



GROUP ULJANIK PLOVIDBA

CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD

JANUARY - SEPTEMBER 2018

Pula, October 2018

CONTENT:

**Consolidated Financial Statements of GROUP ULJANIK PLOVIDBA
(unaudited) for the period January – September 2018**

Notes

Management Report

Statement of the persons responsible for preparing Financial Statements

Attachment 1.

Reporting period:

01.01.2018.

to

30.09.2018.

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

Internet address: www.uljanikplovidba.com

Municipality/city code and name: 359 PULA

County code and name: 18 ISTARSKA

Number of employees (quarter end): 30

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)

Telephone: 052 211544

Telefax: 052 492598

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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 30.09.2018.

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	1.096.820.592	1.049.021.843
I. INTANGIBLE ASSETS (004 to 009)	003	9.752	5.936
1. Assets development	004		
2. Concessions, patents, licence fees, merchandise and service brands, software and other rights	005	9.752	5.936
3. Goodwill	006		
4. Prepayments for purchase of intangible assets	007		
5. Intangible assets in preparation	008		
6. Other intangible assets	009		
II. TANGIBLE ASSETS (011 to 019)	010	1.076.480.023	1.028.463.431
1. Land	011	121.829	121.829
2. Buildings	012	2.833.741	2.795.755
3. Plant and equipment	013	97.411	97.841
4. Instruments, plant inventories and transportation assets	014	1.070.296.267	1.022.344.530
5. Biological assets	015	3.130.775	3.103.476
6. Prepayments for tangible assets	016	0	0
7. Tangible assets in preparation	017		
8. Other material assets	018		
9. Investment in buildings	019		
III. LONG-TERM FINANCIAL ASSETS (021 to 028)	020	6.013.526	6.122.492
1. Shares (stocks) in related parties	021		
2. Loans given to related parties	022		
3. Participating interests (shares)	023	3.744.630	3.744.643
4. Loans to entrepreneurs in whom the entity hold participating interests	024	1.600.000	1.600.000
5. Investment in securities	025		
6. Loans, deposits and similar assets	026	668.896	777.849
7. Other long - term financial assets	027		
8. Investments accounted by equity method	028		
IV. RECEIVABLES (030 to 032)	029	14.317.291	14.429.984
1. Receivables from related parties	030		
2. Receivables based on trade loans	031		
3. Other receivables	032	14.317.291	14.429.984
V. DEFERRED TAX ASSETS	033		
C) SHORT- TERM ASSETS (035+043+050+058)	034	27.138.121	31.297.054
I. INVENTORIES (036 to 042)	035	1.530.306	1.632.928
1. Raw material	036	1.530.306	1.632.928
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	20.606.517	22.203.181
1. Receivables from related parties	044		
2. Accounts receivable	045	2.515.053	2.440.526
3. Receivables from participating entrepreneurs	046		
4. Receivables from employees and shareholders	047		
5. Receivables from government and other institutions	048	161.736	99.042
6. Other receivables	049	17.929.728	19.663.613
III. SHORT - TERM FINANCIAL ASSETS (051 to 057)	050	680.922	666.409
1. Shares (stocks) in related parties	051		
2. Loans given to related parties	052		
3. Participating interests (shares)	053		
4. Loans to entrepreneurs in whom the entity hold participating interests	054		
5. Investment in securities	055		
6. Loans, deposits and similar assets	056	680.922	666.409
7. Other financial assets	057		
IV. CASH AT BANK AND IN CASHIER	058	4.320.376	6.794.536
D) PREPAID EXPENSES AND ACCRUED INCOME	059	5.121	113.392
E) TOTAL ASSETS (001+002+034+059)	060	1.123.963.834	1.080.432.289
F) OFF-BALANCE SHEET NOTES	061		

LIABILITIES AND CAPITAL			
A) CAPITAL AND RESERVES (063+064+065+071+072+075+078)	062	5.411.183	14.762.198
I. SUBSCRIBED CAPITAL	063	232.000.000	232.000.000
II. CAPITAL RESERVES	064	-22.705.367	-23.237.552
III. RESERVES FROM PROFIT (066+067-068+069+070)	065	43.455.396	44.525.939
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	11.194.549
4. Statutory reserves	069		
5. Other reserves	070		
IV. REVALUATION RESERVES	071	-60.759.889	-48.679.417
V. RETAINED EARNINGS OR ACCUMULATED LOSS (073-074)	072	-333.141.305	-339.954.324
1. Retained earnings	073		
2. Accumulated loss	074	333.141.305	339.954.324
VI. PROFIT / LOSS FOR THE CURRENT YEAR (076-077)	075	4.360.079	2.096.091
1. Profit for the current year	076	4.360.079	2.096.091
2. Loss for the current year	077		
VII. MINORITY INTEREST	078	142.202.269	148.011.461
B) PROVISIONS (080 to 082)	079	1.738.293	1.309.004
1. Provisions for pensions, severance pay and similar liabilities	080	1.738.293	1.309.004
2. Reserves for tax liabilities	081		
3. Other reserves	082		
C) LONG TERM LIABILITIES (084 to 092)	083	869.045.614	844.999.916
1. Liabilities to related parties	084		
2. Liabilities for loans, deposits etc.	085		
3. Liabilities to banks and other financial institutions	086	869.045.614	844.999.916
4. Liabilities for received prepayments	087		
5. Accounts payable	088		
6. Liabilities arising from debt securities	089		
7. Liabilities to entrepreneurs in whom the entity holds participating interests	090		
8. Other long-term liabilities	091		
9. Deferred tax liability	092		
D) SHORT - TERM LIABILITIES (094 to 105)	093	189.232.093	164.235.646
1. Liabilities to related parties	094		
2. Liabilities for loans, deposits etc.	095	5.056.842	5.266.842
3. Liabilities to banks and other financial institutions	096	123.114.260	102.800.362
4. Liabilities for received prepayments	097		
5. Accounts payable	098	20.139.703	20.367.050
6. Liabilities arising from debt securities	099	0	0
7. Liabilities to entrepreneurs in whom the entity holds participating interests	100		
8. Liabilities to employees	101	2.387.503	1.892.579
9. Liabilities for taxes, contributions and similar fees	102	67.423	0
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	37.141.612	32.584.224
E) DEFERRED SETTLEMENTS OF CHARGES AND INCOME DEFERRED TO FUTURE PERIOD	106	58.536.651	55.125.525
F) TOTAL CAPITAL AND LIABILITIES (062+079+083+093+106)	107	1.123.963.834	1.080.432.289
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	-136.791.086	-133.249.264
2. Attributed to minority interests	110	142.202.269	148.011.461

PROFIT AND LOSS ACCOUNT
for period 01.01.2018. to 30.09.2018.

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	146.990.996	48.139.451	125.693.568	38.638.505
1. Sales revenues	112	144.344.684	47.848.129	122.067.860	37.889.842
2. Other operating revenues	113	2.646.312	291.322	3.625.708	748.663
II. OPERATING EXPENSES (115+116+120+124+125+126+129+130)	114	110.635.941	30.431.252	103.416.099	33.691.371
1. Changes in the value of work in progress and finished goods	115				
2. Material costs (117 to 119)	116	17.931.874	5.777.614	18.874.461	4.931.381
a) Raw material and material costs	117	234.098	67.958	224.226	59.030
b) Costs of goods sold	118				
c) Other external costs	119	17.697.776	5.709.656	18.650.235	4.872.351
3. Staff costs (121 to 123)	120	38.598.168	14.142.957	38.111.347	15.084.374
a) Net salaries and wages	121	35.409.743	13.103.168	34.931.805	14.027.300
b) Costs for taxes and contributions from salaries	122	2.171.112	707.444	2.176.612	724.518
c) Contributions on gross salaries	123	1.017.313	332.345	1.002.930	332.556
4. Depreciation	124	44.875.442	7.263.758	34.521.284	10.793.593
5. Other costs	125	9.230.457	3.246.923	10.933.631	2.882.023
6. Impairment (127+128)	126	0	0	0	0
a) Impairment of long-term assets (excluding financial assets)	127			0	0
b) Impairment of short-term assets (excluding financial assets)	128				
7. Provisions	129	0	0	0	0
8. Other operating expenses	130			975.376	0
III. FINANCIAL INCOME (132 to 136)	131	34.708.528	5.279.217	68.153.988	13.086.858
1. Interest income, foreign exchange gains, dividends and similar income from related	132				0
2. Interest income, foreign exchange gains, dividends and similar income from non-related	133	34.708.528	5.279.217	68.153.988	13.086.858
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	69.178.614	18.378.248	85.455.614	17.970.196
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	69.178.614	18.378.248	85.455.614	17.970.196
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	181.699.524	53.418.668	193.847.566	51.725.363
X. TOTAL EXPENSES (114+137+143 + 145)	147	179.814.555	48.809.500	188.871.713	51.661.567
XI. PROFIT OR LOSS BEFORE TAXATION (146-147)	148	1.884.969	4.609.168	4.975.843	63.796
1. Profit before taxation (146-147)	149	1.884.969	4.609.168	4.975.843	63.796
2. Loss before taxation (147-146)	150	0	0	0	0
XII. PROFIT TAX	151	173.744	18.781	173.744	57.914
XIII. PROFIT OR LOSS FOR THE PERIOD (148-151)	152	1.711.225	4.590.387	4.802.099	5.882
1. Profit for the period(149-151)	153	1.711.225	4.590.387	4.802.099	5.882
2. Loss for the period (151-148)	154	0	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	5.387.418	13.797.983	2.096.091	-93.365
2. Attributed to minority interests	156	-3.676.193	-797.031	2.706.008	99.247
STATEMENT OF COMPREHENSIVE INCOME (IFRS)					
I. PROFIT OR LOSS FOR THE PERIOD (= 152)	157	1.711.225	4.590.387	4.802.099	5.882
II. OTHER COMPREHENSIVE INCOME / LOSS BEFORE TAX(159 to 165)	158	-215.736.289	-12.867.320	12.080.471	6.010.815
1. Exchange differences on translation of foreign operations	159	-215.736.289	-12.867.320	12.080.471	6.010.815
2. Movements in revaluation reserves of long-term tangible and intangible assets	160				
3. Profit or loss from revaluation of financial assets available for sale	161				
4. Gains or losses on efficient cash flow hedging	162				
5. Gains or losses on efficient hedge of a net investment in foreign countries	163				
6. Share in other comprehensive income / loss of associated companies	164				
7. Actuarial gains / losses on defined benefit plans	165				
III. TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	166	-43.147.258	-2.573.464	2.174.485	1.081.947
IV. NET OTHER COMPREHENSIVE INCOME/ LOSS FOR THE PERIOD (158-166)	167	-172.589.031	-10.293.856	9.905.986	4.928.868
V. COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD(157+167)	168	-170.877.806	-5.703.469	14.708.085	4.934.750
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	-167.201.613	-4.906.438	12.002.077	4.835.503
2. Attributed to minority interests	170	-3.676.193	-797.031	2.706.008	99.247

CASH FLOW STATEMENT - Indirect method
period 01.01.2018. to 30.09.2018.

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	1.884.969	4.975.843
2. Depreciation	002	44.875.442	34.521.284
3. Increase in short-term liabilities	003		
4. Decrease in short term receivables	004		
5. Decrease in inventories	005	2.242.250	
6. Other cash flow increases	006	20.188.837	33.106.370
I. Total increase in cash flow from operating activities (001 to 006)	007	69.191.498	72.603.497
1. Decrease in short - term liabilities	008	24.461.751	4.892.551
2. Increase in short - term receivables	009	3.608.680	1.596.664
3. Increase in inventories	010	0	102.622
4. Other cash flow decreases	011	2.841.121	22.527.729
II. Total decrease in cash flow from operating activities (008 to 011)	012	30.911.552	29.119.566
A1) NET INCREASE OF CASH FLOW FROM OPERATING ACTIVITIES (007-012)	013	38.279.946	43.483.931
A2) NET DECREASE OF CASH FLOW FROM OPERATING ACTIVITIES (012-007)	014	0	0
CASH FLOW FROM INVESTING ACTIVITIES			
1. Cash flow from sale of long - term tangible and intangible assets	015	0	0
2. Cash inflows from sale of equity and debt financial instruments	016		
3. Interest receipts	017		
4. Dividend receipts	018		
5. Other cash inflows from investing activities	019		279.686
III. Total cash inflows from investing activities(015 to 019)	020	0	279.686
1. Cash outflows for purchase of long - term tangible and intangible assets	021	27.559	35.900
2. Cash outflows for purchase of equity and debt financial instruments	022		
3. Other cash outflows from investing activities	023		
IV. Total cash outflows from investing activities (021 to 023)	024	27.559	35.900
B1) NET INCREASE OF CASH FLOW FROM INVESTING ACTIVITIES(020-024)	025	0	243.786
B2) NET DECREASE OF CASH FLOW FROM INVESTING ACTIVITIES(024-020)	026	27.559	0
CASH FLOW FROM FINANCING ACTIVITIES			
1. Cash receipts from issuance of equity and debt financial instruments	027		
2. Cash inflows from loans, debentures, credits and other borrowings	028	0	52.519.871
3. Other cash inflows from financing activities	029	24.305.213	3.117.698
V. Total cash inflows from financing activities (027 to 029)	030	24.305.213	55.637.569
1. Cash outflows for repayment of loans and bonds	031	43.238.490	96.669.467
2. Dividends paid	032		
3. Cash outflows for finance lease	033		
4. Cash outflows for purchase of own stocks	034	0	
5. Other cash outflows from financing activities	035	23.274.970	221.659
VI. Total cash outflows from financing activities (031 do 035)	036	66.513.460	96.891.126
C1) NET INCREASE OF CASH FLOW FROM FINANCING ACTIVITIES (030-036)	037	0	0
C2) NET DECREASE OF CASH FLOW FROM FINANCING ACTIVITIES (036-030)	038	42.208.247	41.253.557
Total increases of cash flows (013 – 014 + 025 – 026 + 037 – 038)	039	0	2.474.160
Total decreases of cash flows (014 – 013 + 026 – 025 + 038 – 037)	040	3.955.860	0
Cash and cash equivalents at the beginning of period	041	14.166.377	4.320.376
Increase in cash and cash equivalents	042	0	2.474.160
Decrease in cash and cash equivalents	043	3.955.860	0
Cash and cash equivalents at the end of period	044	10.210.517	6.794.536

STATEMENT OF CHANGES IN EQUITY
from **1.1.2018** to **30.9.2018**

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	-23.237.552
3. Reserves from profit	003	43.455.396	44.525.939
4. Retained earnings or accumulated loss	004	-333.141.305	-339.954.324
5. Profit / loss for the current year	005	4.360.079	2.096.091
6. Revaluation of long - term tangible assets	006		
7. Minority interest	007	142.202.269	148.011.461
8. Revaluation of financial assets available for sale	008	-1.309.440	-1.309.440
9. Other revaluation	009	-59.450.449	-47.369.977
10. Total capital and reserves (AOP 001 to 009)	010	5.411.183	14.762.198
11. Currency gains and losses arising from net investments in foreign operations	011	-90.275.952	12.080.472
12. Current and deferred taxes (part)	012		
13. Cash flow hedging	013		
14. Changes in accounting policies	014		
15. Correction of significant errors in prior periods	015		
16. Other changes in capital	016	59.171.718	-2.729.457
17. Total increase or decrease in capital (AOP 011 to 016)	017	-31.104.234	9.351.015
17 a. Attributed to equity holders of parent company	018	-6.016.555	3.541.823
17 b. Attributed to minority interest	019	-25.087.679	5.809.192

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 30.09.2018

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 September 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 30 September 2018 the Group had 30 employees (30.09.2017: 34).

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 (KN), 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 30.09.2018

1. Operating income for the Period I-IX 2018 amounts to 125.7 mil HRK, while in the same period of 2017 it amounted to 146.9 mil HRK. Sales revenues have decreased in the current period as a result of lower realized freight due to the sale of one vessel as well as due to the lower USD exchange rate used for calculation of the HRK equivalent value of the freight income compared to the respective period of 2017. Other income is mostly related to the recognition of deferred income on the basis of received government grants for vessels construction.
2. Operating expenses were considerably lower in the first nine months of 2018 compared to 2017 due to a smaller number of vessels in the fleet as well as due to continuation of the policy of rationalization of operating costs in all segments of business.
3. Financial income and financial expenses have significantly increased with respect to the same period of 2017 as a result of income from obtained write-off of the part of the loan, estimated income from compensation on the basis of submitted claim, as well as as result of interest and exchange rate differences calculated in the current period.
4. As at 30.09.2018 the book value of the vessels amounts to 159.6 mil USD (1,022.3 mil HRK).
5. In the period from 1 January to 30 September 2018 the Company acquired treasury shares in the amount of 26.9 thousand HRK and disposed of treasury shares in the amount of 838.8 thousand HRK.
6. Revaluation reserves have been increased for 12,080 thousand HRK with respect to balance as at 31.12.2017, as a result of the adjustment of the investment in the foreign subsidiary at the mean rate of exchange for USD as at 30.09.2018.
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 September 2018. As at 30.09.2018 long-term debt amounts to 845,000 thousand HRK while at 31.12.2017 it amounted 869,046 thousand HRK. In the period January-September 2018 loan obligations were repaid in the total amount of 15,098 thousand USD at the Group level.
8. Current liabilities are mostly referring to short-term borrowings which also include the current portion of long-term borrowings. All short-term borrowings

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT
30.09.2018**

in foreign currencies were converted in HRK by applying the mean rate of exchange of the Croatian National bank as at 30 September 2018.

9. In the period from January-September 2018 the applicable amount of income from grants from previous years in the amount of 3,411 thousand HRK was recorded with the proportional decrease of the deferred income, in accordance with the deferred income recognition plan.
10. The minority in equity as at 30 September 2018 in the amount of 148,011 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 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.

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, 31 October 2018

MANAGEMENT REPORT FOR THE PERIOD 01.01-30.09/2018

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 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. The consolidated financial statements of the Group ULJANIK PLOVIDBA for the period 1 January to 30 September 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 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 first nine months of 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 first nine months of 2018 was regular, with full employment of vessels and high functioning management system. Unfortunately, instability associated with the implementation of customs barriers and additional charges has directly affected the global exchange of goods and reduction of transport activities especially in the US, China, Canada and EU countries. Although freight rates in bulk cargo sector have maintained a positive trend, it is still significantly lower than the expectations of world forecasters. The realized freight rates in Supramax sector are, however, significantly higher than average freight rates realized in 2017, with further increase in value, as a result of a small number of delivered/contracted new buildings. Continuation of economic activity in China is indisputably the main generator of bulk cargo operations. Expectations for this and the next year are very favourable in this

sector, so the predictions of further increase in freight rates and values of ships are realistic, despite the influence of customs barriers indicated above.

In the petroleum products, oils and chemicals transportation sector the considered period was characterized by continuation of decrease in freight rates, primarily due to the delivery of a larger number of newly built tankers in the last year as well as in the beginning of this year. Unfortunately, extremely low freight rates in the second and third quarters of 2018 directly affected the operating result. The recovery of the market in tanker transportation is expected by the end of this year and especially at the beginning of next year.

It is an encouraging fact that a very low number of contracts for the construction of MR tankers have been concluded in this year, 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 I-IX 2018 the Company:

- a) achieved a consolidated EBITDA for the Group of 56.8 mil HRK,
- b) generated consolidated net profit of 2,096,091 HRK compared to the net profit of 5,387,418 HRK in the previous comparative period ,
- c) realized a reduction in operating income as a direct consequence of operating with a smaller number of vessels in the fleet but also an increase in total revenues due to significant financial income realized in the reporting period,
- d) reduced operating costs of the vessels by continuing the rationalization policy that was introduced in previous years,
- 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-IX 2018 the Company repaid its loan obligations in a total of 15,098,063 USD,
- h) 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
- i) sold the oldest vessel from bulk fleet, m/v Levan, with full write-off of the ship and settlement of all its loan obligations,
- j) 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
- k) maintained high efficiency of vessels' management including the third party management,
- l) 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 consolidated operating revenues for the reporting period of 125,694 thousand HRK compared to 146,991 thousand HRK in the same period of 2017 are the result of a smaller number of vessels in the fleet, extraordinary dry dock performed on tanker Verige, and complicated repair of oil leakage on propeller shaft of tanker Pomer. Fixing of all bulk carriers to periods with freights directly related to the movement of the relevant index, the continuing trend of specialization of transport in the tanker sector as well as the effects of measures on additional cost reduction in the observed period, have created the assumptions for a positive financial result and will have a positive impact on the total realized income and operating results in the forthcoming period.

2. PERSONNEL

As at 30 September 2018 the Company had 30 employees compared to 34 employees in the same period of 2017.

3. TECHNICAL ASPECT

In the period January - September 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 stoppages 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.

4. ACQUISITION OF TREASURY SHARES

From 1 January to 30 September 2018 the Company acquired treasury shares in the amount of 26.9 thousand HRK and disposed of treasury shares in the amount of 838.8 thousand HRK.

5. IMPORTANT EVENTS IN 2018

Pursuant to Uljanik Plovidba's Development Strategy until 2030, sale of the oldest vessel from Uljanik Plovidba fleet, bulk carrier m/v Levan, built in 2006 was effected 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.

Following several months of intensive negotiations on 21 September 2018 Credit Committees of the Lenders' Syndicate of foreign banks approved significant amount of a discount on the outstanding debt and permitted refinancing of the subject loan relating to two tankers, namely Kastav and Pomer. Activities to find an appropriate refinancing model are in the process and all the relevant contractual documentation is expected to be completed and signed by the end of this year. Described financial transaction shall considerably reduce ULJANIK PLOVIDBA Group's total debt exposure and create better conditions for the Company's long term existence.

In May 2018, the Company sent a request to 3. Maj Shipyard 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 Shipyard d.d. will build for domestic buyers, concluded on January 21, 2009 and its subsequent addendum. In its consolidated financial statements, the Company accounted for a smaller portion of its claim amount and reported financial income from compensation. The Company expects that the requested claim will be solved by a peaceful and mutually acceptable solution when the total amount of the compensation in question will be assessed.

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, 31 October 2018



Dragutin Pavletić, Director

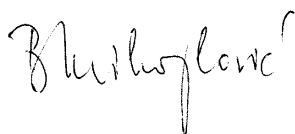
STATEMENT OF THE PERSONS RESPONSIBLE FOR PREPARING FINANCIAL STATEMENTS

According to the best of our knowledge:

The unaudited consolidated financial reports of GROUP ULJANIK PLOVIDBA for the period January – September 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 ULJANIK PLOVIDBA d.d. and the companies included in the consolidation.

The Management Report for the period January – September 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, 31 October, 2018