



**ULJANIK PLOVIDBA d.d.**

**UNAUDITED FINANCIAL STATEMENTS**

**FOR THE PERIOD**

**JANUARY - SEPTEMBER 2017**

Pula, October 2017

CONTENT:

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

Notes

Management Report

Statement of the persons responsible for preparing Financial Statements

**Attachment 1.**

Reporting period:

1.1.2017

to

30.9.2017

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**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 adress: [uljanik-plovidba@pu.t-com.hr](mailto:uljanik-plovidba@pu.t-com.hr)Internet adress: [www.uljanikplovidba.com](http://www.uljanikplovidba.com)

Municipality/city code and name: 359 PULA

County code and name: 18 ISTARSKA

Number of employees: 34

Consolidated report: NO

(quarter end)  
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

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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.  re of the 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>	<b>913.096.773</b>	<b>797.256.961</b>
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	3.070.033
1. Land	011	121.829	121.829
2. Buildings	012	2.884.388	2.846.403
3. Plant and equipment	013	72.954	73.314
4. Instruments, plant inventories and transportation assets	014	32.936	28.487
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	793.422.942
1. Shares (stocks) in related parties	021	624.336.112	582.675.913
2. Loans given to related parties	022	245.566.881	201.066.059
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	833.186
6. Loans, deposits and similar assets	026	25.089.876	5.004.891
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	763.986
1. Receivables from related parties	030		
2. Receivables based on trade loans	031	10.325.636	763.986
3. Other receivables	032		
V. DEFERRED TAX ASSETS	033		
<b>C) SHORT- TERM ASSETS (035+043+050+058)</b>	<b>034</b>	<b>220.988.464</b>	<b>49.780.891</b>
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	27.230.193
1. Receivables from related parties	044	102.017.658	3.469.853
2. Accounts receivable	045	25.869.121	23.202.422
3. Receivables from participating entrepreneurs	046		
4. Receivables from employees and shareholders	047		
5. Receivables from government and other institutions	048	155.335	218.310
6. Other receivables	049	497.887	339.608
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	92.421.477	22.502.733
1. Shares (stocks) in related parties	051		
2. Loans given to related parties	052	88.345.645	22.244.034
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	258.699
7. Other financial assets	057		
IV. CASH AT BANK AND IN CASHIER	058	26.986	47.965
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>059</b>	<b>6.192</b>	<b>6.241</b>
<b>E) TOTAL ASSETS (001+002+034+059)</b>	<b>060</b>	<b>1.134.091.429</b>	<b>847.044.093</b>
<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>	<b>659.754.537</b>	<b>444.778.042</b>
I. SUBSCRIBED CAPITAL	063	232.000.000	232.000.000
II. CAPITAL RESERVES	064	-21.979.230	-22.397.480
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	41.700.199	42.944.341
1. Reserves prescribed by law	066	18.666.126	19.079.004
2. Reserves for treasury stocks	067	36.382.812	36.382.812
3. Treasury stocks and shares (deduction)	068	13.348.739	12.517.475
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071	166.964.163	-48.772.126
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	232.811.838	240.656.527
1. Retained earnings	073	232.811.838	240.656.527
2. Accumulated loss	074		
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	8.257.567	346.780
1. Profit for the current year	076	8.257.567	346.780
2. Loss for the current year	077		
VII. MINORITY INTEREST	078		
<b>B) PROVISIONS (080 to 082)</b>	<b>079</b>	<b>1.794.717</b>	<b>1.763.714</b>
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		
<b>C) LONG TERM LIABILITIES (084 to 092)</b>	<b>083</b>	<b>402.623.577</b>	<b>337.463.264</b>
1. Liabilities to related parties	084	26.429.062	6.191.915
2. Liabilities for loans, deposits etc.	085	322.487.653	277.774.486
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	51.584.863
9. Deferred tax liability	092		
<b>D) SHORT - TERM LIABILITIES (094 to 105)</b>	<b>093</b>	<b>69.915.865</b>	<b>63.039.073</b>
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	49.122.780
4. Liabilities for received prepayments	097	138.844	138.844
5. Accounts payable	098	307.380	589.774
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	2.492.952
9. Liabilities for taxes, contributions and similar fees	102	4.687	1.357
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	4.267.141
<b>E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD</b>	<b>106</b>	<b>2.733</b>	<b>0</b>
<b>F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)</b>	<b>107</b>	<b>1.134.091.429</b>	<b>847.044.093</b>
<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	109		
2. Attributed to minority interests	110		

**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>	<b>15.410.618</b>	<b>5.229.120</b>	<b>15.348.607</b>	<b>5.103.532</b>
1. Sales revenues	112	15.138.638	5.058.039	14.509.476	4.553.300
2. Other operating revenues	113	271.980	171.081	839.131	550.232
<b>II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)</b>	<b>114</b>	<b>10.847.434</b>	<b>3.489.874</b>	<b>9.522.147</b>	<b>3.112.262</b>
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	803.880	265.068	710.291	237.703
a) Raw material and material costs	117	193.026	59.816	197.702	64.836
b) Costs of goods sold	118				
c) Other external costs	119	610.854	205.252	512.589	172.867
3. Staff costs (121 to 123)	120	7.451.122	2.405.558	7.033.177	2.305.340
a) Net salaries and wages	121	3.878.611	1.257.211	3.844.752	1.265.551
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	73.201	24.208	69.633	22.765
5. Other costs	125	2.519.231	795.040	1.709.046	546.454
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				
<b>III. FINANCIAL INCOME (132 to 136)</b>	<b>131</b>	<b>11.696.649</b>	<b>0</b>	<b>43.164.115</b>	<b>8.228.239</b>
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	11.696.649		43.164.115	8.228.239
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>	<b>15.794.110</b>	<b>1.849.574</b>	<b>48.470.051</b>	<b>10.440.297</b>
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	15.794.110	1.849.574	48.470.051	10.440.297
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>	<b>27.107.267</b>	<b>5.229.120</b>	<b>58.512.722</b>	<b>13.331.771</b>
<b>X. TOTAL EXPENSES (114+137+143 + 145)</b>	<b>147</b>	<b>26.641.544</b>	<b>5.339.448</b>	<b>57.992.198</b>	<b>13.552.559</b>
<b>XI. PROFIT OR LOSS BEFORE TAXATION (146-147)</b>	<b>148</b>	<b>465.723</b>	<b>-110.328</b>	<b>520.524</b>	<b>-220.788</b>
1. Profit before taxation (146-147)	149	465.723	0	520.524	0
2. Loss before taxation (147-146)	150	0	110.328		
<b>XII. PROFIT TAX</b>	<b>151</b>	<b>249.520</b>	<b>83.173</b>	<b>173.744</b>	<b>18.781</b>
<b>XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)</b>	<b>152</b>	<b>216.203</b>	<b>-193.501</b>	<b>346.780</b>	<b>-239.569</b>
1. Profit for the period(149-151)	153	216.203	0	346.780	0
2. Loss for the period (151-148)	154	0	193.501	0	239.569
<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				
2. Attributed to minority interests	156				
<b>STATEMENT OF COMPREHENSIVE INCOME (IFRS)</b>					
<b>I. PROFIT OR LOSS FOR THE PERIOD (= 152)</b>	<b>157</b>	<b>216.203</b>	<b>-193.501</b>	<b>346.780</b>	<b>-239.569</b>
<b>II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)</b>	<b>158</b>	<b>-31.011.703</b>	<b>-9.224.681</b>	<b>-215.736.289</b>	<b>-12.867.320</b>
1. Exchange differences on translation of foreign operations	159	-31.011.703	-9.224.681	-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>	<b>-6.202.340</b>	<b>-1.844.936</b>	<b>-43.147.258</b>	<b>-2.573.464</b>
<b>IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)</b>	<b>167</b>	<b>-24.809.363</b>	<b>-7.379.745</b>	<b>-172.589.031</b>	<b>-10.293.856</b>
<b>V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)</b>	<b>168</b>	<b>-24.593.160</b>	<b>-7.573.246</b>	<b>-172.242.251</b>	<b>-10.533.425</b>
<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				
2. Attributed to minority interests	170				

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

<b>Company: ULJANIK PLOVIDBA D.D.</b>			
Position	AOP	Previous period	Current period
1	2	3	4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	001	465.723	520.524
2. Depreciation	002	73.201	69.633
3. Increase in short-term liabilities	003	1.096.834	
4. Decrease in short term receivables	004	5.399.444	101.309.808
5. Decrease in inventories	005		
6. Other cash flow increases	006		
<b>I. Total increase in cash flow from operating activities (001 to 006)</b>	<b>007</b>	<b>7.035.202</b>	<b>101.899.965</b>
1. Decrease in short - term liabilities	008		904.305
2. Increase in short - term receivables	009		
3. Increase in inventories	010		
4. Other cash flow decreases	011	641.915	207.528
<b>II. Total decrease in cash flow from operating activities (008 to 011)</b>	<b>012</b>	<b>641.915</b>	<b>1.111.833</b>
<b>A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)</b>	<b>013</b>	<b>6.393.287</b>	<b>100.788.132</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		
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		167.586.008
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>167.613.567</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>167.613.567</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		
3. Other cash inflows from financing activities	029	9.603	88.607.572
<b>V. Total cash inflows from financing activities (027 to 029)</b>	<b>030</b>	<b>9.603</b>	<b>88.607.572</b>
1. Cash outflows for repayment of loans and bonds	031	6.366.673	21.761.158
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		
<b>VI. Total cash outflows from financing activities (031 do 035)</b>	<b>036</b>	<b>6.366.673</b>	<b>21.761.158</b>
<b>C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)</b>	<b>037</b>	<b>0</b>	<b>66.846.414</b>
<b>C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)</b>	<b>038</b>	<b>6.357.070</b>	<b>0</b>
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	<b>039</b>	17.088	20.979
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	<b>040</b>	0	0
Cash and cash equivalents at the beginning of period	<b>041</b>	67.658	26.986
Increase in cash and cash equivalents	<b>042</b>	17.088	20.979
Decrease in cash and cash equivalents	<b>043</b>	0	0
Cash and cash equivalents at the end of period	<b>044</b>	84.746	47.965

**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>	232.811.838	240.656.527
5. Profit / loss for the current year	<b>005</b>	8.257.567	346.780
6. Revaluation of long - term tangible assets	<b>006</b>		
7. Revaluation of intangible assets	<b>007</b>		
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>	<b>659.754.537</b>	<b>444.778.042</b>
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>	8.786.131	759.794
<b>17. Total increase or decrease in capital (AOP 011 to 016)</b>	<b>017</b>	<b>24.037.922</b>	<b>-214.976.495</b>
17 a. Attributed to equity holders of parent company	<b>018</b>		
17 b. Attributed to minority interest	<b>019</b>		

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 30.09.2017

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### 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 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 Company had 34 employees (2016: 33).

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 nine months 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 period I-IX 2017 compared to 2016 as a result of accrued exchange rate differences calculated on received and given loans due to the fall in the rate of exchange for USD. Net financial expenses for the first nine months of 2017 amount to 5.3 mil HRK while net financial expenses for the same period of 2016 amount to 4.1 mil HRK.
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 30<sup>th</sup> September 2017.

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30.09.2017

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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 30<sup>th</sup> September 2017.
5. In the first nine months of 2017 the Company disposed of treasury shares in the amount of 831.3 thousand HRK.
6. After an adjustment of the investment in the foreign subsidiary by the mean rate of exchange for the USD as at 30<sup>th</sup> September 2017, revaluation reserves amount to - 48,146 thousand HRK.
7. 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.

For ULJANIK PLOVIDBA d.d. 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

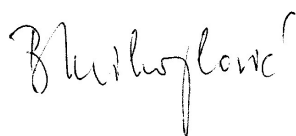
## **STATEMENT OF THE PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS**

According to the best of our knowledge:

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

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