



**ALPHA ADRIATIC d.d.  
(ALPHA ADRIATIC JSC)**

**UNAUDITED FINANCIAL STATEMENTS**

**FOR THE PERIOD**

**JANUARY - SEPTEMBER 2019**

Pula, October 2019

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## **CONTENT:**

Unaudited Financial Statements of ALPHA ADRIATIC d.d. (ALPHA ADRIATIC JSC) for the period January – September 2019

Notes

Management Report

Statement of the persons responsible for preparing Financial Statements



## Annex 1

## ISSUER'S GENERAL DATA

Reporting period:	01.01.2019	to	30.09.2019
Year:	2019		
Quarter:	3.		

## Quarterly financial statements

Registration number (MB):	3292754	Issuer's home Member State code:	HR
Entity's registration number (MBS):	3292754		
Personal identification number (OIB):	49693360447	LEI:	74780000T0IH1TVDAU91
Institution code:	2338		
Name of the issuer:	ALPHA ADRIATIC d.d.		
Postcode and town:	52100	PULA	
Street and house number:	CARRARINA 6		
E-mail address:	info@alphaadriatic.com		
Web address:	www.alphaadriatic.com		
Number of employees (end of the reporting period):	28		
Consolidated report:	KN	(KN-not consolidated/KD-consolidated)	
Audited:	RN	(RN-not audited/RD-audited)	
Names of subsidiaries (according to IFRS):	Registered office:	MB:	
Bookkeeping firm:		(Yes/No)	
			(name of the bookkeeping firm)
Contact person:	VANESA PERUŠKO TOPIĆ		
	(only name and surname of the contact person)		
Telephone:	052492555		
E-mail address:	vptopic@alphaadriatic.com		
Audit firm:	iAudit d.o.o. Rijeka		
	(name of the audit firm)		
Certified auditor:	Boris Vidas		
	(name and surname)		

**BALANCE SHEET**  
balance as at 30.09.2019.

in HRK

Submitter: ALPHA ADRIATIC d.d.			
Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>A) RECEIVABLES FOR SUBSCRIBED CAPITAL UNPAID</b>	<b>001</b>	0	0
<b>B) FIXED ASSETS (ADP 003+010+020+031+036)</b>	<b>002</b>	941.102.340	951.500.173
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	4.664	848
1 Research and development	<b>004</b>	0	0
2 Concessions, patents, licences, trademarks, software and other rights	<b>005</b>	4.664	848
3 Goodwill	<b>006</b>	0	0
4 Advances for the purchase of intangible assets	<b>007</b>	0	0
5 Intangible assets in preparation	<b>008</b>	0	0
6 Other intangible assets	<b>009</b>	0	0
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	2.998.270	3.259.073
1 Land	<b>011</b>	121.829	121.829
2 Buildings	<b>012</b>	2.783.093	2.745.108
3 Plant and equipment	<b>013</b>	46.784	85.799
4 Tools, working inventory and transportation assets	<b>014</b>	46.564	19.231
5 Biological assets	<b>015</b>	0	0
6 Advances for the purchase of tangible assets	<b>016</b>	0	0
7 Tangible assets in preparation	<b>017</b>	0	0
8 Other tangible assets	<b>018</b>	0	287.106
9 Investment property	<b>019</b>	0	0
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	937.168.711	947.492.643
1 Investments in holdings (shares) of undertakings within the group	<b>021</b>	487.557.810	487.557.810
2 Investments in other securities of undertakings within the group	<b>022</b>	0	0
3 Loans, deposits, etc. to undertakings within the group	<b>023</b>	445.361.148	456.248.482
4. Investments in holdings (shares) of companies linked by virtue of participating interests	<b>024</b>	1.689.935	1.689.935
5 Investment in other securities of companies linked by virtue of participating interests	<b>025</b>	0	0
6 Loans, deposits etc. to companies linked by virtue of participating interests	<b>026</b>	1.600.000	1.600.000
7 Investments in securities	<b>027</b>	181.750	181.750
8 Loans, deposits, etc. given	<b>028</b>	778.068	214.666
9 Other investments accounted for using the equity method	<b>029</b>	0	0
10 Other fixed financial assets	<b>030</b>	0	0
<b>IV RECEIVABLES (ADP 032 to 035)</b>	<b>031</b>	930.695	747.609
1 Receivables from undertakings within the group	<b>032</b>	0	0
2 Receivables from companies linked by virtue of participating interests	<b>033</b>	0	0
3 Customer receivables	<b>034</b>	0	0
4 Other receivables	<b>035</b>	930.695	747.609
<b>V DEFERRED TAX ASSETS</b>	<b>036</b>	0	0
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	96.700.262	119.133.949
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	0	0
1 Raw materials and consumables	<b>039</b>	0	0
2 Work in progress	<b>040</b>	0	0
3 Finished goods	<b>041</b>	0	0
4 Merchandise	<b>042</b>	0	0
5 Advances for inventories	<b>043</b>	0	0
6 Fixed assets held for sale	<b>044</b>	0	0
7 Biological assets	<b>045</b>	0	0

<b>II RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	<b>28.436.699</b>	<b>44.847.135</b>
1 Receivables from undertakings within the group	<b>047</b>	11.535.592	24.975.748
2 Receivables from companies linked by virtue of participating interests	<b>048</b>	0	0
3 Customer receivables	<b>049</b>	16.381.286	19.193.663
4 Receivables from employees and members of the undertaking	<b>050</b>	0	0
5 Receivables from government and other institutions	<b>051</b>	129.197	97.789
6 Other receivables	<b>052</b>	390.624	579.935
<b>III CURRENT FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	<b>68.245.625</b>	<b>74.278.505</b>
1 Investments in holdings (shares) of undertakings within the group	<b>054</b>	0	0
2 Investments in other securities of undertakings within the group	<b>055</b>	0	0
3 Loans, deposits, etc. to undertakings within the group	<b>056</b>	68.062.516	74.210.540
4 Investments in holdings (shares) of companies linked by virtue of participating interests	<b>057</b>	0	0
5 Investment in other securities of companies linked by virtue of participating interests	<b>058</b>	0	0
6 Loans, deposits etc. to companies linked by virtue of participating interests	<b>059</b>	0	0
7 Investments in securities	<b>060</b>	0	0
8 Loans, deposits, etc. given	<b>061</b>	183.109	67.965
9 Other financial assets	<b>062</b>	0	0
<b>IV CASH AT BANK AND IN HAND</b>	<b>063</b>	<b>17.938</b>	<b>8.309</b>
<b>D ) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	<b>101.886</b>	<b>286.062</b>
<b>E ) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	<b>1.037.904.488</b>	<b>1.070.920.184</b>
<b>OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	<b>0</b>	<b>0</b>
<b>LIABILITIES</b>			
<b>A) CAPITAL AND RESERVES (ADP 068 to</b>	<b>067</b>	<b>351.267.773</b>	<b>358.320.815</b>
<b>I INITIAL (SUBSCRIBED) CAPITAL</b>	<b>068</b>	<b>232.000.000</b>	<b>239.721.200</b>
<b>II CAPITAL RESERVES</b>	<b>069</b>	<b>0</b>	<b>1.219.078</b>
<b>III RESERVES FROM PROFIT (ADP 071+072-073+074+075)</b>	<b>070</b>	<b>19.337.676</b>	<b>19.703.936</b>
1 Legal reserves	<b>071</b>	19.337.676	19.337.676
2 Reserves for treasury shares	<b>072</b>	11.184.568	11.184.568
3 Treasury shares and holdings (deductible item)	<b>073</b>	-11.184.568	-10.818.308
4 Statutory reserves	<b>074</b>	0	0
5 Other reserves	<b>075</b>	0	0
<b>IV REVALUATION RESERVES</b>	<b>076</b>	<b>0</b>	<b>0</b>
<b>V FAIR VALUE RESERVES (ADP 078 to 080)</b>	<b>077</b>	<b>-1.267.200</b>	<b>-1.267.200</b>
1 Fair value of financial assets available for sale	<b>078</b>	-1.267.200	-1.267.200
2 Cash flow hedge - effective portion	<b>079</b>	0	0
3 Hedge of a net investment in a foreign operation - effective portion	<b>080</b>	0	0
<b>VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)</b>	<b>081</b>	<b>100.591.706</b>	<b>101.197.297</b>
1 Retained profit	<b>082</b>	100.591.706	101.197.297
2 Loss brought forward	<b>083</b>	0	0
<b>VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)</b>	<b>084</b>	<b>605.591</b>	<b>-2.253.496</b>
1 Profit for the business year	<b>085</b>	605.591	0
2 Loss for the business year	<b>086</b>	0	2.253.496
<b>VIII MINORITY (NON-CONTROLLING) INTEREST</b>	<b>087</b>	<b>0</b>	<b>0</b>
<b>B) PROVISIONS (ADP 089 to 094)</b>	<b>088</b>	<b>601.073</b>	<b>504.803</b>
1 Provisions for pensions, termination benefits and similar obligations	<b>089</b>	601.073	504.803
2 Provisions for tax liabilities	<b>090</b>	0	0
3 Provisions for ongoing legal cases	<b>091</b>	0	0
4 Provisions for renewal of natural resources	<b>092</b>	0	0
5 Provisions for warranty obligations	<b>093</b>	0	0
6 Other provisions	<b>094</b>	0	0

<b>C) LONG-TERM LIABILITIES (ADP 096 to 106)</b>	<b>095</b>	<b>542.091.945</b>	<b>546.556.538</b>
1 Liabilities to undertakings within the group	<b>096</b>	0	0
2 Liabilities for loans, deposits, etc. of undertakings within the group	<b>097</b>	942.565	987.108
3 Liabilities to companies linked by virtue of participating interests	<b>098</b>	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	<b>099</b>	1.252.000	0
5 Liabilities for loans, deposits etc.	<b>100</b>	39.413.154	39.413.154
6 Liabilities to banks and other financial institutions	<b>101</b>	500.484.226	505.818.502
7 Liabilities for advance payments	<b>102</b>	0	0
8 Liabilities to suppliers	<b>103</b>	0	337.774
9 Liabilities for securities	<b>104</b>	0	0
10 Other long-term liabilities	<b>105</b>	0	0
11 Deferred tax liability	<b>106</b>	0	0
<b>D) SHORT-TERM LIABILITIES (ADP 108 to 121)</b>	<b>107</b>	<b>143.935.664</b>	<b>165.536.731</b>
1 Liabilities to undertakings within the group	<b>108</b>	0	0
2 Liabilities for loans, deposits, etc. of undertakings within the group	<b>109</b>	0	0
3 Liabilities to companies linked by virtue of participating interests	<b>110</b>	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	<b>111</b>	1.080.000	0
5 Liabilities for loans, deposits etc.	<b>112</b>	7.534.868	7.534.868
6 Liabilities to banks and other financial institutions	<b>113</b>	118.036.518	121.302.730
7 Liabilities for advance payments	<b>114</b>	138.844	138.844
8 Liabilities to suppliers	<b>115</b>	532.834	1.345.483
9 Liabilities for securities	<b>116</b>	0	0
10 Liabilities to employees	<b>117</b>	1.937.285	691.932
11 Taxes, contributions and similar liabilities	<b>118</b>	26.013	0
12 Liabilities arising from the share in the result	<b>119</b>	1.324.589	1.324.589
13 Liabilities arising from fixed assets held for sale	<b>120</b>	0	0
14 Other short-term liabilities	<b>121</b>	13.324.713	33.198.285
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>122</b>	<b>8.033</b>	<b>1.297</b>
<b>F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)</b>	<b>123</b>	<b>1.037.904.488</b>	<b>1.070.920.184</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>124</b>		

**STATEMENT OF PROFIT OR LOSS**  
for the period 01.01.2019. to 30.09.2019.

in HRK

Submitter: ALPHA ADRIATIC d.d.

Item	ADP code	Same period of the previous year		Current period	
		Cumulative	Quarter	Cumulative	Quarter
1	2	3	4	5	6
<b>I OPERATING INCOME (ADP 126 to 130)</b>	<b>125</b>	<b>15.807.041</b>	<b>5.066.783</b>	<b>18.269.495</b>	<b>8.596.004</b>
1 Income from sales with undertakings within the group	126	9.682.280	3.028.530	11.324.419	5.040.550
2 Income from sales (outside group)	127	3.301.490	1.125.849	3.502.551	1.189.770
3 Income from the use of own products, goods and services	128	0	0	0	0
4 Other operating income with undertakings within the group	129	1.724.946	558.406	2.762.139	2.094.533
5 Other operating income (outside the group)	130	1.098.325	353.998	680.386	271.151
<b>II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)</b>	<b>131</b>	<b>11.192.045</b>	<b>3.659.441</b>	<b>15.398.791</b>	<b>8.282.292</b>
1 Changes in inventories of work in progress and finished goods	132	0	0	0	0
2 Material costs (ADP 134 to 136)	133	717.260	178.426	589.370	194.225
a) Costs of raw materials and consumables	134	194.359	59.030	190.029	73.567
b) Costs of goods sold	135	0	0	0	0
c) Other external costs	136	522.901	119.396	399.341	120.658
3 Staff costs (ADP 138 to 140)	137	6.929.853	2.292.436	7.467.057	2.652.878
a) Net salaries and wages	138	3.750.311	1.235.362	3.968.690	1.361.766
b) Tax and contributions from salary costs	139	2.176.612	724.518	2.446.482	918.456
c) Contributions on salaries	140	1.002.930	332.556	1.051.885	372.656
4 Depreciation	141	77.272	25.396	314.156	106.820
5 Other costs	142	3.467.660	1.163.183	7.028.208	5.328.369
6 Value adjustments (ADP 144+145)	143	0	0	0	0
a) fixed assets other than financial assets	144	0	0	0	0
b) current assets other than financial assets	145	0	0	0	0
7 Provisions (ADP 147 to 152)	146	0	0	0	0
a) Provisions for pensions, termination benefits and similar obligations	147	0	0	0	0
b) Provisions for tax liabilities	148	0	0	0	0
c) Provisions for ongoing legal cases	149	0	0	0	0
d) Provisions for renewal of natural resources	150	0	0	0	0
e) Provisions for warranty obligations	151	0	0	0	0
f) Other provisions	152	0	0	0	0
8 Other operating expenses	153	0	0	0	0
<b>III FINANCIAL INCOME (ADP 155 to 164)</b>	<b>154</b>	<b>59.704.428</b>	<b>11.064.635</b>	<b>69.189.380</b>	<b>33.320.464</b>
1 Income from investments in holdings (shares) of undertakings within the group	155	0	0	0	0
2 Income from investments in holdings (shares) of companies linked by virtue of participating interests	156	0	0	0	0
3 Income from other long-term financial investment and loans granted to undertakings within the group	157	0	0	0	0
4 Other interest income from operations with undertakings within the group	158	19.148.040	8.669.290	23.834.421	9.743.754
5 Exchange rate differences and other financial income from operations with undertakings within the group	159	40.547.833	2.390.208	45.341.007	23.575.226
6 Income from other long-term financial investments and loans	160	0	0	0	0
7 Other interest income	161	8.555	5.137	13.952	1.484
8 Exchange rate differences and other financial income	162	0	0	0	0
9 Unrealised gains (income) from financial assets	163	0	0	0	0
10 Other financial income	164	0	0	0	0
<b>IV FINANCIAL EXPENSES (ADP 166 to 172)</b>	<b>165</b>	<b>63.970.910</b>	<b>12.872.506</b>	<b>74.313.580</b>	<b>35.155.921</b>
1 Interest expenses and similar expenses with undertakings within the group	166	0	0	0	0
2 Exchange rate differences and other expenses from operations with undertakings within the group	167	0	0	0	0
3 Interest expenses and similar expenses	168	20.462.240	6.988.283	29.098.407	11.604.906
4 Exchange rate differences and other expenses	169	43.508.670	5.884.223	45.215.173	23.551.015
5 Unrealised losses (expenses) from financial assets	170	0	0	0	0
6 Value adjustments of financial assets (net)	171	0	0	0	0
7 Other financial expenses	172	0	0	0	0
<b>V SHARE IN PROFIT FROM UNDERTAKINGS LINKED BY VIRTUE OF PARTICIPATING INTERESTS</b>	<b>173</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>VI SHARE IN PROFIT FROM JOINT VENTURES</b>	<b>174</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>VII SHARE IN LOSS OF COMPANIES LINKED BY VIRTUE OF PARTICIPATING INTEREST</b>	<b>175</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>VIII SHARE IN LOSS OF JOINT VENTURES</b>	<b>176</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>IX TOTAL INCOME (ADP 125+154+173 + 174)</b>	<b>177</b>	<b>75.511.469</b>	<b>16.131.418</b>	<b>87.458.875</b>	<b>41.916.468</b>
<b>X TOTAL EXPENDITURE (ADP 131+165+175 + 176)</b>	<b>178</b>	<b>75.162.955</b>	<b>16.531.947</b>	<b>89.712.371</b>	<b>43.438.213</b>
<b>XI PRE-TAX PROFIT OR LOSS (ADP 177-178)</b>	<b>179</b>	<b>348.514</b>	<b>-400.529</b>	<b>-2.253.496</b>	<b>-1.521.745</b>
1 Pre-tax profit (ADP 177-178)	180	348.514	0	0	0
2 Pre-tax loss (ADP 178-177)	181	0	-400.529	-2.253.496	-1.521.745
<b>XII INCOME TAX</b>	<b>182</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>XIII PROFIT OR LOSS FOR THE PERIOD (ADP 179-182)</b>	<b>183</b>	<b>348.514</b>	<b>-400.529</b>	<b>-2.253.496</b>	<b>-1.521.745</b>
1 Profit for the period (ADP 179-182)	184	348.514	0	0	0
2 Loss for the period (ADP 182-179)	185	0	-400.529	-2.253.496	-1.521.745

<b>DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)</b>					
<b>XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)</b>	<b>186</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1 Pre-tax profit from discontinued operations	187	0	0	0	0
2 Pre-tax loss on discontinued operations	188	0	0	0	0
<b>XV INCOME TAX OF DISCONTINUED OPERATIONS</b>	<b>189</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1 Discontinued operations profit for the period (ADP 186-189)	190				
2 Discontinued operations loss for the period (ADP 189-186)	191				
<b>TOTAL OPERATIONS (to be filled in only by undertakings subject to IFRS with discontinued operations)</b>					
<b>XVI PRE-TAX PROFIT OR LOSS (ADP 179+186)</b>	<b>192</b>				
1 Pre-tax profit (ADP 192)	193	0	0	0	0
2 Pre-tax loss (ADP 192)	194	0	0	0	0
<b>XVII INCOME TAX (ADP 182+189)</b>	<b>195</b>				
<b>XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)</b>	<b>196</b>				
1 Profit for the period (ADP 192-195)	197				
2 Loss for the period (ADP 195-192)	198				
<b>APPENDIX to the P&amp;L (to be filled in by undertakings that draw up consolidated annual financial statements)</b>					
<b>XIX PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)</b>	<b>199</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1 Attributable to owners of the parent	200	0	0	0	0
2 Attributable to minority (non-controlling) interest	201	0	0	0	0
<b>STATEMENT OF OTHER COMPREHENSIVE INCOME (to be filled in by undertakings subject to IFRS)</b>					
<b>I PROFIT OR LOSS FOR THE PERIOD</b>	<b>202</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX (ADP 204 to 211)</b>	<b>203</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1 Exchange rate differences from translation of foreign operations	204	0	0	0	0
2 Changes in revaluation reserves of fixed tangible and intangible assets	205	0	0	0	0
3 Profit or loss arising from subsequent measurement of financial assets available for sale	206	0	0	0	0
4 Profit or loss arising from effective cash flow hedging	207	0	0	0	0
5 Profit or loss arising from effective hedge of a net investment in a foreign operation	208	0	0	0	0
6 Share in other comprehensive income/loss of companies linked by virtue of participating interests	209	0	0	0	0
7 Actuarial gains/losses on the defined benefit obligation	210	0	0	0	0
8 Other changes in equity unrelated to owners	211	0	0	0	0
<b>III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>212</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)</b>	<b>213</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>V COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)</b>	<b>214</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APPENDIX to the Statement on comprehensive income (to be filled in by undertakings that draw up consolidated statements)</b>					
<b>VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)</b>	<b>215</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
1 Attributable to owners of the parent	216	0	0	0	0
2 Attributable to minority (non-controlling) interest	217	0	0	0	0



**STATEMENT OF CASH FLOWS - indirect method**  
for the period 01.01.2019 . to 30.09.2019.

in HRK

Submitter: ALPHA ADRIATIC d.d.			
Item	ADP code	Same period of the previous year	Current period
1	2	3	4
<b>Cash flow from operating activities</b>			
1 Pre-tax profit	001	174.770	-2.253.496
2 Adjustments (ADP 003 to 010):	002	20.296.454	2.159.706
a) Depreciation	003	77.271	314.156
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	0	0
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	0	0
d) Interest and dividend income	006	-15.928.268	-23.848.372
e) Interest expenses	007	20.460.524	29.080.728
f) Provisions	008	-429.289	-96.270
g) Exchange rate differences (unrealised)	009	0	0
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	16.116.216	-3.290.536
<b>I Cash flow increase or decrease before changes in working capital (ADP 001+002)</b>	<b>011</b>	<b>20.471.224</b>	<b>-93.790</b>
3 Changes in the working capital (ADP 013 to 016)	012	-7.311.949	3.948.922
a) Increase or decrease in short-term liabilities	013	9.616.360	-5.836.737
b) Increase or decrease in short-term receivables	014	-16.928.309	9.785.659
c) Increase or decrease in inventories	015	0	0
d) Other increase or decrease in working capital	016	0	0
<b>II Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>13.159.275</b>	<b>3.855.132</b>
4 Interest paid	018	8.271.511	-17.272.055
5 Income tax paid	019	0	0
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>21.430.786</b>	<b>-13.416.923</b>
<b>Cash flow from investment activities</b>			
1 Cash receipts from sales of fixed tangible and intangible assets	021	0	0
2 Cash receipts from sales of financial instruments	022	0	0
3 Interest received	023	7.657.129	13.090.496
4 Dividends received	024	0	0
5 Cash receipts from repayment of loans and deposits	025	30.049.066	19.621.158
6 Other cash receipts from investment activities	026	0	0
<b>III Total cash receipts from investment activities (ADP 021 to 026)</b>	<b>027</b>	<b>37.706.195</b>	<b>32.711.654</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-35.900	-571.143
2 Cash payments for the acquisition of financial instruments	029	0	0
3 Cash payments for loans and deposits for the period	030	-331.377.724	-9.256.554
4 Acquisition of a subsidiary, net of cash acquired	031	0	0
5 Other cash payments from investment activities	032	0	0
<b>IV Total cash payments from investment activities (ADP 028 to 032)</b>	<b>033</b>	<b>-331.413.624</b>	<b>-9.827.697</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)</b>	<b>034</b>	<b>-293.707.429</b>	<b>22.883.957</b>

<b>Cash flow from financing activities</b>			
1 Cash receipts from the increase in initial (subscribed) capital	<b>035</b>	0	8.940.278
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	<b>036</b>	0	0
3 Cash receipts from credit principals, loans and other borrowings	<b>037</b>	325.605.993	3.179.022
4 Other cash receipts from financing activities	<b>038</b>	0	0
<b>V Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>325.605.993</b>	<b>12.119.300</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	<b>040</b>	-53.312.356	-21.588.661
2 Cash payments for dividends	<b>041</b>	0	0
3 Cash payments for finance lease	<b>042</b>	0	0
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	<b>043</b>	-26.933	-7.302
5 Other cash payments from financing activities	<b>044</b>	0	0
<b>VI Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-53.339.289</b>	<b>-21.595.963</b>
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)</b>	<b>046</b>	<b>272.266.704</b>	<b>-9.476.663</b>
1 Unrealised exchange rate differences in respect of cash and cash equivalents	<b>047</b>	0	0
<b>D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 020+034+046+047)</b>	<b>048</b>	<b>-9.939</b>	<b>-9.629</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>	18.322	17.938
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD(ADP 048+049)</b>	<b>050</b>	<b>8.383</b>	<b>8.309</b>

**STATEMENT OF CHANGES IN EQUITY**  
for the period from 01.01.2019 to #####

in HRK

Item	ADP code	Attributable to owners of the parent															
		Initial (subscribed) capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury shares and holdings (deductible item)	Statutory reserves	Other reserves	Revaluation reserves	Fair value of financial assets available for sale	Cash flow hedge - effective portion	Hedge of a net investment in a foreign operation - effective portion	Retained profit / loss brought forward	Profit/loss for the business year	Total attributable to owners of the parent	Minority (non-controlling) interest	Total capital and reserves
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 (3 to 6 - 7 + 8 to 15)	17	18 (16+17)
<b>Previous period</b>																	
1 Balance on the first day of the previous business year	01	232.000.000	-22.705.367	19.079.004	36.382.812	12.006.420	0	0	0	-1.309.440	0	0	98.915.457	0	350.356.046	0	350.356.046
2 Changes in accounting policies	02	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3 Correction of errors	03	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4 Balance on the first day of the previous business year (restated) (ADP 01 to 03)	04	232.000.000	-22.705.367	19.079.004	36.382.812	12.006.420	0	0	0	-1.309.440	0	0	98.915.457	0	350.356.046	0	350.356.046
5 Profit/loss of the period	05	0	0	0	0	0	0	0	0	0	0	0	0	174.770	0	0	174.770
6 Exchange rate differences from translation of foreign operations	06	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7 Changes in revaluation reserves of fixed tangible and intangible assets	07	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8 Profit or loss arising from subsequent measurement of financial assets available for sale	08	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9 Profit or loss arising from effective cash flow hedge	09	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10 Profit or loss arising from effective hedge of a net investment in a foreign operation	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue of participating interests	11	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12 Actuarial gains/losses on the defined benefit obligation	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 Other changes in equity unrelated to owners	13	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14 Tax on transactions recognised directly in equity	14	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	15	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16 Increase in initial (subscribed) capital arising from the reinvestment of profit	16	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17 Increase in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	17	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18 Redemption of treasury shares/holdings	18	0	-532.155	0	0	26.937	0	0	0	0	0	0	0	0	-559.092	0	-559.092
19 Payment of share in profit/dividend	19	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20 Other distribution to owners	20	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21 Transfer to reserves according to the annual schedule	21	0	0	258.672	0	-838.808	0	0	0	0	0	0	-258.672	0	838.808	0	838.808
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	22	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23 Balance on the last day of the previous business year reporting period (04 to 22)	23	232.000.000	-23.237.522	19.337.676	36.382.812	11.194.549	0	0	0	-1.309.440	0	0	98.656.785	174.770	350.810.532	0	350.810.532
<b>APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)</b>																	
I OTHER COMPREHENSIVE INCOME OF THE PREVIOUS PERIOD, NET OF TAX (ADP 06 to 14)	24	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25	0	0	0	0	0	0	0	0	0	0	0	0	174.770	174.770	0	174.770
III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 22)	26	0	-532.155	258.672	0	-811.871	0	0	0	0	0	0	-258.672	0	279.716	0	279.716
<b>Current period</b>																	
1 Balance on the first day of the current business year	27	232.000.000	0	19.337.676	11.184.568	11.184.568	0	0	0	-1.267.200	0	0	101.197.297	0	351.267.773	0	351.267.773
2 Changes in accounting policies	28	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3 Correction of errors	29	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4 Balance on the first day of the current business year (restated) (ADP 27 to 29)	30	232.000.000	0	19.337.676	11.184.568	11.184.568	0	0	0	-1.267.200	0	0	101.197.297	0	351.267.773	0	351.267.773
5 Profit/loss of the period	31	0	0	0	0	0	0	0	0	0	0	0	0	-2.253.496	-2.253.496	0	-2.253.496
6 Exchange rate differences from translation of foreign operations	32	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7 Changes in revaluation reserves of fixed tangible and intangible assets	33	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8 Profit or loss arising from subsequent measurement of financial assets available for sale	34	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9 Profit or loss arising from effective cash flow hedge	35	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10 Profit or loss arising from effective hedge of a net investment in a foreign operation	36	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11 Share in other comprehensive income/loss of companies linked by virtue of participating interests	37	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12 Actuarial gains/losses on the defined benefit obligation	38	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 Other changes in equity unrelated to owners	39	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14 Tax on transactions recognised directly in equity	40	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15 Increase/decrease in initial (subscribed) capital (other than from reinvesting profit and other than arising from the pre-bankruptcy settlement procedure)	41	7.721.200	1.544.510	0	0	0	0	0	0	0	0	0	0	0	9.265.710	0	9.265.710
16 Increase in initial (subscribed) capital arising from the reinvestment of profit	42	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17 Increase in initial (subscribed) capital arising from the pre-bankruptcy settlement procedure	43	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18 Redemption of treasury shares/holdings	44	0	0	0	0	7.302	0	0	0	0	0	0	0	0	-7.302	0	-7.302
19 Payment of share in profit/dividend	45	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20 Other distribution to owners	46	0	-325.432	0	0	-373.562	0	0	0	0	0	0	0	0	48.130	0	48.130
21 Transfer to reserves according to the annual schedule	47	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	48	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23 Balance on the last day of the current business year reporting period (ADP 30 to 48)	49	239.721.200	1.219.078	19.337.676	11.184.568	10.818.308	0	0	0	-1.267.200	0	0	101.197.297	-2.253.496	358.320.815	0	358.320.815
<b>APPENDIX TO THE STATEMENT OF CHANGES IN EQUITY (to be filled in by undertakings that draw up financial statements in accordance with the IFRS)</b>																	
I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 32 to 40)	50	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31+50)	51	0	0	0	0	0	0	0	0	0	0	0	0	-2.253.496	-2.253.496	0	-2.253.496
III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)	52	7.721.200	1.219.078	0	0	-366.260	0	0	0	0	0	0	0	0	9.306.538	0	9.306.538

**NOTES TO THE FINANCIAL STATEMENTS  
AS AT 30.09.2019**

ALPHA ADRIATIC Maritime Transport, Joint Stock Company, Pula, abbreviated ALPHA ADRIATIC d.d. (hereinafter: ALPHA ADRIATIC d.d. or the Company), which until 18 October 2019 operated under the company name ULJANIK PLOVIDBA Maritime Transport, Joint Stock Company, was established in Croatia. The Company is registered with the Commercial Court in Pazin.

ALPHA ADRIATIC 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 2019 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 2019 the Company had 29 employees (30.09.2018: 30).

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 in the period I-IX 2019 was higher than in the comparative period of 2018 due to the increase in US dollar exchange rate, which affected the countervalue of intra-group dollar income, while operating expenses increased due to the increased volume of external services related to financial restructuring activities.
  2. Financial income and financial expenses have increased in the period January-September 2019 compared to the same period of 2018. Net financial expenses which resulted from accrued interest rates on new received and given loans and the calculation of positive and negative exchange rate differences, amounted to 5,125 thousand HRK (2018: 4,267 thousand HRK).
  3. 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 September 2019. At 30 September 2019 total long-term debt amounted to 546,557 thousand HRK while at 31 December 2018 it amounted to 542,092 thousand HRK.
  4. Current liabilities are mostly referring to short-term borrowings which also include the current portion of long-term borrowings. All short-term borrowings in foreign currencies were converted in HRK by applying the mean rate of exchange of the Croatian National Bank as at 30 September 2019.
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5. In the period January-September 2019 the Company acquired treasury shares in the amount of 7.3 thousand HRK and disposed of treasury shares in the amount of 373.6 thousand HRK.
6. On 29 August 2019 the General Assembly of the Company was held which passed the resolution on the profit distribution for 2018. According to the same resolution, the net profit of 605,591.00 HRK was allocated to retained profit.

Pula, 23 October 2019

For ALPHA ADRIATIC d.d. Pula  
Igor Budisavljević, Director



**MANAGEMENT REPORT FOR THE PERIOD  
01.01.-30.09.2019**

ALPHA ADRIATIC maritime transport, joint stock company, which until 18 October 2019 operated under the company name ULJANIK PLOVIDBA maritime transport, joint stock company (hereinafter: Company) with its headquarters in Pula, Carrarina 6, is a joint stock company registered with the Commercial Court in Pazin, personal identification number: 49693360447, subject's registration number: 3292754. On 30 September 2019, the Company's share capital amounted to 239,721,200.00 HRK and was divided into 580,000 ordinary registered shares with no par value each under ticker ULPL-R-A and 77.212 preferred registered non-voting shares under ticker ULPL-P-B, with no par value. The Company's ordinary shares are listed in the Official Market of the Zagreb Stock Exchange. The consolidated financial statements of the ALPHA ADRIATIC Group for the period from 1 January to 30 September 2019 represent the financial statements of the Company and its subsidiaries. The Company's core business is international maritime transport in the sector of bulk cargo transport by Supramax vessels and transport of petroleum products, chemicals and oils by MR tankers.

The vessel fleet owned by the Company at the end of the reporting period consists of 3 MR tankers and 2 Supramaxes. The Company also provides vessel management services for third parties.

The Company's bodies are the General Assembly, the Supervisory Board and the Management.

Until 27 March 2019 the members of the Supervisory Board were: Amra Pende, president, Anton Brajković, deputy president and Robert Banko, member. On 27 March 2019, the Company received the resignation of Anton Brajković, member and deputy of the Supervisory Board, following which, on 23 April 2019, the court appointed Dubravko Kušeta, bachelor of economy from Veli Lošinj, Kaštel 28, personal identification number: 01763169344 as a new member of the Supervisory Board in order to replace the missing member. Dubravko Kušeta was elected to perform the same function on 29 August 2019 by the General Assembly of the Company, with his mandate running until 29 August 2022. From 29 August 2019 the Supervisory Board of the Company is composed of Amra Pende, president, Robert Banko, deputy president and Dubravko Kušeta, member.

The Company's Management was, until his resignation on 27 March 2019, constituted by Dragutin Pavletić, Director of the Company. At the meeting held on the same day, the Supervisory Board of the Company appointed Igor Budisavljević, B.Sc. iur., born on 7 May 1965, from Banjole, Volme 132, personal identification number: 58863771276, with thirty years of experience in the maritime industry as the new Director of the Company, for a period of five years, with the authorization to represent the Company independently and individually. The mandate of the appointed Director of the Company started to run on 27 March 2019.

The consolidated financial statements have been prepared in HRK, in accordance with the International Financial Reporting Standards.

The business activities of the Company and its foreign subsidiaries in the period from 1 January to 30 September 2019 were under the strong influence of a volatile market in both sectors. This volatility was directly linked to the introduction of customs barriers and additional levies, which had a direct negative impact on the global commodity exchange. Despite the seasonal nature of maritime transport, the third quarter of this year was marked by a strong rise in bulk transport freight rates. The daily hire rates for Supramax ships of 58,000 DWT on the spot market in that period reached as much as 13,000 USD per day, while a full recovery is expected only after the positive outcome of the US-China trade negotiations. These

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developments on the market have had a direct and prompt positive effect on the Company results, as the ships have been chartered out on the basis of daily variable freight rates tied to BSI.

In the transportation of petroleum products, oil and chemicals, the observed period was marked by a continued volatility trend in the spot market until the end of August, while in September, an exceptionally strong rise in tanker freight rates began, primarily in the crude oil transportation sector, which subsequently reflected on the BCTI and time charter rates. According to earlier announcements, a continuation of the positive trend is expected towards the end of 2019 and in 2020.

In the period from 01.01.2019 to 30.09.2019 the business activities of the Company were characterized by the following:

- a) Positive consolidated EBITDA of the Group in the amount of 100.5 million HRK;
- b) Net consolidated profit of 24,422,156 HRK was realized compared to the net profit of 2,096,091 HRK in the same period of the previous year, as a result of net income from the sale of the mv Kastav, including writing-off of part of the loan debt approved for financing the said vessel and recognition of deferred revenue related to the ship sold;
- c) In spite of the decrease in freight revenue as a result of operating with fewer ships in the fleet and lower financial revenues, the realization of the other operating revenues described above and consequently higher overall revenues in the current period resulted in the above-mentioned net profit;
- d) Decrease of the total operating expenses of vessels with continuation of the rationalization policy introduced in previous years;
- e) Full employment of vessels with the continued trend of high efficiency of the Company's fleet,
- f) Impaired solvency and liquidity with consequent continued restructuring of loan obligations with banks;
- g) Full implementation of the quality and safety system on vessels and in the offices, with continued raising of quality and competence of employees and maintaining a high level of professionalism;
- h) Highly efficient vessel management, including management for third parties;
- i) Full performance of all the vessels' Charterers with full collection of contracted freights;
- j) Arrest of the Company vessel Pomer on 28 September 2019 at the Tanjung Pelepas port in Malaysia by a foreign bank syndicate led by Credit Suisse, which ultimately resulted in the filing of a proposal for the opening of the pre-bankruptcy proceeding on 30 September 2019 and the adoption of a Decision on the opening of pre-bankruptcy proceeding over the Company on 4 October 2019 by the Commercial Court in Pazin.

An overview of individual functions is given hereinafter:

## **1. COMMERCIAL OVERVIEW**

In the observed period, the total consolidated operating revenue of the Group amounted to 167,117 thousand HRK, compared to 138,106 thousand HRK realized in the comparable period in 2018, with lower income from freight as a result of a lower number of vessels in operation in the current period. However, the reason for achieving a much better result in the third quarter of 2019 was the net revenue originating from the sale of the vessel Kastav including the writing off of a part of the loan originally granted to finance the same vessel as well as the recognition of deferred income related to ships in the fleet, due to which other operating income for the first nine months of 2019 is significantly higher than other operating income in the same period in 2018. Most part of the third quarter was marked by an increase in freight rates in the bulk cargo sector, so the results from the commercial activities of these vessels had a positive impact on the operating result. In the

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tanker sector, stable revenues were generated as vessels were employed on a time charter/bareboat charter basis. Both fleets of the Company in the period under review ensured the orderly fulfilment of contractual obligations, with negligible delays and a very high level of employment.

## **2. HUMAN RESOURCES OVERVIEW**

On the day of 30 June 2019, the Company employed 29 highly professional and qualified employees who, through their responsible work, dedication and loyalty, ensure safe and quality ship management and meeting of the high expectations of clients.

## **3. TECHNICAL OVERVIEW**

In the third trimester of 2019, no dry docking was carried out and the vessels incurred no significant damages or off-hires. All vessels have duly performed in accordance with relevant contracts.

## **4. ACQUISITION OF OWN SHARES**

In the period from 1 January to 30 September 2019, the Company acquired treasury shares in the value of 7.3 thousand HRK. In the said period, the Company disposed of its own shares in the value of 373.6 thousand HRK.

## **5. BUSINESS EVENTS IN 2019**

On 28 January 2019, the director of the Company, with consent of the Company's Supervisory Board determined that the issuing of the Company's preferred shares was successful, considering that 77,212 preferred shares were duly subscribed and the amount of 9,265,440.00 HRK was paid within the prescribed dead-line for subscription and payment of new preferred shares. This represents more than 30% of the total amount of the issue, fulfilling the requirements to increase the share capital of the Company. The share capital of the Company was increased from the amount of 232,000,000.00 HRK, for the amount of 7,721,200.00 HRK, to the amount of 239,721,200.00 HRK, by issuing a total of 77,212 preferred registered non-voting shares, with nominal value of 100.00 HRK each, against payment of shares in cash. These shares give the following preferred rights to their owners: (i) right to annual dividend in the amount of 5 % (five percent) of the nominal share value, (ii) right to the difference to the full amount of dividend belonging to the owners of ordinary shares for the individual financial year, (iii) right to collect cumulative outstanding dividends through a 3 (three) year period before the payment of dividends to the owners of ordinary shares, (iv) priority right related to the payment of the balance remaining from winding-up or insolvency.

In the period from 22 February to 14 March 2019, the business bank account of the Company was blocked for the amount owed by 3. MAJ Brodogradilište d.d. to the Ministry of Finance, Tax Administration, for taxes and other public levies. The Ministry of Finance, Tax Administration, attempted to enforce the collection of the debt from the Company as debtor of 3. MAJ Brodogradilište d.d., the existence and the maturity of which debt are the subject matter of the initiated court proceedings and are still to be determined. Immediately upon receipt of the decision on enforcement issued by the Ministry of Finance, Tax Administration, the Company took all the necessary legal steps to protect its interests. All necessary appeals were promptly lodged and the proceedings were initiated to declare the seizure and the transfer ordered by the Ministry of Finance, Tax Administration, as illegitimate, as well as the proceedings to postpone the implementation of the order to the banks to transfer the seized funds, in which legal matters the court must act urgently. At first, on 8 March

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2019 the Municipal Court in Pula-Pola adopted a decision to postpone the implementation of the order to the banks to transfer the seized funds of the Company. Thereafter, on 13 March 2019, the same court declared the seizure and transfer of monetary funds of the Company attempted by the Ministry of Finance, Tax Administration, to be illegitimate. Pursuant to such a decision of the court, the Company's account was unblocked on 14 March 2019, since there were no further reasons to keep the Company's account blocked. Due to the short period in which the account was blocked and promptly undertaken activities about which the Company notified its creditors, the blocking of the account had no significant influence on the business activities of the Company. Namely, all current contractual relations, both with creditors and with business partners, were maintained and are still in force, while the current expenses of the Company's business activities were settled in an orderly and timely matter after the account was unblocked, considering that the total amount of the seized funds was insignificant compared to the monthly revenue of the Company.

The Company's business account was again blocked for the same motive by the Ministry of Finance, Tax Administration on 06 May 2019. Following the termination of the second-instance administrative procedure in favour of the Company, and on the basis of the decision adopted by the Ministry of Finance, Independent Sector for Second-Instance Administrative Procedure, the Ministry of Finance, Tax Administration, suspended the enforcement procedure, thereby unblocking the Company's business account on 28 May 2019.

On 7 March 2019, in accordance with Article 186.a of the Civil Proceedings Act, a request was submitted to the County State Attorney's Office in Rijeka for an amicable settlement of the dispute related to the claim for compensation in the amount of 80,082,182.03 HRK arising from the Cooperation Agreement on Mutual Execution of the Project for Building 4 Ships at 3. MAJ Brodogradilište for Domestic Buyers, concluded on 21 January 2009 and its Addendum 1 of 11 February 2009, concluded between the then Ministry of Economy, Labour and Entrepreneurship, Ministry of Sea, Transport and Infrastructure, 3. MAJ Brodogradilište d.d. and the Company. By this Agreement and its later Addendum 1, the parties to the agreement have determined the principles of cooperation, activities and measures, as well as conditions under which they are to be guided in the execution of the subject Project, all in order to overcome serious business difficulties at 3. MAJ Brodogradilište d.d. On 24 July 2019, the County State's Attorney's Office in Rijeka, as anticipated, did not accept the request for an amicable settlement of the dispute. The Company is considering the possibility of protecting its legal interests in litigation.

On 3 April 2019, the Company received the Decision regarding the investigation against the Company due to the alleged suspicion that the acts of the person who was previously acting as a responsible person in the Company, based on the concluded Cooperation Agreement on Mutual Execution of the Project for Building 4 Ships at 3. MAJ Brodogradilište for Domestic Buyers, resulted in the Company allegedly obtaining illegal proceeds in the total amount of 57,960,520.00 HRK. The investigation was initiated against the Company as a legal person exclusively because the same investigation had been initiated against the person formerly acting as a responsible person in the Company, and was the direct consequence of this circumstance. Any alleged illegal proceeds in any amount are expressly denied by the Company, considering that the Company is seeking damages in the amount of 80,082,182.03 HRK based on the same above mentioned Agreement.

On 21 June 2019, as part of the first phase of financial restructuring of the ALPHA ADRIATIC Group, an agreement was signed for the sale of the oldest ship in the fleet, a tanker for crude oil, oil products and chemicals. The MR tanker Kastav was built in 2009 at 3. MAJ Brodogradilište in Rijeka. On 1 July 2019, i.e. at the very beginning of this reporting period, the ship was delivered to her Marshall Islands buyers in Nantong, China, in accordance with the terms of the Memorandum of Agreement. The sale of the vessel in question had a positive effect on the Group's financial results, and the positive effect of this transaction is evident in the profit and loss account for the third quarter of 2019.

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On 29 August 2019 the General Assembly was held at the Company's office building at which the following important decisions were adopted:

- decision on the allocation of profit realized in 2018 in the amount of 605,591.00 HRK to retained earnings in 2018;
- decision to change the company name into ALPHA ADRIATIC, maritime transport, joint stock company;
- decision to convert shares with par value into shares with no par value;
- decision to list the preference shares on the Official Market of the Zagreb Stock Exchange;
- decision to authorize the Management Board to acquire equity shares;
- decision to amend the Articles of Association of the Company, which amendments were entered in the court register on 18 October 2019.

On 28 September 2019, despite the high degree of agreement reached to settle with all domestic and foreign creditors of the Company on the restructuring of the existing financial obligations, a syndicate of foreign banks led by Credit Suisse, with which the Company has continuously cooperated for thirty-three years, suddenly and contrary to good business practice unilaterally stopped the ongoing negotiations and arrested the Company's fleet vessel Pomer at the port of Tanjung Pelepas, Malaysia, in order to collect the due amounts.

In order to further protect the Company, nearly 400 employees and seafarers, creditors and shareholders, the Management Board and the Supervisory Board have on 29 September 2019, adopted the decision to initiate pre-bankruptcy proceedings with a restructuring plan drawn up on the basis and in accordance with the agreements reached up to that point about entering into a settlement with the existing creditors. The aim of the proposed procedure is to ensure the conditions for the completion of the started negotiations and achievement of the effects of the planned settlement with the creditors, in order for the Company to continue as an ongoing concern with an orderly continuation of business.

The proposal for the opening of the pre-bankruptcy proceedings was submitted to the Commercial Court in Pazin on 30 September 2019.

On 4 October 2019, the Commercial Court in Pazin adopted the Decision on the opening of pre-bankruptcy proceedings St-336/2019, in which it stated that pre-bankruptcy proceedings were opened over the company ULJANIK PLOVIDBA d.d. The Company decided to initiate pre-bankruptcy settlement proceedings in order to, through such pre-bankruptcy settlement, carry out with the creditors a process of a complete restructuring of the Company and so achieve the preconditions for a long-term, sustainable and successful business, for which there are objective grounds. The Company expects that the restructuring process of the Company through the pre-bankruptcy procedure over the next few months will contribute to the stability of operations, the repayment of credit obligations and the maintenance of the jobs of seafarers on board ships and employees onshore. The Company is convinced that the pre-bankruptcy procedure is the right solution to the current situation, through which the settlement of debt to creditors and the normalization of business can be ensured, while protecting the creditors.

## **6. COMPANY DEVELOPMENT**

The Company is fully aware of the seriousness of its current financial situation, but expects that the pre-bankruptcy proceedings will enable the reaching of a successful settlement with the creditors, which would create the conditions to continue its regular operations, after a significant reduction of indebtedness in agreement with the creditors, after partial debt forgiveness, in a moment where the market is favourable and growth of freight rates is expected in the future in both sectors in which the Company operates.

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Through the pre-bankruptcy procedure, the Company plans to make additional efforts to further streamline its operations, including merging fleet teams into one team, merging airline and maritime agencies, using outsourcing as needed.

The Development Strategy of ALPHA ADRIATIC d.d. until 2030 directed the Company to retain its core maritime activity in two sectors, in particular, the bulk cargo transport by Supramax-type vessels and transport of petroleum products and chemicals by product carriers.

The intention of the Company is to continuously participate in the market of new and second hand vessels, with the goal to optimize the fleet and its efficiency. Even though the majority of business is going to be conducted by its own vessels, the development of the Company will additionally be directed to vessel management services (technical, human resources, commercial etc.) for external clients.

## **7. COMPANY ACTIVITIES IN RESEARCH AND DEVELOPMENT AND ENVIRONMENTAL PROTECTION**

As part of the business activities related to maritime transport, including providing of vessel management services, research is continuously being conducted, in particular in relation to introducing new technical solutions and technologies connected with the exploitation of vessels. Particular attention is directed at technical solutions enabling further savings in the consumption of motor fuel, pollution decrease and enhancing of environmental protection. On the other hand, by socially responsible business, through investing into the community, concern and care about the employees and their education, the Company endeavours to contribute to the continued economic and social development.

In light of the regulations of the International Maritime Organization (IMO) entering into force on 1 January 2020 concerning the ban of the use of high sulphur fuels (3.5%) without a scrubber (a desulphurisation device), the Company decided not to fit scrubbers onto its vessels but to start using fuel with a low sulphur percentage (0.5%). The calculation of Company's experts showed that the cost-effectiveness of fitting scrubbers on board is almost impossible to calculate in practice, due to the volatility of the prices of different types of fuels, inconsistent availability of different types of fuel in world ports and the very high cost of procuring and fitting of scrubbers. Ship desulphurization technology is relatively new and, in addition to this new technology risk, there is the added risk of coastal states banning certain devices or technology because of their questionable environmental impact, since studies with differing views exist. The assessment of the Company, as well as of many other Croatian and world shipping companies, is that fuel manufacturers will adjust to market demand for fuels, and so it opted to use low sulphur fuels.

## **8. BUSINESS RISKS**

The core activity of international maritime transport and the shipping activities are recognizable in the world as highly risky ventures and are as such directly connected to significant business risks, of which the most significant are singled out as follows:

- Global economic trends;
  - Risk of interest rates increase;
  - Volatility of the USD exchange rate in relation to other currencies;
  - Significant oscillations in the value of vessels;
  - Risk of strict business conditions;
  - Long and uncertain term of return on capital;
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- Volatility in regulation and basic operating expenses;
- New technology risk;
- Lack of and fluctuation of availability of marine personnel.

Pula, 24 October 2019

Igor Budisavljević, Director



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

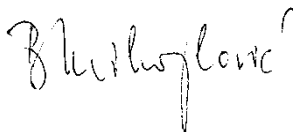
According to the best of our knowledge:

The unaudited financial reports of ALPHA ADRIATIC d.d. (ALPHA ADRIATIC JSC) for the period January – September 2019, have been prepared according to International Financial Reporting Standards and they provide a complete and true presentation of assets, liabilities, profit and loss, financial position and business activities of ALPHA ADRIATIC d.d.

The Management Report for the period January – September 2019 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.

Pula, 24 October 2019.

Accounting Manager



Bojana Mihajlović

Director



Igor Budisavljević

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