



**GROUP ULJANIK PLOVIDBA**

**CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

**FOR THE PERIOD**

**JANUARY - SEPTEMBER 2017**

Pula, October 2017

CONTENT:

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

Notes

Management Report

Statement of the persons responsible for preparing Financial Statements

**Attachment 1.**

Reporting period:

01.01.2017.

to

30.09.2017.

**Quarterly financial statement of the entrepreneur - TFI-POD**

Tax number (MB): 03292754

Company registration number (MBS): 040010793

Personal identification number (OIB): 49693360447

Issuing company: ULJANIK PLOVIDBA D.D.

Postal code and place: 52100 PULA

Street and house number: CARRARINA 6

E-mail address: [uljanik-plovidba@pu.t-com.hr](mailto:uljanik-plovidba@pu.t-com.hr)

Internet address: [www.uljanikplovidba.com](http://www.uljanikplovidba.com)

Municipality/city code and name: 359 PULA

County code and name: 18 ISTARSKA

Number of employees (quarter end): 34

Consolidated report: YES

NKD code: 5020

Companies of the consolidation subject (according to IFRS):

Seat:

MB:

ULJANIK PLOVIDBA D.D.

PULA

3292754

UNITED SHIPPING SERVICES ONE INC.

MONROVIA, LIBERIA

REAL D.O.O.

PULA

2044471

Bookkeeping service:

Contact person: BOJANA MIHAJLOVIĆ

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

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Family name and name: DRAGUTIN PAVLETIĆ

(person authorized to represent the company)

**Documents to be published:**

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

**ULJANIK PLOVIDBA d.d.**



(person authorized to represent the company)

**BALANCE SHEET**  
as of 30.09.2017.

Company: ULJANIK PLOVIDBA D.D.			
Position	AOP	Previous period	Current period
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED AND NON - PAID CAPITAL</b>	<b>001</b>		
<b>B) LONG - TERM ASSETS (003+010+020+029+033)</b>	<b>002</b>	1.329.157.585	1.122.983.885
I. INTANGIBLE ASSETS (004 to 009)	<b>003</b>	0	0
1. Assets development	<b>004</b>		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	<b>005</b>	0	0
3. Goodwill	<b>006</b>		
4. Prepayments for purchase of intangible assets	<b>007</b>		
5. Intangible assets in preparation	<b>008</b>		
6. Other intangible assets	<b>009</b>		
II. TANGIBLE ASSETS (011 to 019)	<b>010</b>	1.286.992.512	1.096.626.880
1. Land	<b>011</b>	121.829	121.829
2. Buildings	<b>012</b>	2.884.388	2.846.403
3. Plant and equipment	<b>013</b>	105.890	101.801
4. Instruments, plant inventories and transportation assets	<b>014</b>	1.280.707.700	1.090.415.590
5. Biological assets	<b>015</b>	3.172.705	3.141.257
6. Prepayments for tangible assets	<b>016</b>	0	0
7. Tangible assets in preparation	<b>017</b>		
8. Other material assets	<b>018</b>		
9. Investment in buildings	<b>019</b>		
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	<b>020</b>	31.839.437	11.764.371
1. Shares (stocks) in related parties	<b>021</b>		
2. Loans given to related parties	<b>022</b>		
3. Participating interests (shares)	<b>023</b>	4.586.603	4.596.521
4. Loans to entrepreneurs in whom the entity hold participating interests	<b>024</b>	1.600.000	1.600.000
5. Investment in securities	<b>025</b>		
6. Loans, deposits and similar assets	<b>026</b>	25.652.834	5.567.850
7. Other long - term financial assets	<b>027</b>		
8. Investments accounted by equity method	<b>028</b>		
IV. RECEIVABLES (030 to 032)	<b>029</b>	10.325.636	14.592.634
1. Receivables from related parties	<b>030</b>		
2. Receivables based on trade loans	<b>031</b>		
3. Other receivables	<b>032</b>	10.325.636	14.592.634
V. DEFERRED TAX ASSETS	<b>033</b>		
<b>C) SHORT- TERM ASSETS (035+043+050+058)</b>	<b>034</b>	37.391.851	30.985.288
I. INVENTORIES (036 to 042)	<b>035</b>	5.775.072	3.532.822
1. Raw material	<b>036</b>	5.775.072	3.532.822
2. Work in progress	<b>037</b>		
3. Finished goods	<b>038</b>		
4. Merchandise	<b>039</b>		
5. Prepayments for inventories	<b>040</b>		
6. Long - term assets held for sale	<b>041</b>		
7. Biological assets	<b>042</b>		
II. RECEIVABLES (044 to 049)	<b>043</b>	13.374.570	16.983.250
1. Receivables from related parties	<b>044</b>		
2. Accounts receivable	<b>045</b>	6.989.204	9.301.358
3. Receivables from participating entrepreneurs	<b>046</b>		
4. Receivables from employees and shareholders	<b>047</b>		
5. Receivables from government and other institutions	<b>048</b>	155.335	222.788
6. Other receivables	<b>049</b>	6.230.031	7.459.104
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	<b>050</b>	4.075.832	258.699
1. Shares (stocks) in related parties	<b>051</b>		
2. Loans given to related parties	<b>052</b>		
3. Participating interests (shares)	<b>053</b>		
4. Loans to entrepreneurs in whom the entity hold participating interests	<b>054</b>		
5. Investment in securities	<b>055</b>		
6. Loans, deposits and similar assets	<b>056</b>	4.075.832	258.699
7. Other financial assets	<b>057</b>		
IV. CASH AT BANK AND IN CASHIER	<b>058</b>	14.166.377	10.210.517
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	6.192	6.241
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	1.366.555.628	1.153.975.414
<b>F) OFF-BALANCE SHEET NOTES</b>	<b>061</b>		

<b>LIABILITIES AND CAPITAL</b>			
<b>A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)</b>	<b>062</b>	36.515.417	13.490.106
I. SUBSCRIBED CAPITAL	<b>063</b>	232.000.000	232.000.000
II. CAPITAL RESERVES	<b>064</b>	-21.979.230	-22.397.480
III. RESERVES FROM PROFIT (066+067-068+069+070)	<b>065</b>	41.700.199	42.944.341
1. Reserves prescribed by law	<b>066</b>	18.666.126	19.079.004
2. Reserves for treasury stocks	<b>067</b>	36.382.812	36.382.812
3. Treasury stocks and shares (deduction)	<b>068</b>	13.348.739	12.517.475
4. Statutory reserves	<b>069</b>		
5. Other reserves	<b>070</b>		
IV. REVALUATION RESERVES	<b>071</b>	166.964.163	-48.772.126
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	<b>072</b>	-505.891.201	-340.277.830
1. Retained earnings	<b>073</b>		
2. Accumulated loss	<b>074</b>	505.891.201	340.277.830
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	<b>075</b>	-43.568.462	5.387.418
1. Profit for the current year	<b>076</b>		5.387.418
2. Loss for the current year	<b>077</b>	43.568.462	
VII. MINORITY INTEREST	<b>078</b>	167.289.948	144.605.783
<b>B) PROVISIONS (080 to 082)</b>	<b>079</b>	1.794.717	1.763.714
1. Provisions for pensions, severance pay and similar liabilities	<b>080</b>	1.794.717	1.763.714
2. Reserves for tax liabilities	<b>081</b>		
3. Other reserves	<b>082</b>		
<b>C) LONG TERM LIABILITIES (084 to 092)</b>	<b>083</b>	1.061.460.895	917.776.156
1. Liabilities to related parties	<b>084</b>		
2. Liabilities for loans, deposits etc.	<b>085</b>		
3. Liabilities to banks and other financial institutions	<b>086</b>	1.061.460.895	917.776.156
4. Liabilities for received prepayments	<b>087</b>		
5. Accounts payable	<b>088</b>		
6. Liabilities arising from debt securities	<b>089</b>		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	<b>090</b>		
8. Other long-term liabilities	<b>091</b>		
9. Deferred tax liability	<b>092</b>		
<b>D) SHORT - TERM LIABILITIES (094 to 105)</b>	<b>093</b>	203.691.374	160.488.538
1. Liabilities to related parties	<b>094</b>		
2. Liabilities for loans, deposits etc.	<b>095</b>	9.632.460	3.897.631
3. Liabilities to banks and other financial institutions	<b>096</b>	116.999.747	103.993.492
4. Liabilities for received prepayments	<b>097</b>		
5. Accounts payable	<b>098</b>	28.920.606	18.526.206
6. Liabilities arising from debt securities	<b>099</b>	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	<b>100</b>		
8. Liabilities to employees	<b>101</b>	2.490.288	2.492.952
9. Liabilities for taxes, contributions and similar fees	<b>102</b>	7.958	1.357
10. Liabilities to share - holders	<b>103</b>	2.528.594	2.528.594
11. Liabilities for long term assets held for sale	<b>104</b>		
12. Other short - term liabilities	<b>105</b>	43.111.721	29.048.306
<b>E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD</b>	<b>106</b>	63.093.225	60.456.900
<b>F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	1.366.555.628	1.153.975.414
<b>G) OFF-BALANCE SHEET NOTES</b>	<b>108</b>		
<b>APPENDIX TO BALANCE SHEET (only for consolidated financial statements)</b>			
<b>A) CAPITAL AND RESERVES</b>			
1. Attributed to equity holders of parent company	<b>109</b>	-130.774.531	-131.115.677
2. Attributed to minority interests	<b>110</b>	167.289.948	144.605.783

**PROFIT AND LOSS ACCOUNT**  
for period 01.01.2017. to 30.09.2017.

Company: ULJANIK PLOVIDBA D.D.

Position	AOP	Previous period		Current period	
		Cummulative	Periodical	Cummulative	Periodical
1	2	3	4	5	6
<b>I. OPERATING REVENUES (112+113)</b>	<b>111</b>	138.008.965	40.695.470	146.990.996	48.139.451
1. Sales revenues	112	134.312.178	39.387.014	144.344.684	47.848.129
2. Other operating revenues	113	3.696.787	1.308.456	2.646.312	291.322
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	150.254.619	48.326.408	110.635.941	30.431.252
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	29.211.401	9.024.127	17.931.874	5.777.614
a) Raw material and material costs	117	193.026	59.816	234.098	67.958
b) Costs of goods sold	118				
c) Other external costs	119	29.018.375	8.964.311	17.697.776	5.709.656
3. Staff costs (121 to 123)	120	45.915.131	15.185.826	38.598.168	14.142.957
a) Net salaries and wages	121	42.342.620	14.037.479	35.409.743	13.103.168
b) Costs for taxes and contributions from salaries	122	2.490.555	799.189	2.171.112	707.444
c) Contributions on gross salaries	123	1.081.956	349.158	1.017.313	332.345
4. Depreciation	124	63.979.218	20.720.106	44.875.442	7.263.758
5. Other costs	125	11.148.869	3.396.349	9.230.457	3.246.923
6. Impairment (127+128)	126	0	0	0	0
a) Impairment of long-term assets (excluding financial assets)	127				
b) Impairment of short-term assets (excluding financial assets)	128				
7. Provisions	129	0	0	0	0
8. Other operating expenses	130				
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>131</b>	8.126.180	0	34.708.528	5.279.217
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	8.126.180	0	34.708.528	5.279.217
3. Share in income from affiliated entrepreneurs and participating interests	134				
4. Unrealized gains (income) from financial assets	135				
5. Other financial income	136				
<b>IV. FINANCIAL EXPENSES (138 to 141)</b>	<b>137</b>	43.716.433	13.708.480	69.178.614	18.378.248
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	43.716.433	13.708.480	69.178.614	18.378.248
3. Unrealized losses (expenses) on financial assets	140				
4. Other financial expenses	141				
<b>V. INCOME FROM INVESTMENT SHARE IN PROFIT OF ASSOCIATED ENTREPRENEURS</b>	<b>142</b>				
<b>VI. LOSS FROM INVESTMENT SHARE IN LOSS OF ASSOCIATED ENTREPRENEURS</b>	<b>143</b>				
<b>VII. EXTRAORDINARY - OTHER INCOME</b>	<b>144</b>				
<b>VIII. EXTRAORDINARY - OTHER EXPENSES</b>	<b>145</b>				
<b>IX. TOTAL INCOME (111+131+142 + 144)</b>	<b>146</b>	146.135.145	40.695.470	181.699.524	53.418.668
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	193.971.052	62.034.888	179.814.555	48.809.500
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	-47.835.907	-21.339.418	1.884.969	4.609.168
1. Profit before taxation (146-147)	149	0	0	1.884.969	4.609.168
2. Loss before taxation (147-146)	150	47.835.907	21.339.418	0	0
<b>XII. PROFIT TAX</b>	<b>151</b>	249.520	83.173	173.744	18.781
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	-48.085.427	-21.422.591	1.711.225	4.590.387
1. Profit for the period(149-151)	153	0	0	1.711.225	4.590.387
2. Loss for the period (151-148)	154	48.085.427	21.422.591	0	0
<b>APPENDIX TO P&amp;L (only for consolidated financial statements)</b>					
<b>XIV. PROFIT OR LOSS FOR THE PERIOD</b>					
1. Attributed to equity holders of parent company	155	-39.280.003	-19.386.321	5.387.418	13.797.983
2. Attributed to minority interests	156	-8.805.424	-2.036.270	-3.676.193	-797.031
<b>STATEMENT OF COMPREHENSIVE INCOME (IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	-48.085.427	-21.422.591	1.711.225	4.590.387
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)</b>	<b>158</b>	-31.011.703	-7.869.810	-215.736.289	-12.867.320
1. Exchange differences on translation of foreign operations	159	-31.011.703	-7.869.810	-215.736.289	-12.867.320
2. Movements in revaluation reserves of long-term tangible and intangible assets	160				
3. Profit or loss from revaluation of financial assets available for sale	161				
4. Gains or losses on efficient cash flow hedging	162				
5. Gains or losses on efficient hedge of a net investment in foreign countries	163				
6. Share in other comprehensive income / loss of associated companies	164				
7. Actuarial gains / losses on defined benefit plans	165				
<b>III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>166</b>	-6.202.340	-1.573.962	-43.147.258	-2.573.464
<b>IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)</b>	<b>167</b>	-24.809.363	-6.295.848	-172.589.031	-10.293.856
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)</b>	<b>168</b>	-72.894.790	-27.718.439	-170.877.806	-5.703.469
<b>APPENDIX to Statement of comprehensive income (only for consolidated financial statements)</b>					
<b>VI. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD</b>					
1. Attributed to equity holders of parent company	169	-64.089.366	-25.682.169	-167.201.613	-4.906.438
2. Attributed to minority interests	170	-8.805.424	-2.036.270	-3.676.193	-797.031

**CASH FLOW STATEMENT - Indirect method**  
**period 01.01.2017. to 30.09.2017.**

Company: ULJANIK PLOVIDBA D.D.			
Position	AOP	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	-47.835.907	1.884.969
2. Depreciation	002	63.979.218	44.875.442
3. Increase in short-term liabilities	003		
4. Decrease in short term receivables	004	3.213.042	
5. Decrease in inventories	005	451.387	2.242.250
6. Other cash flow increases	006	52.700.813	20.188.837
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>007</b>	<b>72.508.553</b>	<b>69.191.498</b>
1. Decrease in short - term liabilities	008	2.070.756	24.461.751
2. Increase in short - term receivables	009		3.608.680
3. Increase in inventories	010	0	0
4. Other cash flow decreases	011	4.056.639	2.841.121
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>012</b>	<b>6.127.395</b>	<b>30.911.552</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	<b>66.381.158</b>	<b>38.279.946</b>
<b>A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)</b>	<b>014</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
1. Cash flow from sale of long - term tangible and intangible assets	015	0	0
2. Cash inflows from sale of equity and debt financial instruments	016		
3. Interest receipts	017		
4. Dividend receipts	018		
5. Other cash inflows from investing activities	019		
<b>III. Total cash inflows from investing activities(015 to 019)</b>	<b>020</b>	<b>0</b>	<b>0</b>
1. Cash outflows for purchase of long - term tangible and intangible assets	021	19.129	27.559
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investing activities	023		
<b>IV. Total cash outflows from investing activities (021 to 023)</b>	<b>024</b>	<b>19.129</b>	<b>27.559</b>
<b>B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES(020-024)</b>	<b>025</b>	<b>0</b>	<b>0</b>
<b>B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES(024-020)</b>	<b>026</b>	<b>19.129</b>	<b>27.559</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
1. Cash receipts from issuance of equity and debt financial instruments	027		
2. Cash inflows from loans, debentures, credits and other borrowings	028	0	0
3. Other cash inflows from financing activities	029	697.977	24.305.213
<b>V. Total cash inflows from financing activities (027 to 029)</b>	<b>030</b>	<b>697.977</b>	<b>24.305.213</b>
1. Cash outflows for repayment of loans and bonds	031	41.019.187	43.238.490
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	37.161.493	23.274.970
<b>VI. Total cash outflows from financing activities (031 do 035)</b>	<b>036</b>	<b>78.180.680</b>	<b>66.513.460</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)</b>	<b>037</b>	<b>0</b>	<b>0</b>
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)</b>	<b>038</b>	<b>77.482.703</b>	<b>42.208.247</b>
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	0	0
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	11.120.674	3.955.860
Cash and cash equivalents at the beginning of period	041	25.649.408	14.166.377
Increase in cash and cash equivalents	042	0	0
Decrease in cash and cash equivalents	043	11.120.674	3.955.860
Cash and cash equivalents at the end of period	044	14.528.734	10.210.517

## STATEMENT OF CHANGES IN EQUITY

from **1.1.2017** to **30.9.2017**

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed capital	<b>001</b>	232.000.000	232.000.000
2. Capital reserves	<b>002</b>	-21.979.230	-22.397.480
3. Reserves from profit	<b>003</b>	41.700.199	42.944.341
4. Retained earnings or accumulated loss	<b>004</b>	-505.891.201	-340.277.830
5. Profit / loss for the current year	<b>005</b>	-43.568.462	5.387.418
6. Revaluation of long - term tangible assets	<b>006</b>		
7. Minority interest	<b>007</b>	167.289.948	144.605.783
8. Revaluation of financial assets available for sale	<b>008</b>	-625.760	-625.760
9. Other revaluation	<b>009</b>	167.589.923	-48.146.366
<b>10. Total capital and reserves (AOP 001 to 009)</b>	<b>010</b>	36.515.417	13.490.106
11. Currency gains and losses arising from net investments in foreign operations	<b>011</b>	15.251.791	-215.736.289
12. Current and deferred taxes (part)	<b>012</b>		
13. Cash flow hedging	<b>013</b>		
14. Changes in accounting policies	<b>014</b>		
15. Correction of significant errors in prior periods	<b>015</b>		
16. Other changes in capital	<b>016</b>	-70.315.874	192.710.978
<b>17. Total increase or decrease in capital (AOP 011 to 016)</b>	<b>017</b>	-55.064.083	-23.025.311
17 a. Attributed to equity holders of parent company	<b>018</b>	-47.450.015	-341.146
17 b. Attributed to minority interest	<b>019</b>	-7.614.068	-22.684.165

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 30.09.2017**

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 30<sup>th</sup> September 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 30<sup>th</sup> September 2017 the Group had 34 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 30.09.2017

1. Operating income for the period I-IX 2017 amounts to 146.9 mil HRK while in the same period of 2016, it amounted to 138.0 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 nine months of 2017 with respect to 2016, in accordance with the measures of rationalization adopted in all segments of business and due to the change in accounting policy when calculating depreciation of ships starting with 2017.
3. Financial income and financial expenses in the period I-IX 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<sup>th</sup> September 2017 the book value of the vessels amounts to 171.6 mil USD (1,090.4 mil HRK).
5. In the period I-IX 2017 the Company disposed of treasury shares in the amount of 831.3 thousand HRK.
6. Revaluation reserves resulting from adjustment of value of the investment in the foreign subsidiary at the mean rate of exchange for USD as at 30<sup>th</sup> September 2017 amount to -48,146 thousand HRK.
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 30<sup>th</sup> September 2017. At 30<sup>th</sup> September 2017 long-term debt amounts to 917,776 thousand HRK (at 31<sup>st</sup> December 2016 it amounted to 1,061,461 HRK). In the period I-IX 2017 long-term loans were repaid in the total amount of USD 5,992,442.
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 30<sup>th</sup> September 2017.
9. In the period from January-September 2017 the applicable amount of income from grants from previous years in the amount of 2,633,430 HRK was recorded with the proportional decrease of deferred income, in accordance with the deferred income recognition plan.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT  
30.09.2017**

10. The minority in equity as at 30<sup>th</sup> September 2017 in the amount of 144,606 thousand HRK refers to the ownership of ULJANIK Group Pula in foreign companies United Shipping Services Twelve Inc. and United Shipping Services Thirteen Inc.
  
11. On 14th July 2017 the General Assembly of the Company was held which passed the resolution on the sharing of profit/loss for the year 2016. According to the same resolution, the profit of HRK 8,257,566.63 to be allocated as follows: HRK 412,878.33 to legal reserves and HRK 7,844,688.30 to retained profit.

For the GROUP ULJANIK PLOVIDBA Pula

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

Dragutin Pavletić  
Director of ULJANIK PLOVIDBA d.d.

Pula, 5<sup>th</sup> October 2017

## MANAGEMENT REPORT FOR THE PERIOD 01.01-30.09/2017

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<sup>st</sup> January to 30<sup>th</sup> September 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 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 reporting period of 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, noting that expectations in this segment are very optimistic. 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 already in this quarter. 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 value of ships.

In the petroleum products, oils and chemicals transportation sector in the last nine months there was a correction of freight rates, especially in the spot market, primarily due to delivery of a larger number of tankers. Nevertheless, contracts concluded for a longer period of time as well as the values of ships, are still very stable. The recovery of the market in tanker sector is expected in the last quarter of this year as a result of increased demand and reduced number of newly constructed / newly contracted tankers.

In the first nine months of 2017 the Company:

- a) achieved a consolidated positive EBITDA for the Group of 81.2 mil HRK,
- b) generated consolidated net profit of 5,387,418 HRK,
- c) realized an increase of the total income,
- d) realized reduction in total operating costs of the vessels,
- 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 period I-IX of 2017 the Company repaid its long-term loans in a total of 5,992,442 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 sales revenue for the reporting period amounted to 144.3 mil HRK compared to 134.3 mil 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 30<sup>th</sup> September 2017 the Company had 34 employees.

## **3. TECHNICAL ASPECT**

In the reporting period 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 – September 2017 the Company did not acquired treasury shares. The Company disposed of treasury shares in the amount of 831.3 thousand HRK.

On 26<sup>th</sup> 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 4<sup>th</sup> April 2017 the joint company ULJANIK PLOVIDBA LNG d.o.o. with headquarters in Pula was established and registered at the Commercial Court in Pazin.

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 4<sup>th</sup> 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 14<sup>th</sup> 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.

## **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, 5<sup>th</sup> October 2017



Dragutin Pavletić, Director



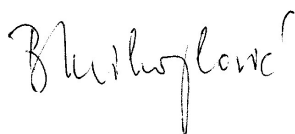
## **STATEMENT OF THE PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS**

According to the best of our knowledge:

The unaudited consolidated financial reports of GROUP ULJANIK PLOVIDBA for the period January – September 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 – September 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, 5<sup>th</sup> October, 2017