STATEMENT - Indirect method
period 01.01.2017. to 3.06.2017.

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	1.106.401	740.312
2. Depreciation	002	48.993	46.868
3. Increase in short-term liabilities	003	743.178	
4. Decrease in short term receivables	004	1.375.874	100.571.917
5. Decrease in inventories	005		
6. Other cash flow increases	006		7.310
I. Total increase in cash flow from operating activities (001 to 006)	007	3.274.446	101.366.407
1. Decrease in short - term liabilities	008		1.336.569
2. Increase in short - term receivables	009		
3. Increase in inventories	010		
4. Other cash flow decreases	011	553.473	191.003
II. Total decrease in cash flow from operating activities (008 to 011)	012	553.473	1.527.572
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	2.720.973	99.838.835
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		
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		167.586.008
3. Other cash outflows from investing activities	023		
IV. Total cash outflows from investing activities (021 to 023)	024	6.775	167.598.236
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	167.598.236
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		82.433.391
3. Other cash inflows from financing activities	029	2.522.794	383.654
V. Total cash inflows from financing activities (027 to 029)	030	2.522.794	82.817.045
1. Cash outflows for repayment of loans and bonds	031	5.236.629	15.064.281
2. Dividends paid	032		
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034		
5. Other cash outflows from financing activities	035		
VI. Total cash outflows from financing activities (031 do 035)	036	5.236.629	15.064.281
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	0	67.752.764
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	2.713.835	0
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	363	0
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	0	6.637
Cash and cash equivalents at the beginning of period	041	67.658	26.986
Increase in cash and cash equivalents	042	363	0
Decrease in cash and cash equivalents	043	0	6.637
Cash and cash equivalents at the end of period	044	68.021	20.349

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	232.811.838	241.076.715
5. Profit / loss for the current year	005	8.257.567	585.349
6. Revaluation of long - term tangible assets	006		
7. Revaluation of intangible assets	007		
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	659.754.537	457.861.881
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	8.786.131	976.312
17. Total increase or decrease in capital (AOP 011 to 016)	017	24.037.922	-201.892.657
17 a. Attributed to equity holders of parent company	018		
17 b. Attributed to minority interest	019		

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 FINANCIAL STATEMENTS AS AT 30.06.2017

GENERAL INFORMATION

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 Company had 33 employees (2016: 34).

The financial statements for the Company have been prepared in accordance with the Law on Accounting and the International Financial Reporting Standards ('IFRS'), the application of which has been approved by the Croatian Financial Reporting Standards Board, and in accordance with the Regulation on the Structure and Content of the Annual Accounts.

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

1. Operating income for the first half of 2017 are at the same level with respect to the same period in 2016 while operating expenses are slightly lower compared with the same period of 2016.
2. Financial income and expenses have increased significantly in the first half of 2017 compared to 2016 as a result of accrued exchange rate differences due to the fall in the rate of exchange for USD in comparison to the rate at 31.12.2016.
3. The Investment in the foreign subsidiary United Shipping Services One Inc. has been translated into its counter-value in HRK according to the mean rate of exchange for the USD at 30th June 2017. After decrease and increase of the share capital in United Shipping Services One Inc., the investment of the parent company in aforementioned subsidiary increased from 86,297,413 USD to 90,803,203 USD.

NOTES TO THE FINANCIAL STATEMENTS AS AT 30.06.2017

4. Long-term loans in foreign currency have been expressed in their equivalent value in HRK according to the mean rate of exchange of the Croatian National Bank as at 30th June 2017.
5. In the first half of 2017 the Company disposed of treasury shares in the amount of 755.9 thousand HRK.
6. After an adjustment of the investment in the foreign subsidiary by the mean rate of exchange for the USD as at 30th June 2017, revaluation reserves amount to -35,905 thousand HRK. Revaluation reserves have decreased due to registering the reduction of the share capital in the subsidiary United Shipping Services One Inc. by reducing its accumulated loss for an amount of 20 mil USD, due to registering the increase of the share capital of the subsidiary, according to the Contract of Investment, by converting Uljanik Plovidba's receivables totalling 24.5 mil USD, into a founding stake and adjusting the new, higher value of the investment at the mean rate of exchange for USD as at 30th June 2017.

For ULJANIK PLOVIDBA d.d. Pula

A handwritten signature in black ink, appearing to read 'D. Pavletić', with a large, stylized initial 'D'.

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

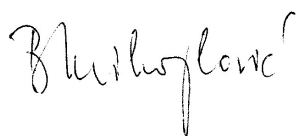
STATEMENT OF THE PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

According to the best of our knowledge:

Unaudited financial reports of ULJANIK PLOVIDBA d.d. 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 the Company.

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