



ULJANIK PLOVIDBA d.d.

PRELIMINARY UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY - DECEMBER 2018

Pula, February 2019

CONTENT:

Preliminary Financial Statements of ULJANIK PLOVIDBA d.d.
(unaudited) for the period January – December 2018

Notes

Management Report

Statement of the person responsible for preparing Financial Statements

Attachment 1.

Reporting period:

1.1.2018

to

31.12.2018

18

Preliminary 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 adress: **uljanik-plovidba@pu.t-com.hr**Internet adress: **www.uljanikplovidba.com**Municipality/city code and name: **359 PULA**County code and name: **18 ISTARSKA**Number of employees **30**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**Telefax: **052 492598**E-mail adress: **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.


re of the person authorized to represent the company)

BALANCE SHEET
as of 31.12.2018.

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	775.665.277	982.610.764
I. INTANGIBLE ASSETS (004 to 009)	003	9.752	4.664
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	9.752	4.664
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	3.052.981	2.998.270
1. Land	011	121.829	121.829
2. Buildings	012	2.833.741	2.783.093
3. Plant and equipment	013	70.407	46.784
4. Instruments, plant inventories and transportation assets	014	27.004	46.564
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	771.930.449	978.677.135
1. Shares (stocks) in related parties	021	575.021.838	529.066.234
2. Loans given to related parties	022	192.810.283	445.361.147
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	149.497	191.750
6. Loans, deposits and similar assets	026	105.937	215.110
7. Other long - term financial assets	027	562.959	562.959
8. Investments accounted by equity method	028		
IV. RECEIVABLES (030 to 032)	029	672.095	930.695
1. Receivables from related parties	030		
2. Receivables based on trade loans	031	672.095	930.695
3. Other receivables	032		
V. DEFERRED TAX ASSETS	033		
C) SHORT- TERM ASSETS (035+043+050+058)	034	49.190.824	96.670.057
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	26.569.159	28.406.494
1. Receivables from related parties	044	4.993.248	11.535.333
2. Accounts receivable	045	20.979.806	16.381.286
3. Receivables from participating entrepreneurs	046		
4. Receivables from employees and shareholders	047		
5. Receivables from government and other institutions	048	159.414	99.251
6. Other receivables	049	436.691	390.624
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	22.603.343	68.245.625
1. Shares (stocks) in related parties	051		
2. Loans given to related parties	052	21.922.422	68.062.516
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	680.921	183.109
7. Other financial assets	057		
IV. CASH AT BANK AND IN CASHIER	058	18.322	17.938
D) PREPAID EXPENSES AND ACCRUED INCOME	059	5.121	101.886
E) TOTAL ASSETS (001+002+034+059)	060	824.861.222	1.079.382.707
F) OFF-BALANCE SHEET NOTES	061		

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	437.820.106	392.765.693
I. SUBSCRIBED CAPITAL	063	232.000.000	232.000.000
II. CAPITAL RESERVES	064	-22.705.367	-23.268.672
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	43.455.396	44.541.222
1. Reserves prescribed by law	066	19.079.004	19.337.676
2. Reserves for treasury stocks	067	36.382.812	36.382.812
3. Treasury stocks and shares (deduction)	068	12.006.420	11.179.266
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071	-60.759.889	-1.267.200
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	240.656.526	140.165.255
1. Retained earnings	073	240.656.526	140.165.255
2. Accumulated loss	074		
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	5.173.440	595.088
1. Profit for the current year	076	5.173.440	595.088
2. Loss for the current year	077		
VII. MINORITY INTEREST	078		
B) PROVISIONS (080 to 082)	079	1.738.293	601.073
1. Provisions for pensions, severance pay and similar liabilities	080	1.738.293	601.073
2. Reserves for tax liabilities	081		
3. Other reserves	082		
C) LONG TERM LIABILITIES (084 to 092)	083	299.805.533	561.278.142
1. Liabilities to related parties	084	1.148.328	942.565
2. Liabilities for loans, deposits etc.	085		
3. Liabilities to banks and other financial institutions	086	249.797.183	519.670.432
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	1.912.000	1.252.000
8. Other long-term liabilities	091	46.948.022	39.413.145
9. Deferred tax liability	092		
D) SHORT - TERM LIABILITIES (094 to 105)	093	85.495.980	124.735.674
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits etc.	095	4.636.842	7.534.877
3. Liabilities to banks and other financial institutions	096	68.971.467	98.850.313
4. Liabilities for received prepayments	097	138.844	138.844
5. Accounts payable	098	724.665	532.834
6. Liabilities arising from debt securities	099		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100	420.000	1.080.000
8. Liabilities to employees	101	2.387.503	1.923.491
9. Liabilities for taxes, contributions and similar fees	102	0	26.013
10. Liabilities to share - holders	103	1.324.750	1.324.589
11. Liabilities for long term assets held for sale	104		
12. Other short - term liabilities	105	6.891.909	13.324.713
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	1.310	2.125
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	107	824.861.222	1.079.382.707
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 01.01.2018. to 31.12.2018.

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	22.770.726	7.422.119	21.689.524	5.882.483
1. Sales revenues	112	20.350.945	5.841.469	17.330.618	4.346.848
2. Other operating revenues	113	2.419.781	1.580.650	4.358.906	1.535.635
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	13.706.234	4.136.045	15.209.382	4.017.337
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	1.000.884	290.593	986.762	269.502
a) Raw material and material costs	117	286.055	88.353	265.657	71.298
b) Costs of goods sold	118				
c) Other external costs	119	714.829	202.240	721.105	198.204
3. Staff costs (121 to 123)	120	9.475.216	2.393.997	9.271.181	2.341.328
a) Net salaries and wages	121	5.201.296	1.320.608	5.028.638	1.278.327
b) Costs for taxes and contributions from salaries	122	2.912.946	729.727	2.904.428	727.816
c) Contributions on gross salaries	123	1.360.974	343.662	1.338.115	335.185
4. Depreciation	124	92.971	23.338	102.508	25.236
5. Other costs	125	3.137.163	1.428.117	4.848.931	1.381.271
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	51.405.988	8.241.873	77.272.164	17.567.736
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	51.405.988	8.241.873	77.272.164	17.567.736
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	55.065.381	6.645.330	82.925.559	18.954.649
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	55.065.381	6.645.330	82.925.559	18.954.649
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	74.176.714	15.663.992	98.961.688	23.450.219
X. TOTAL EXPENSES (114+137+143 + 145)	147	68.771.615	10.781.375	98.134.941	22.971.986
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	5.405.099	4.882.617	826.747	478.233
1. Profit before taxation (146-147)	149	5.405.099	4.882.617	826.747	478.233
2. Loss before taxation (147-146)	150				
XII. PROFIT TAX	151	231.659	57.915	231.659	57.915
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	5.173.440	4.824.702	595.088	420.318
1. Profit for the period(149-151)	153	5.173.440	4.824.702	595.088	420.318
2. Loss for the period (151-148)	154		0	0	0
APPENDIX TO P&L (only for consolidated financial statements)					
XIV. PROFIT OR LOSS FOR THE PERIOD					
1. Attributed to equity holders of parent company	155				
2. Attributed to minority interests	156				
STATEMENT OF COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	5.173.440	4.824.702	595.088	420.318
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)	158	-90.959.632	-11.937.762	42.240	-12.038.231
1. Exchange differences on translation of foreign operations	159	-90.275.952	-11.254.082		-12.080.471
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	-683.680	-683.680	42.240	42.240
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	-16.372.734	-2.148.797	7.603	-2.166.882
IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)	167	-74.586.898	-9.788.965	34.637	-9.871.349
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)	168	-69.413.458	-4.964.263	629.725	-9.451.031
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 01.01.2018. to 31.12.2018.

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	5.405.099	826.747
2. Depreciation	002	92.971	102.508
3. Increase in short-term liabilities	003	544.706	5.802.813
4. Decrease in short term receivables	004	101.970.843	
5. Decrease in inventories	005		
6. Other cash flow increases	006	1.071	815
I. Total increase in cash flow from operating activities (001 to 006)	007	108.014.690	6.732.883
1. Decrease in short - term liabilities	008		
2. Increase in short - term receivables	009		1.837.335
3. Increase in inventories	010		
4. Other cash flow decreases	011	289.506	1.465.643
II. Total decrease in cash flow from operating activities (008 to 011)	012	289.506	3.302.978
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	107.725.184	3.429.905
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	43.597	42.710
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	167.629.605	42.710
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	167.629.605	42.710
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	1.896.072	57.040.599
3. Other cash inflows from financing activities	029	89.606.509	263.850
V. Total cash inflows from financing activities (027 to 029)	030	91.502.581	57.304.449
1. Cash outflows for repayment of loans and bonds	031	31.606.824	60.692.028
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	31.606.824	60.692.028
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	59.895.757	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	0	3.387.579
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	8.664	384
Cash and cash equivalents at the beginning of period	041	26.986	18.322
Increase in cash and cash equivalents	042	0	0
Decrease in cash and cash equivalents	043	8.664	384
Cash and cash equivalents at the end of period	044	18.322	17.938

STATEMENT OF CHANGES IN EQUITY
from **1.1.2018 to 31.12.2018**

Position	AOP	Previous year	Current year
1	2	3	4
1. Subscribed capital	001	232.000.000	232.000.000
2. Capital reserves	002	-22.705.367	-23.268.672
3. Reserves from profit	003	43.455.396	44.541.222
4. Retained earnings or accumulated loss	004	240.656.526	140.165.255
5. Profit / loss for the current year	005	5.123.440	595.088
6. Revaluation of long - term tangible assets	006		
7. Revaluation of intangible assets	007		
8. Revaluation of financial assets available for sale	008	-1.309.440	-1.267.200
9. Other revaluation	009	-59.400.449	
10. Total capital and reserves (AOP 001 to 009)	010	437.820.106	392.765.693
11. Currency gains and losses arising from net investments in foreign operations	011	-226.990.371	
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		-45.955.591
16. Other changes in capital	016	5.055.940	901.178
17. Total increase or decrease in capital (AOP 011 to 016)	017	-221.934.431	-45.054.413
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 PRELIMINARY FINANCIAL STATEMENTS AS AT 31.12.2018

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 31 December 2018 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 31 December 2018 the Company had 30 employees (2017: 35).

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 2018 amounts to 21.7 million HRK with respect to 2017 (22.8 million HRK). Operating expenses amount to 15.2 million HRK (2017: 13.7 million HRK). The increase is related to remuneration paid to retirees as well as to the increased volume of external services in the current year.
2. In the period January-December 2018, financial income amounted to 77.2 million HRK, with respect to the same period of 2017 when financial income was realized in the amount of 51.4 million HRK. Total operating expenses amounted to 82.9 million HRK, while in 2017 they amounted to 51.1 million HRK. Total financial income and expenses were mostly influenced by positive and negative exchange rate differences and by increase in interest income and expense related to received loans that were subsequently granted to foreign subsidiaries.
3. Investments in the subsidiary United Shipping Services One Inc. were corrected as a result of adjustment of the current accounting policy with the provisions of IAS 21 and

NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS AS AT 31.12.2018

at 31 December 2018 they amounted to 523,356,233.63 HRK (2017: 569,311,838.25 HRK). See note 6.

4. Long-term loans and long-term given loans in foreign currencies have been expressed in their equivalent value in HRK according to the mean rate of exchange of the Croatian National Bank as at 31 December 2018.
5. In the period January-December 2018 the Company acquired treasury shares in the amount of 51.6 thousand HRK and disposed of treasury shares in the amount of 878.7 thousand HRK.
6. Revaluation reserves arising from adjustments of investment in the United Shipping Services One Inc. at the mean rate of exchange for USD, are written-off at 31 December 2018 as a result of adjustment of the current accounting policy with the provisions of IAS 21, by restating the earliest initial period retrospectively and the comparable period for the effects of misstatement caused by using the closing rate. The effect as at 31 December 2018 amounts to 45,956 thousand HRK. The investment in subsidiary has been reduced for the said amount by parallel reducing of capital and reserves for the same amount. On the revaluation reserve account remained the amount of reserves formed by adjusting investments in securities at fair value (shares of Uljanik d.d.).
7. On 28 August 2018 the General Assembly of the Company was held which passed the resolution on the sharing of profit for the year 2017. According to the same resolution the profit of 5,173,440.17 HRK to be allocated as follows: 258,672.00 HRK to legal reserves and 4,914,768.17 HRK to retained profit.
8. The presented financial statements are subject to change and they represent the preliminary unaudited financial statements until the final annual financial statements are accepted by the Management.

For ULJANIK PLOVIDBA d.d. Pula

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

Dragutin Pavletić
Director of ULJANIK PLOVIDBA d.d.

MANAGEMENT REPORT FOR THE YEAR 2018

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 at 31 December 2018 amounted to 232,000,000 HRK, and was divided into 580,000 ordinary shares with nominal value of 400.00 HRK per share. The Company's shares are listed on the Official Market of the Zagreb Stock Exchange, under the symbol ULPL-R-A. The consolidated financial statements of the Group ULJANIK PLOVIDBA for the period 1 January to 31 December 2018 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 Company's fleet consists of four MR tankers and two Supramax bulk carriers with an average age of 7 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 2018 there were no changes of members of the Supervisory Board, nor of the Management Board. After the expiration of their four-year mandate, the members of the Supervisory Board were elected to a new four-year mandate period beginning on 29 August, 2018, at the General Assembly of the Company held on 28 August, 2018 and in the elections for workers' representatives held on 20 August 2018.

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 period January - December 2018 was regular, with full employment of vessels and high functioning management system. Unfortunately, last year was characterized by instability related to the implementation of customs barriers and additional charges, which directly affected the global exchange of goods and reduction of transport activities, particularly in the United States, China, Canada and the EU. Although freight rates in bulk cargo sector have experienced significant recovery, the beginning of 2019 has completely cancelled all the positive effects. In the first month of 2019 freight rates have experienced a strong reduction of over 60% compared with those in December 2018. Recovery of this market is expected only after the positive outcome of US-China trade negotiations expected in March 2019. The value of ships has decreased at the end of last year and early this year by about 10-20%.

In the transport of petroleum products, oils and chemicals the considered period was characterized by continuation of decrease in freight rates, primarily due to delivery of a larger number of newly built tankers in the last year. Unfortunately, extremely low freight rates in 2018 directly affected the business results. Despite the announcements, there was no stable recovery in this sector so that a strong jump realised at the spot market at the end of last year has been annulled in a short time. It is an encouraging fact that a very low number of contracts for the construction of MR tankers have been concluded in 2018, that the delivery deadlines for new buildings were shifted for later periods and also, that ship scrapping activities for this type of vessels were intensified.

In the period January - December 2018 the Company:

- a) achieved a consolidated EBITDA for the Group of 65.4 million HRK,
- b) generated consolidated net loss of 239.8 million HRK compared to the net profit of 4.3 million HRK in the previous comparative period, as a consequence of impairment of the vessels in the amount of 37.8 million USD,
- c) realized a reduction in total income with respect to the previous year as a result of lower income from hire as a consequence of sold vessel Levan, low freight rates especially in tanker sector, despite the significant financial income realized in the reporting period,
- d) increased operating costs as a result of impairment of the vessels effected at 31 December 2018 and increased its financial expenses at the same time,
- e) achieved constant employment of vessels with the continuation of the Company's fleet high efficiency trend,
- f) maintained the proper solvency and liquidity with difficulty, and in this respect, continued activities on restructuring long term debt with banks,
- g) decreased its overall credit exposure and fulfilled all its loan payment obligations. In the period I-XII 2018 the Company repaid its loan obligations in a total of 16.0 million USD,
- h) sold the oldest vessel from bulk fleet, m/v Levan, with full write-off of the ship and settlement of all its loan obligations,
- i) concluded a long-term syndicated loan agreement with PBZ / HBOR for a total amount of 54 million USD refinancing loan commitments for m/t Champion Istra and Verige,
- j) signed a loan agreement with a foreign creditor in the amount of 25 million USD to refinance part of the existing loan commitments related to financing of vessels,
- k) announced a public invitation to register up to 250,000 new preferred shares of the Company with the recognition of the right of pre-emption of the existing shareholders,
- l) came out from a gas project in Iran directly related to the declared sanctions,
- m) 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,
- n) maintained high efficiency of vessels' management including the third party management,
- o) fully collected 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 Group's total consolidated operating income in the reporting period amounted to 160.3 million HRK, compared to 204.1 million HRK in the same period of 2017. Lower revenues have resulted from reduced number of vessels in the fleet, extraordinary dry dock of the tanker Verige, complicated repair of oil leakage on propeller shaft of tanker Pomer, as well as from lower freight rates in both sectors, despite the full utilization of the fleet, full collection of freights and a realised income from ship management services. Operating costs were generally reduced on all ships as a result of rigorous saving measures while retaining a high level of usability of ships. However, adjustment of the book value of ships to market values carried out at 31 December 2018 has resulted in impairment of the vessels in the total amount of 237.4 million HRK and increase of operating expenses for the same amount. Total operating expenses for 2018 amounted to 378.7 million HRK with respect to 152.6 million HRK realized in 2017.

2. PERSONNEL

As at 31 December 2018 the Company had 30 employees compared to 35 employees in the same period of 2017.

3. TECHNICAL ASPECT

In 2018 the extraordinary dry docking of the tanker Verige was carried out in Singapore, and also stern tube seal renewal on tanker Pomer at port Gladstone. In addition, the only off-hires are related to cargo crane repairs on vessels Veruda and Stoja. In this period the Company keeps maintaining high efficiency of vessel exploitation with all vessels in the fleet. At the beginning of 2019, two significant damages were recorded: on the vessel Kastav, caused by heavy weather on the way to Rotterdam and on the vessel Pomer in Suez.

4. ACQUISITION OF TREASURY SHARES

In the period January - December 2018 the Company acquired treasury shares in the amount of 51.6 thousand HRK and disposed of treasury shares in the amount of 878.7 thousand HRK.

5. IMPORTANT EVENTS IN 2018

The sale of the oldest vessel from Uljanik Plovidba fleet, bulk carrier m/v Levan, built in 2006 took place on 26 February 2018 at the port of Zhoushan, China.

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

On 28 August 2018 the General Assembly of the Company was held which passed the resolution on the sharing of profit/loss for the year 2017. According to the same resolution, the profit of 5,173,440.17 HRK was allocated as follows: 258,672.00 HRK to legal reserves and 4,914,768.17 HRK to retained profit. Mrs. Amra Pende, graduated lawyer and Mr. Anton Brajković, graduated economist were elected for the members of the Supervisory Board of the Company, for a period of four years beginning on 29 August 2018. Mr. Robert Banko was elected as a member of the Supervisory Board of the Company as employee representative for the same mandate in the elections held on 20 August 2018.

In May 2018, the Company sent a request to 3. Maj Brodogradilište d.d claiming compensation for non-fulfillment of the obligation to find an adequate financing model for the construction of two tankers named Pomer and Champion Istra, stipulated by the Cooperation Agreement on the Joint Implementation of the Project of Construction of 4 vessels that 3. Maj Brodogradilište d.d will build for domestic buyers, concluded on January 21, 2009 and its subsequent addendum. Although it was expected that the requested claim would be solved by a peaceful and mutually acceptable solution, the consensual agreement was not reached yet and the Company will exercise its claim in the judicial proceedings.

Also, on December 13, 2018, the Company opposed and rejected the ungrounded and unlawful termination of the Agreement dated 10 October 2016 with the addendum of 28 November 2016 and by which Agreement the Company as a debtor of the 3. Maj Brodogradilište d.d as a lender, on the day of the issuing of this report, owes the amount of HRK 46,948,021.61 as a principal, due in annual installments. The Company has fulfilled its obligations under the Agreement and has no due debts at the time of the preparation of this report.

On November 30, 2018, a meeting of the Supervisory Board of the Company was held, which gave the consent of the Company's Director for the decision to increase the Company's registered capital of HRK 232,000,000.00 for a maximum of HRK 25,000,000.00 on the amount of up to HRK 257,000,000.00 by issuing a maximum of 250,000 new preferred shares with a nominal amount of HRK 100.00 for the amount of HRK 120.00, for the purpose of collecting the funds needed to reduce the credit exposure of the Company in order to create the prerequisites for improving liquidity and to strengthen financial stability of the Company while maintaining the desired debt and equity ratio. The decision of the Company's Director was issued on 30 November 2018 and published in the form of a public invitation to subscribe for a maximum of 250,000 new preferred shares of the Company, with the recognition of the pre-emption rights of existing shareholders.

On 28 December 2018, the Company signed a Loan Agreement with a foreign Lender for the amount of 25 million USD for partially refinancing of Company's existing indebtedness related to financing of ships.

6. IMPORTANT EVENTS IN 2019

On January 28, 2019, the Company's director, with the consent of the Supervisory Board of the Company, established that the issue of preferred shares of the Company was successful taking into account that the total amount of 77,212 preferred shares were subscribed and 9,265,440.00 HRK was paid in within the prescribed deadline for subscription and payment, and which amounts represent more than 30% of the entire issue and thus the reasons for the capital increase were met. Share capital of the Company is increased by payments in cash, from the amount of 232,000,000.00 HRK by 7,721,200.00 HRK , to the amount of 239,721,200.00 HRK issuing a total of 77,212 registered preferred shares bearing no voting rights of nominal amount of HRK 100.00 each, that give the holder the following preferential rights: (i) the right to an annual dividend of 5% (five percent) of the nominal amount of the share; (ii) the right to the difference up to the full amount of the dividend that the holders of ordinary shares are entitled to for the relative business year; (iii) the right to collect accumulated and outstanding dividends over a period of 3 (three) years prior to the payment of dividends to holders of ordinary shares;(iv) the right of priority at payment of the remaining liquidation or bankruptcy value.

7. COMPANY GROWTH

The Strategy of development of ULJANIK PLOVIDBA d.d. until the year 2030 envisages the continuation of the primary maritime activity in two sectors, transport of dry cargo (supramax) and transport of petroleum products and chemicals (product carriers).

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

8. COMPANY ACTIVITIES CONCERNING RESEARCH AND DEVELOPMENT AND ENVIRONMENTAL PROTECTION

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

9. BUSINESS RISKS

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.

10. CORPORATE MANAGEMENT CODE

The Company fully complies with its Corporate Governance Code.

Pula, 28 February 2019



Dragutin Pavletić, Director

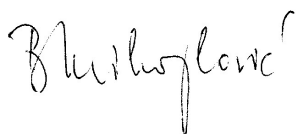
STATEMENT OF THE PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

According to the best of our knowledge:

The unaudited financial reports of ULJANIK PLOVIDBA d.d. for the period January – December 2018, 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 same represent the preliminary unaudited financial statements which are subject to changes up to their acceptance by the Management.

The Management Report for the period January – December 2018 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, 28 February, 2019