

# TANKERSKA **NEXT GENERATION**

UNAUDITED FINANCIAL STATEMENTS FOR THE  
FOURTH QUARTER AND THE FULL YEAR 2020

2020

Q1

Q2

Q3

Q4



**TNG**  
Tankerska Next Generation

# Contents

	Comments from the CEO	2
	Market environment	4
	Results for the period	10
	Operational data of the fleet	14
	Financial position summary	17
	Risk management	26
	Unaudited financial statements	29
	Notes to the financial statements	39
	Important terms and concepts	42
	Cautionary note	49
	Contact	50

## Results FY 2020

Vessel revenue  
USD 35.445m

EBITDA  
USD 14.274m

EBIT  
USD (2.822m)

Net income  
USD (5.907m)

TCE NET  
14,250 USD/day

OPEX  
6,823 USD/day

Beyond any doubt, the macroeconomic issues that are shaping and transforming the international shipping markets today also significantly transcribe to Tankerska Next Generation's annual results. Impacts on the shipping industry such as geopolitics, environmental regulations and big data technology have played an immense but yet inferior role in comparison to the need for appropriately addressing the scale of the current crewing crisis, the Covid-19 crisis, its recovery and the aftermath associated with the new normal.

The first half of 2020 witnessed crude oil and product seaborne transport primarily driven by underlining panic and uncertainty, resulting in a chartering rush which caused freight rates to spiral upwards. This steep ascend, also reflected in transport cost, was very short-lived, and not driven by a structural increase in demand for oil, but was mainly a consequence of its low price. This resulted in large stock build-ups stored both on land and at sea on tankers converted into temporary flowing storage units limiting available tanker transport capacity thus putting more pressure on rates creating contango effect.

The latter half of 2020 witnessed an inevitable unwinding of the aforementioned stock levels, combined with overall depressed global demand for the seaborne transport of fossil fuels. Tanker market conditions remained poor in Q4 further deflating the company's healthy financial results accumulated in Q1 and Q2.

Tankerska Next Generation maintained a vigorous stance, however it did not get taken away by the lucrative spot market in H1, yet managed to use it as leverage for additional time charter coverage. In this respect we managed to secure a total of 1.466 "time charter days" which was just a touch less (2,3%) than the year before but mainly due to the number of off hire days 4 of our ECO tankers spent in dry dock.

With such discipline, and sticking to our long-term company employment strategy, we capitalised on limited spot exposure towards the second half of the year in a far from lucrative period.

Worldwide, oil producers slashed exports and refineries curbed production on weak demand for transport as governments imposed restrictive lockdowns to control coronavirus outbreaks for yet a second round. Looking back at the adversity 2020 brought to the world, and the commercial and operational challenges the company has faced, we take comfort in the fact 2020 is now behind us; at least chronologically.

***The net loss of Tankerska Next Generation in 2020 was HRK 31,7 million (USD 5.9m) and is compounded of:***

- *The fact global economies are still struggling to emerge from lockdown*
- *A USD 9 million impairment due to strong vessel market value depreciation*
- *A total of 114,54 days spent in drydock*
- *Extreme swing in tanker freight markets*
- *Just under 1,500 days of time charter coverage*
- *Self-financing of ballast water management systems*
- *Soaring costs of repatriation*
- *H2 spot market misery*

The fleet's ECO vessels carrying amounts was reduced by about 7% of the estimated market value since her book value by the Management's estimates exceeded the estimated DCF value. A loss of USD 9.1 million (HRK 55.7m) is shown as an expense in the profit and loss sheet and will be exhibited under the financial notes report.

During the fourth quarter, the Company signed a loan facility agreement in an aggregate amount of up to USD 44 million. It was concluded with top rated European corporate and investment banks for a loan tenor of 5 years. The Company will utilize the funds for the early repayment of existing loan facilities maturing in 2021, which partly financed the purchase of its youngest newbuildings. By concluding this financial arrangement, we reinforced our recognized position in the international financing market for shipping and expanded cooperation with new international creditors who have placed their trust with the Company and recognized us as a reliable and long-term partner even in difficult times. In accordance with our strategy of maintaining financial stability and liquidity, we remain fully committed to the implementation of the plan for refinancing credit liabilities maturing in 2021 and 2022.

Furthermore, as of the start of November 2020, our share buyback programme policy remains intact with the potential to repurchase up to 110.000 of our own shares. This marks the continuation of the company's efforts to enhance shareholders' value and is aimed, among other things, to boost Shares' liquidity.

## Operational challenges

We have reflected on circumstances which have affected the complexity of our operations on several occasions. First and foremost, in the form of seafarers' repatriation, i.e. crew leave, then after the delivery of parts and equipment, and delays in logistics' procurement channels. The mounting costs of these operational challenges should not be overlooked by any means. The challenging circumstances often resulted in unplanned extended stays of seafarers' onboard vessels, often significantly longer than their initial contracts.

However, with the latest initiative, some progress has been made, or at least effort in the right direction. More than 600 companies and organizations have signed the Neptune Declaration on Seafarer Wellbeing and Crew Change.

It urges the implementation of four main actions to address the crisis:

- Recognize seafarers as key workers and give them priority to vaccines
- Establish and implement health protocols
- Increase collaboration between ship operators and charterers to facilitate crew changes
- Ensure connections between key maritime hubs for seafarers

The signatories recognize that we all have a shared responsibility to ensure that the current crew change crisis is resolved as soon as possible. If anything, these entities add their (stronger) voice to the other organizations seeking to call attention to the humanitarian issues and challenges seafarers are facing caused by the restrictions implemented to control the COVID-19 pandemic.

Despite the significant difficulties and palpable dangers, we are pleased to confirm that as of the time of writing, the Company has not recorded a single case of infection with the COVID-19 virus on its vessels.

The Company remains more intensively focused on the prospects of carrying out mandatory five-year repairs. According to plan, we were committed to 4 dockings up to the end of the year. Three we completed together with BWTS (2x), while the fourth commenced at the end of Q4 and rolled over into Q1 of 2021.

Overall uncertainty remains a compelling theme in the current maritime transport environment, which primarily refers to the volatility of freight rates but also puts emphasis on the challenges shipping companies face in order to secure seafarers' repatriation and protect their well-being.

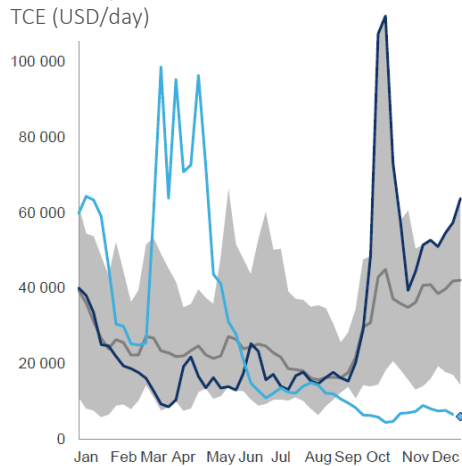


John Karavanić, CEO



# Market environment

## Suezmax spot rates



The coronavirus pandemic has impacted our lives, our economy and mostly every corner of the globe. It has officially infected more than 110 million people worldwide. Fatal for over 2.4 million. The rollout of effective vaccines offers hope of a global (oil demand) recovery, but many do not see it happening overnight, it will be slow and sporadic, and might be at least 2022 before global oil demand returns to pre-pandemic levels.

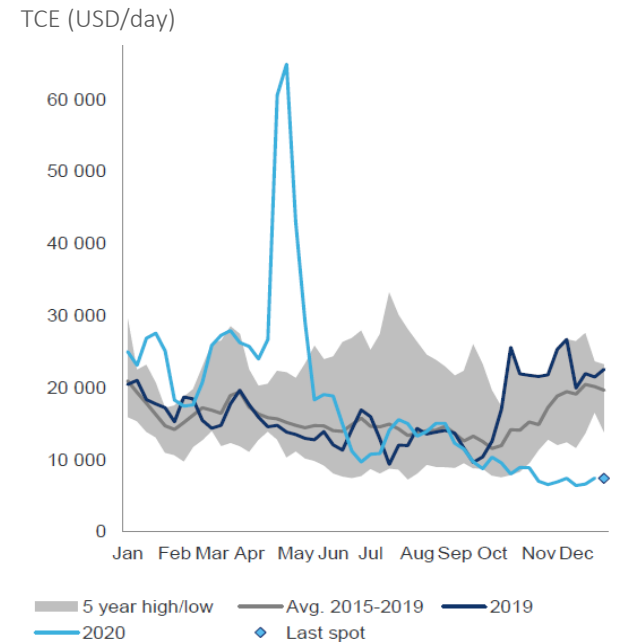
EIA estimates that the world consumed 93.9 million b/d of petroleum and liquid fuels in January 2021, which is down 2.8 million b/d from January 2020. EIA forecasts that global consumption of petroleum and liquid fuels will average 97.7 million b/d for all of 2021, which is up by 5.4 million b/d from 2020. They forecast that consumption of petroleum and liquid fuel will increase by 3.5 million b/d in 2022 to average 101.2 million b/d.

## MR demand

Traditionally winter periods used to give tanker demand an uplifting however, Q3 and Q4 lockdowns and travel restrictions as a result of rising COVID-19 infections, coupled with abundant stock levels, have left these hopes behind.

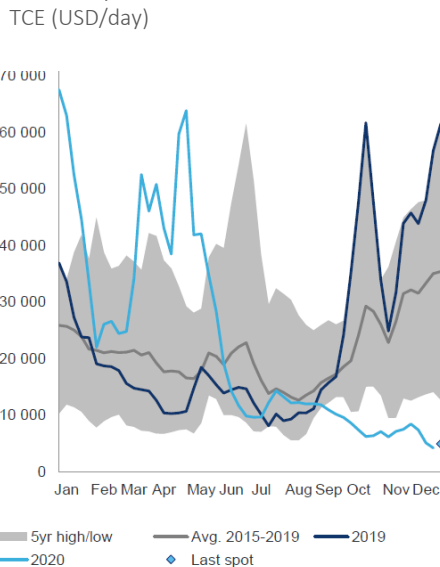
Oil product tanker spot market earnings in the past several months are a stark contrast to the outstanding Q2 of 2020. This is the inevitable result of the over stocking rush of low-priced cargoes in April and May. Crude oil tanker spot earnings had little to add in this respect, both Suezmax and Aframax earnings were considerably below break-even.

## MR spot rates



Lower demand for oil products, and by extension crude oil, are the natural result of rising infection levels. Lockdowns, in particular, and travel restrictions – international and domestic – directly effect demand. Consumer habits and confidence are also being reconfigured reflecting on the need to travel, be it pleasure or business. The lockdown measures have had an immediate effect on the number of cars on the roads, putting a stop to the recovery in demand for gasoline that occurred in the summer months and through to September.

## Aframax spot rates



EIA (US Energy Information Administration), February 2021.  
New York Times, February 2021.  
Clarksons Platou, January 2021.



After an increase in the number of flights and passenger numbers over the summer, these have once again fallen. Data from the European Organisation for the Safety of Air Navigation (Eurocontrol) shows that on 15 November there were just 9,697 flights in European airspace, down 62.5% from 25,864 on the same day in 2019. Similarly, US flight passenger numbers were down by 61.4% on comparison to 2019, after slowly rising since June.

In contrast, the number of domestic flights in China has almost recovered to pre-pandemic levels, though it is not a V-shaped recovery, as the decline significantly outpaced the recovery. The first week in October marks Golden Week in China, traditionally a time for much travel; while the rest of the world was still mostly stuck at home, 637 million people travelled in China over the course of the week. Though an impressive number, this is still down 18.5% from 2019, which likely reflects lower international travel. International flights into China remain at less than half their pre-pandemic level with tight controls on who can enter the country.

Refineries in China have continued to show strength, with October posting a new record of 59.8 million tonnes, up from the previous high in July (59.6m tonnes). Contrastingly, Chinese oil product exports have fallen considerably. Accumulated Chinese oil product exports are down 5.4% after the first nine months of the year, after having been up by 3.8% in the first half of the year.

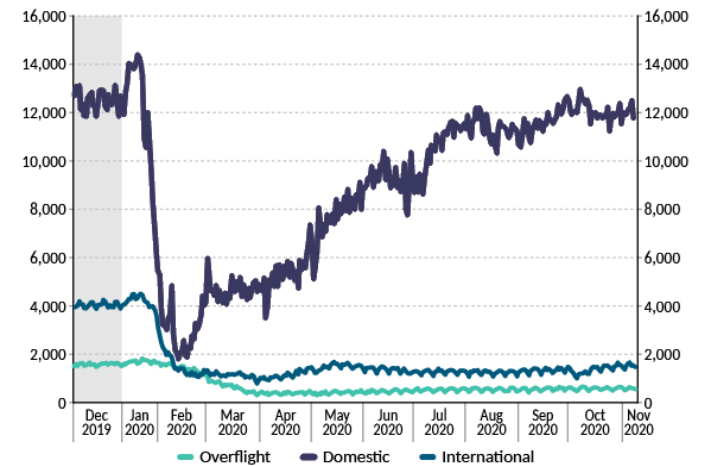
Exports in September were less than half of the 8 million tonnes record set in April. It was inevitable that Chinese oil product exports would be hit. Oil demand in the rest of the world is still considerably below its pre-pandemic levels and, as global stocks are high, drawing on these has been prioritized above new imports.

### Global oil demand

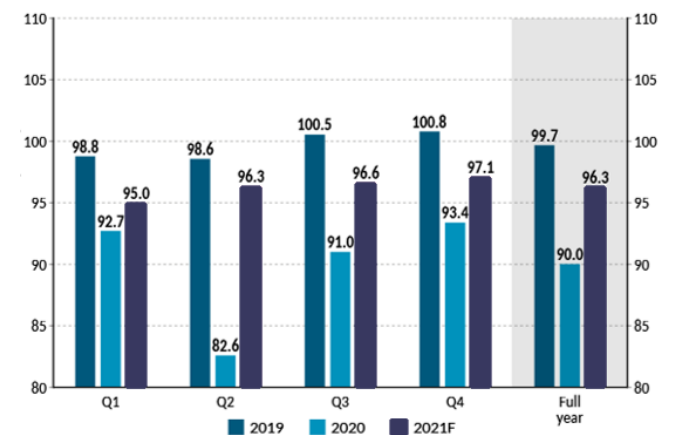
Another challenge facing tanker shipping is the drawdown of stocks. Stocks have been high since the second quarter of last year, when the huge oversupply of oil, as a result of the price war, meant supply far outpaced demand. Since then, supply has been better matched to demand, with stocks slowly being drawn down. This causes two problems for tanker shipping. Most notably, stocks are often already to be found in the consuming region, meaning the oil has already been shipped to where it needs to be. The consequence being that for as long as stocks are being drawn upon, demand for shipping will be lower than if the goods were being imported.

Tankers holding offshore stocks of crude and refined products at sea made the news repeatedly from Q2 onwards, as volumes hit record highs amid a dramatic slump in demand. Some traders took advantage of the initial profitability to store oil at sea on account of the steep contango. Floating storage pointed to the logistical difficulty in suddenly moving huge volumes barrels into onshore storage or refineries.

Chinese air traffic  
12/2019 – 11/2020 (number of flights)



Global oil demand  
2019 – 2021 F (million barrels per day)



EIA (US Energy Information Administration), January 2021.  
BIMCO, OPEC, Eurocontrol, February 2021.

## Global oil demand (continued)

Stock draws also mean tankers that have been engaged in floating storage since Q2 are now being freed up and returned to the market, adding to the woes of overcapacity.

Global clean petroleum products in floating storage — namely diesel, gasoline and jet — hit a combined record daily high of over 100 million barrel in mid-May, peaking and declining much faster than crude. But weaker European distillate markets kept volumes elevated - particularly in the second half of 2020, even as volumes in Asia began to stabilize in comparison. Global levels fell to around 30mn bl by the beginning of December, returning roughly to levels seen in February-March.

Global fuel oil markets weathered choppy waters in 2020, contending with the monumental change brought by the International Maritime Organization's global sulfur cap, but also demand destruction on the back of the coronavirus pandemic.

Demand for 0.5% sulfur marine fuel skyrocketed at the start of the year, as IMO 2020 regulations kicked in and made it the bunker fuel of choice. This led to record wide spreads between 0.5% sulfur marine fuel and 3.5% high sulfur fuel oil (HSFO) globally.

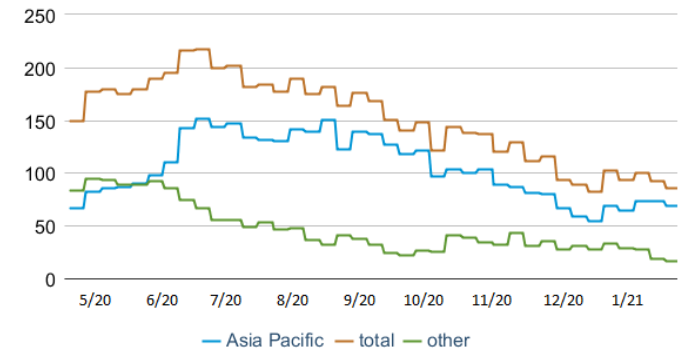
Unfortunately for those who invested in scrubbers — exhaust gas cleaning systems that allow ship operators to continue using higher sulfur fuels—the price rise was short-lived. Marine fuel markets came under pressure in February 2020 amid the intensifying COVID-19 crisis, which weakened arbitrage opportunities and left global oil markets to grapple with product oversupply.

While volatility from IMO 2020 was expected in the early stages of the year, no one quite anticipated the degree of volatility bunker players would face from the collapse of oil demand globally.

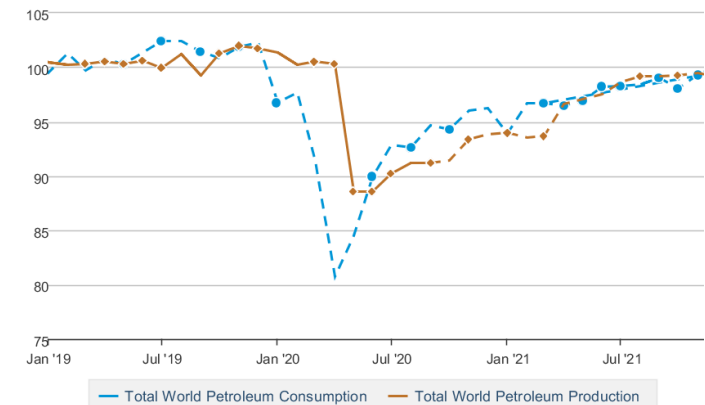
S&P Global Platts assessed the spread between 0.5%S and 3.5%S fuel oil at its widest on January 3, 2020, at \$321.50/mt, on an FOB Rotterdam barges basis. Following the widespread impact of COVID-19 on oil markets, the spread plunged 88% to \$38/mt on June 4, 2020.

Transport fuel demand collapsed as a result of restricted travel and social distancing but was felt more acutely in air and land transport fuels, with most global trade taking place on the high seas. Demand for jet fuel, gasoline and diesel came under significant pressure amid national lockdowns, pushing refineries to reduce their runs.

Global oil in floating storage  
05/20 – 01/21 (in million barrels)



Global petroleum consumption and production  
2019-2021F (in million barrels per day)



EIA (US Energy Information Administration), January 2021.  
BIMCO, OPEC, February 2021.  
S&P Global Platts, January 2021.



## MR fleet

The product tanker fleet grew by 3,3% in 2020 which shows slowing down from last years growth which amounted to 3,6%. Some 4,7 million DWT have been delivered in 2020, putting the product tanker market on track with low numbers of newbuildings.

During 2020, a total of 19 tankers were sent to scrap which amounts to 0,73% of the fleet in comparison to 1,10% in the year before and 2,06% in 2018.

For now, there is a planned delivery of 127 MR product tankers in 2021.

### MR fleet: Deliveries vs. Removals In absolute numbers



## MR product tankers

### QUICK OVERVIEW

(MR 25-59.999 DWT)

#### Key fleet figures

as at 01st January 2021

**In Service:** **2,618** vessels  
total dwt capacity: 114,925,965 dwt

**Over 20yrs:** **234** vessels  
total dwt capacity: 9,456,825 dwt  
as percentage of fleet: 8,94 %

**On order:** **171** vessels  
total dwt capacity: 7,795,072 dwt  
as percentage of fleet: 6.53 %

#### Planned deliveries for 2021

as at 01st January 2021

**Scheduled:** **127** vessels  
total dwt capacity: 5,730,000 dwt  
as percentage of fleet: 4.85 %

#### Changes in 2020

as at 01st January 2021

**Deliveries:** **103** vessels  
total dwt capacity: 4,665,449 dwt  
as percentage of fleet: 3.93 %  
of which in Q4: 16 vessels

**New orders:** **59** vessels  
total dwt capacity: 2,850,994 dwt  
as percentage of fleet: 2.25 %  
of which in Q4: 8 vessels

**Scrapped:** **19** vessels  
total dwt capacity: 780,099 dwt  
as percentage of fleet: 0.73 %  
of which in Q4: 4 vessels

Allied, January 2021.

## Australian refinery closures

Lower demand might sometimes be a blessing for product tankers in the long run. Refinery margins have already forced many refineries to shut down permanently, with more looking likely to follow.

In the space of four months, Australia has lost half of its remaining oil refineries.

In October 2020, BP announced it was closing its Kwinana oil refinery in Perth and converting it into a fuel import terminal. The oil major said Australia's largest refinery was no longer economically viable.

It blamed the regional over-supply of fuel and the growth of mega-refineries in Asia and the Middle East that had structurally changed the regional fuel market, saying Kwinana couldn't compete with those overseas refineries anymore.

A few months later, ExxonMobil has announced the closure of its Altona oil refinery in Melbourne, saying it was no longer economically viable. It, too, will be turned into a fuel-import terminal. ExxonMobil's decision will leave Australia with just two oil refineries.

Meanwhile, Australian fuel giant Ampol, which owns an oil refinery in Brisbane — one of the last two remaining in Australia (with the other being Viva Energy's oil refinery in Geelong, Victoria) — is reviewing whether to keep its refinery open or also convert it into a fuel import terminal.

Roughly 20 years ago, Australia had eight refineries that met virtually all of the domestic demand for refined fuel.

## India

According to the latest report by the International Energy Agency (IEA), India is expected to be responsible for about 25% of the total energy demand growth by 2040, surpassing the European Union and becoming the world's third biggest energy consumer by 2030 alone.

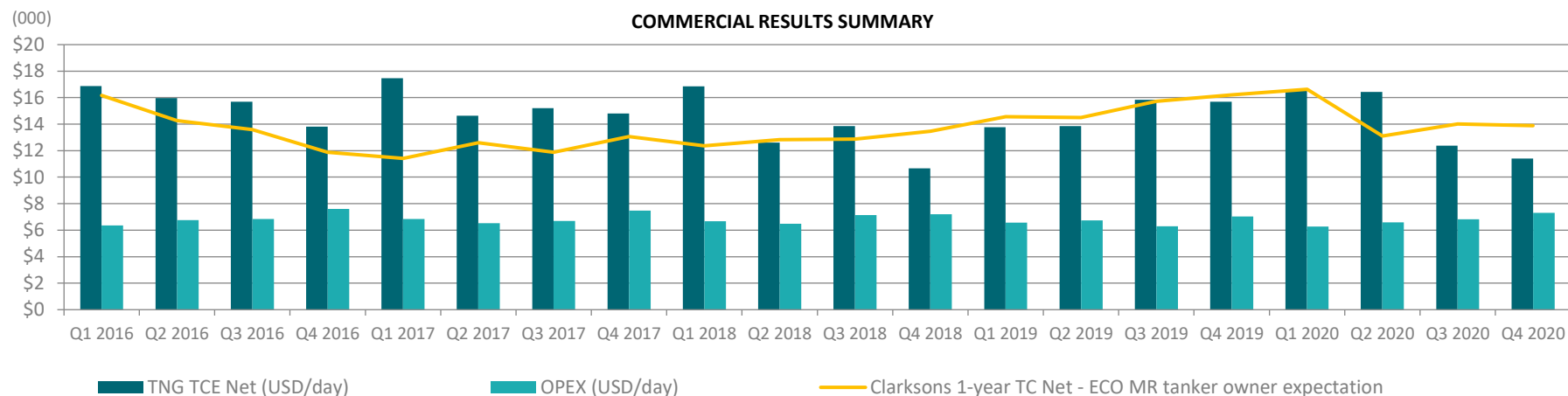
Under current policies, India's GDP is projected to expand to USD 8.6 trillion by 2040, having as a consequence the doubling of the country's energy consumption. Such a development will likely drive the nation to become more reliant on fossil fuels and specifically imports, since domestic oil and gas production has remained relatively stagnant the past few years.

In terms of oil demand, that is expected to increase to 8.7 million b/d by 2040 from about 5 million b/d in 2019. At the same time, the country will likely expand its refining capacity to 7.7 million b/d by the same year in order to meet the growing domestic demand. Right now, India is the world's second biggest oil importer after China with about 76% of its needs met in that manner. By 2030, this number is expected to reach about 90% and 92% a decade later.

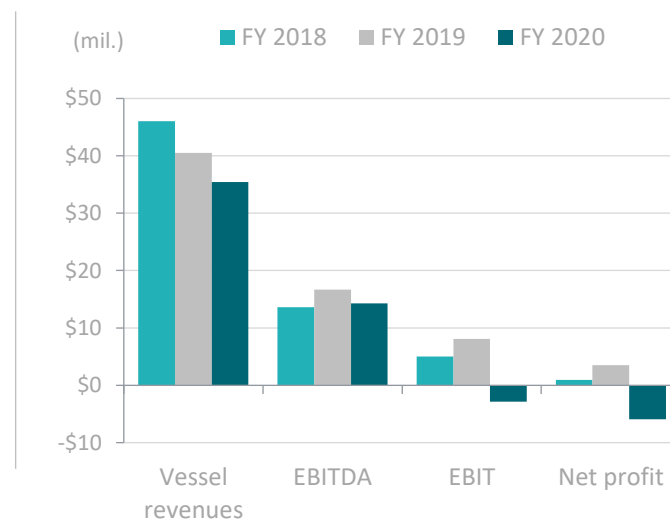
*The 2020 pandemic will stick in people's mind for years to come however the long-term shipping industry issues remain present.*



# Results for the period



SELECTED FINANCIALS	HRK 000				USD 000			
	Q4 2019	Q4 2020	FY 2019	FY 2020	Q4 2019	Q4 2020	FY 2019	FY 2020
Vessel revenues	66,789	51,244	267,944	236,956	9,955	8,050	40,508	35,445
EBITDA	30,648	11,212	110,392	97,267	4,571	1,766	16,704	14,274
EBIT	12,700	(57,748)	53,205	(11,201)	1,887	(9,405)	8,086	(2,822)
Net profit	5,778	(62,509)	23,340	(31,684)	903	(10,167)	3,545	(5,907)



In 2020, vessels' revenues reached HRK 237.0 million (USD 35.4m), which is a decrease of 11.6% compared to revenues generated in 2019 which amounted to HRK 267.9 million (USD 40.5m). This change is the result of docking four tankers during the second part of the year, but also a significantly softer spot market in the same period, which had a negative impact on the overall results in 2020.

Commissions and voyage associated costs amounted to HRK 38.1 million (USD 5.8 million) in 2020, while in 2019 they added up to HRK 53.6 million (USD 8.1m). The significant decrease in this category is a direct consequence of the number of days spent out of operation, given that during 2020 the vessels spent 115 days in drydock and had 2 additional off-hire days.

Operating expenses of the fleet amounted to HRK 99.1 million (USD 15.0m) and have slightly increased from the level recorded in 2019 when they amounted to HRK 96.6 million (USD 14.6m), while general and administrative expenses were recorded at HRK 6.0 million (USD 0.9m) and are slightly up against last year's result.

Earnings before interest, taxes, depreciation and amortization (EBITDA) in 2020 amounted to HRK 97.3 million (USD 14.3m) and decreased compared to the previous year when it amounted to HRK 110.4 million (USD 16.7m).

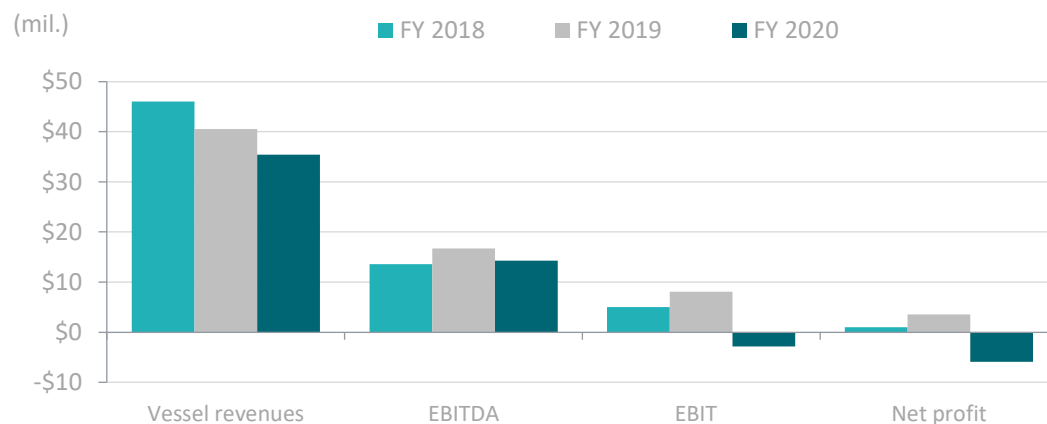
An annual impairment test was performed on 31 December 2020 and it has been determined that the carrying amount of the vessels exceeds the recoverable amount of the asset. The impairment loss was determined using the discounted cash flow method of VesselsValue Ltd., London, and a decision was made to adjust the value of assets in the total amount of HRK 55.7 million (USD 9.1m).

All vessels are depreciated over an estimated useful life span of 25 years on a linear basis to their residual value, which represents their scrap value on the international market.

Depreciation costs in 2020 amounted to HRK 52.8 million (USD 8.0m) and remained at the level recorded in 2019 since the investment in BWTS is depreciated as well.

Net interest expenses amounted to 19.6 million HRK (2.9m USD) and decreased compared to 2019 when they amounted to HRK 29.8 million (USD 4.5m) due to the favorable impact of the reduction of the respective LIBOR rate.

The significant vessel impairment loss reflects itself in the operative loss (EBIT) amounting to HRK 11.2 million (USD 2.8m), while the Company's net loss in 2020 amounts to HRK 31.7 million (USD 5.9m).



In the fourth quarter of 2020, vessels' revenues reached HRK 51.2 million (USD 8.1m), which is a decrease of 23% compared to revenues generated in the same period in 2019. This decrease comes as a result of drydocking for m/t Pag, i.e. 24 days of docking, in which the shipowner bears the operating costs of the vessel while there are no revenue days, coupled by the soft spot market in the second part of the year which continued in Q4 2020.

Commissions and voyage associated costs amounted to HRK 12.8 million (USD 2.0m) in the fourth quarter of 2020, while in the same period of 2019 they added up to HRK 8.7 million (USD 1.3m).

Operating expenses of the fleet amounted to HRK 25.9 million (USD 4.0m) while general and administrative expenses amounted to HRK 1.2 million (USD 0.2 million) and remained at almost the same level as in the same period last year.

Profit before interest, taxes, depreciation and amortization (EBITDA) in the fourth quarter of 2020 amounts to HRK 11.2 mil. (USD 1.8m) and was significantly reduced compared to the same period last year when it amounted to HRK 30.6 mil. (USD 4.6 million).

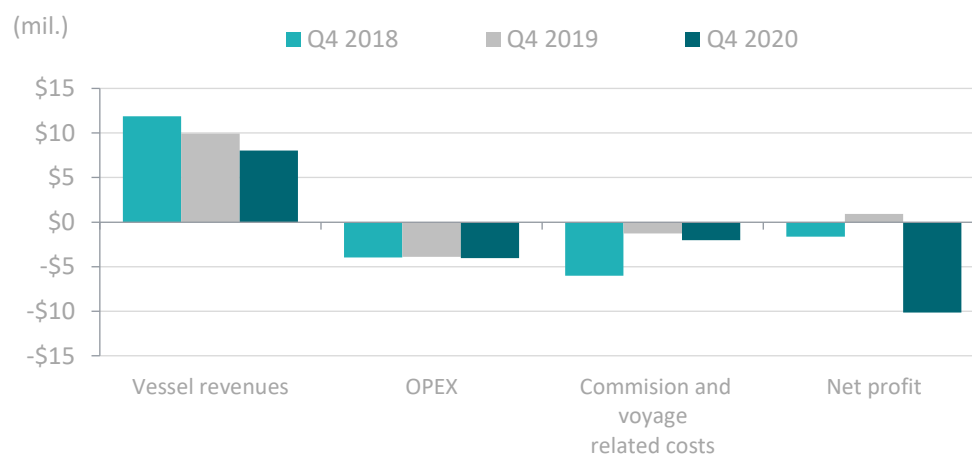
Annual impairment test was performed on 31 December 2020 and it has been determined that the carrying amount of the vessels exceeds the recoverable amount of the asset. The impairment loss was determined using the discounted cash flow method of VesselsValue Ltd., London, and a decision was made to adjust the value of assets in the total amount of HRK 55.7 million (USD 9.1m).

All vessels are depreciated over an estimated useful life span of 25 years on a linear basis to their residual value, which represents their scrap value on the international market.

Depreciation costs in the fourth quarter of 2020 amounted to HRK 13.3 million (USD 2.1m).

Net interest expenses amounted to HRK 3.9 mil. (USD 0.6m) and decreased compared to 2019 when they amounted to HRK 6.8 million (USD 1.0 million) due to the favorable impact of the reduction of the respective LIBOR rate.

The significant vessel impairment loss reflects itself in the operating loss (EBIT) amounting to HRK 57.7 million (USD 9.4 million), while the net loss of the Company in the fourth quarter of 2020 amounts to HRK 62.5 million (USD 10.2m).







# Operational data of the fleet

## TNG's CURRENT FLEET

Currently TNG's fleet consists of six MR tankers (Velebit, Vinjerac, Vukovar, Zoilo, Dalmacija and Pag). The Group owns an operating fleet which consists of two conventional ice class tankers and four eco-design modern product tankers with a total capacity of around 300,000 dwt. As of December 31, 2020, the average age of the vessels in TNG's fleet was 6.7 years, while the average age of world's MR fleet was 10.6 years.

## CURRENT CHARTERING STRATEGY

### Dalmacija

During the first quarter of 2019, a twelve-month time charter contract with a hire rate of USD 16,000 per day was secured for m/t Dalmacija with Trafigura Maritime Logistics ("Trafigura"). Upon expiration of the contract in Q1/20, the Charterer activated the option of 16,800 USD per day and since the end of time charter in July 2020, the vessel has been employed on the spot market, while in August 2020 a regular five-year drydock was performed.

### Vukovar

During July 2020, the tanker performed a regular five-year drydock, after which it was delivered to Exxon Mobil ("Exxon") in August 2020 in accordance with a three-year time charter contract in the amount of USD 17,050 per day with the option to extend for another year at USD 18,000 per day.

Vessel	Capacity (dwt)	Employment	Hire rate (USD/day)
Velebit	52.554	Clearlake, SPOT	15.500 (until December 2020), after SPOT
Vinjerac	51.935	Clearlake	15.250 (until May 2022)
Vukovar	49.990	EXXON	17.050 (until August 2023)
Zoilo	49.990	CSSA	11.850 -> 12.840 -> 13.825 (until mid May 2021)
Dalmacija	49.990	SPOT	SPOT (from early July 2020)
Pag	49.990	SPOT	SPOT (from early July 2020)

### Pag

The short-term time charter contract with Koch Shipping („Koch“) for m/t Pag which lasted approximately 6 months with a hire rate of 16,850 USD per day expired in early July 2020, after which the vessel was employed on the spot market, and during December 2020 the vessel began its regular five-year drydock.

### Velebit

During the first quarter of 2019, m/t Velebit was chartered out on a twelve-month time charter contract with a hire rate of USD 14,500 per day with the Charterer Clearlake Shipping ("Clearlake"), and upon expiration of the contract, the Charterer activated the extension option until December 2020 with a hire rate of USD 15,500 per day. After the completion of the time charter contract, the vessel is employed on the spot market.

### Zoilo

M/t Zoilo continued its employment on the spot market during 2020 until the end of Q3/20, when a regular five-year drydocking was performed, after which a short-term time charter contract was concluded with the Chartering Shipping Services SA ("CSSA,") in mid-November 2020 with an option to last up to maximum 12 months in the Charterers option with an escalating hire rate.

### Vinjerac

At the beginning of May 2020, a two-year time charter contract was secured for m/t Vinjerac. The tanker is under contract with the Charterer Clearlake Shipping ("Clearlake") at an agreed hire rate of USD 15,250 per day. The Charterer has the option to extend the contract for a third year with a freight rate of USD 15,750 per day.

OPERATIONAL DATA OF THE FLEET	Q4 2019.	Q1 2020.	Q2 2020.	Q3 2020.	Q4 2020.	FY 2019.	FY 2020.
Time Charter Equivalent rates (USD/day)	15,696	16,580	16,274	12,371	<b>11,403</b>	14,794	<b>14,250</b>
Daily vessel operating expenses (USD/day)	7,036	6,264	6,896	6,813	<b>7,315</b>	6,657	<b>6,823</b>
Operating days	552	546	546	552	<b>552</b>	2,190	<b>2,196</b>
Revenue days	552	545	545	461	<b>528</b>	2,190	<b>2,079</b>
Fleet utilization (%)	100.0%	99.7%	99.7%	83.5%	<b>95.7%</b>	100.0%	<b>94.7%</b>

Tankerska Next Generation takes on the conservative approach of fixing its employment charters for its fleet, which was confirmed in the escalating market conditions when key time charters were concluded. At the time, the concluded time charter contracts enabled TNG to achieve results above the market average. In Q4/2020 tankers were employed on time charter contracts for 335 days out of 528 revenue days, which gives 63,4% of revenue days which mitigated the softer spot market rates.

The average TCE net daily rate for 2020 equates to USD 14,520, while the average daily vessel operating expenses (OPEX) in the same period amounted to

USD 6,823 per vessel, which is an increase in comparison to the last years result, primarily due to higher cost of crew changes in regards to the difficulties brought in by the pandemic.

The Ballast Water Convention of the International Maritime Organization entered into force on September 8, 2017. After September 2017, the approved ballast water treatment system will have to be installed by the time it is necessary to renew the International Oil Pollution Prevention (IOPP) certificate, which for TNG means that the systems will be installed on vessels following a five-year drydock cycle that started in the middle of 2020.

New ballast water management rules aimed at halting the spread of harmful aquatic organisms are welcome but will also add significant costs and potentially bring new risks for shipping. The ballast water treatment system actively removes, kills or deactivates reproduction systems of organisms in ballast waters before returning them to the ecosystem.

During the third quarter of 2020, the BWTS was installed in 2 out of 3 tankers that had their regular five-year drydocks (m/t Zoilo and m/t Vukovar), while m/t Pag started its regular five year drydock during fourth quarter which included the installation of the ballast water treatment system.

Therefore, the installation of the system remains for m/t Vinjerac and m/t Velebit whose regular five-year drydocks are scheduled during 2021.

Based on the dockings done so far, we can conclude that the actual costs are in line with the plan. In other words, the average cost of delivery and installation of BWTS and the cost of docking amounted about USD 1.66 million per ship, keeping in mind that the ECO tanker m/t Dalmacija was delivered from the shipyard as a newbuilding with an already implemented ballast water treatment system, therefore its cost of drydocking amounted to USD 0.77 million.



# Financial position summary

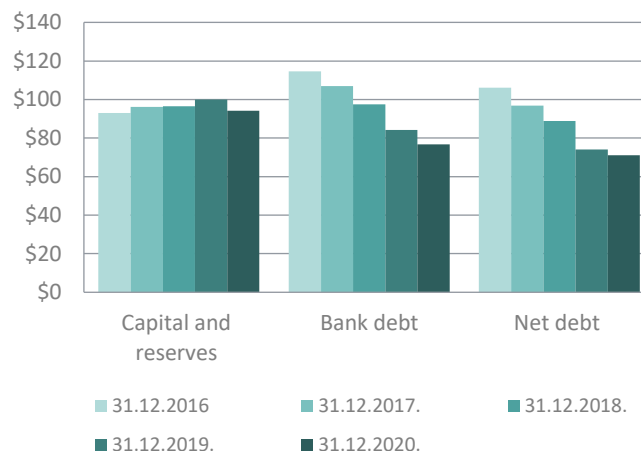
Tankerska Next Generation concluded 2020 with the gearing ratio of 43%, which remained the same in comparison to the end of 2019. The debt trend is in accordance with the loan repayment plans of TNG and regular decrease in indebtedness, while a further decrease in the company's debt is expected in the future. Although the debt to banks decreased in accordance with the repayment schedule, the indebtedness ratio did not decrease due to the loss of the year, which affected the reduction of capital and reserves (retained earnings).

Securing sufficient levels of financing (both debt and equity financing), provides stable foundations for delivering the company strategy and increasing distributable cash flow, while lowering the risk of the business by focusing on medium to long term time charter periods.

During Q4 a long-term loan facility agreement in an aggregate amount of up to USD 44 million was concluded with prominent banks for a loan tenor of 5 years. The Company will utilize the funds for the early repayment of existing loan facilities maturing in 2021, which partly financed the purchase of newbuildings m/t Vukovar, m/t Zoilo and m/t Dalmacija during 2015.

By concluding this financial arrangement, the Company confirms its recognized position in the international banking market and expands cooperation with new international creditors who have placed their trust with the Company and recognized us as a reliable and long-term partner.

(mil.)



FINANCIAL POSITION SUMMARY	HRK 000					USD 000				
	31 Dec 2019	31 Mar 2020	30 Jun 2020	30 Sep 2020	31 Dec 2020	31 Dec 2019	31 Mar 2020	30 Jun 2020	30 Sep 2020	31 Dec 2020
Bank debt	559,749	562,672	533,142	497,769	<b>471,431</b>	84,174	81,828	79,483	77,137	<b>76,792</b>
Cash and cash equivalents	67,712	51,179	57,073	38,868	<b>34,804</b>	10,182	7,443	8,509	6,023	<b>5,669</b>
Net debt	492,037	511,493	476,069	458,901	<b>436,627</b>	73,992	74,385	70,974	71,114	<b>71,123</b>
Capital and reserves	665,234	704,015	700,852	672,562	<b>578,496</b>	100,037	102,384	104,487	104,225	<b>94,233</b>
Gearing ratio Net debt / (Capital and reserves + Net debt)	43%	42%	40%	41%	<b>43%</b>	43%	42%	40%	41%	<b>43%</b>

# Income statement and statement of other comprehensive income

UNAUDITED FINANCIAL STATEMENTS FOR THE  
FOURTH QUARTER AND THE FULL YEAR 2020



INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME FOR PERIOD FROM JANUARY 1st to DECEMBER 31st, 2020 Unaudited	HRK 000				USD 000			
	Q4 2019	Q4 2020	FY 2019	FY 2020	Q4 2019	Q4 2020	FY 2019	FY 2020
Revenues	66,789	51,244	267,944	236,956	9,955	8,050	40,508	35,445
Other revenues	2	1	688	3,965	-	-	105	619
<b>Sales revenues</b>	<b>66,791</b>	<b>51,245</b>	<b>268,632</b>	<b>240,921</b>	<b>9,955</b>	<b>8,050</b>	<b>40,613</b>	<b>36,064</b>
Commission and voyage related costs	(8,671)	(12,752)	(53,589)	(38,056)	(1,291)	(2,025)	(8,109)	(5,825)
Vessel operating expenses	(26,061)	(25,868)	(96,592)	(99,087)	(3,884)	(4,038)	(14,578)	(14,984)
General and administrative	(1,387)	(1,248)	(5,572)	(6,001)	(206)	(196)	(843)	(904)
Other expenses	(24)	(165)	(2,487)	(510)	(3)	(25)	(379)	(77)
<b>Total operating expenses</b>	<b>(36,143)</b>	<b>(40,033)</b>	<b>(158,240)</b>	<b>(143,654)</b>	<b>(5,384)</b>	<b>(6,284)</b>	<b>(23,909)</b>	<b>(21,790)</b>
<b>EBITDA</b>	<b>30,648</b>	<b>11,212</b>	<b>110,392</b>	<b>97,267</b>	<b>4,571</b>	<b>1,766</b>	<b>16,704</b>	<b>14,274</b>
Depreciation and amortization	(13,260)	(13,284)	(52,499)	(52,792)	(1,979)	(2,102)	(7,913)	(8,027)
Impairment	(4,688)	(55,676)	(4,688)	(55,676)	(705)	(9,069)	(705)	(9,069)
<b>Operating profit (EBIT)</b>	<b>12,700</b>	<b>(57,748)</b>	<b>53,205</b>	<b>(11,201)</b>	<b>1,887</b>	<b>(9,405)</b>	<b>8,086</b>	<b>(2,822)</b>
Net interest expenses	(6,819)	(3,849)	(29,814)	(19,605)	(1,021)	(601)	(4,531)	(2,930)
Net foreign exchange gains (losses)	(103)	(912)	(51)	(878)	37	(161)	(10)	(155)
<b>Net income</b>	<b>5,778</b>	<b>(62,509)</b>	<b>23,340</b>	<b>(31,684)</b>	<b>903</b>	<b>(10,167)</b>	<b>3,545</b>	<b>(5,907)</b>
Other comprehensive income	(11,942)	(31,531)	17,666	(54,473)	14	(10)	-	-
<b>Total comprehensive income</b>	<b>(6,164)</b>	<b>(94,040)</b>	<b>41,006</b>	<b>(86,157)</b>	<b>917</b>	<b>(10,177)</b>	<b>3,545</b>	<b>(5,907)</b>
Weighted average number of shares outstanding, basic & diluted (thou.)	8,720	8,707	8,720	8,709	8,720	8,707	8,720	8,709
Net income (loss) per share, basic & diluted	0.66	(7.18)	2.68	(3.64)	0.10	(1.17)	0.41	(0.68)



# Balance sheet

UNAUDITED FINANCIAL STATEMENTS FOR THE  
FOURTH QUARTER AND THE FULL YEAR 2020

BALANCE SHEET AT THE DATE OF DECEMBER 31st, 2020 unaudited	HRK 000				USD 000			
	31 Dec 2019	30 Jun 2020	30 Sep 2020	31 Dec 2020	31 Dec 2019	30 Jun 2020	30 Sep 2020	31 Dec 2020
<b>Non-current Assets</b>	<b>1,165,009</b>	<b>1,159,208</b>	<b>1,120,097</b>	<b>1,002,442</b>	<b>175,192</b>	<b>172,820</b>	<b>173,575</b>	<b>163,290</b>
Vessels	1,162,125	1,145,787	1,100,231	992,995	174,758	170,819	170,499	161,751
Tangible assets in preparation	117	13,295	19,597	8,951	18	1,982	3,037	1,458
Other Non-current Assets	2,767	126	269	496	416	19	39	81
<b>Current Assets</b>	<b>92,377</b>	<b>102,502</b>	<b>85,869</b>	<b>81,888</b>	<b>13,891</b>	<b>15,281</b>	<b>13,310</b>	<b>13,339</b>
Inventory	5,360	7,748	8,454	9,022	806	1,155	1,310	1,470
Accounts receivable	15,977	32,319	31,494	33,838	2,403	4,818	4,881	5,512
Cash and cash equivalents	67,712	57,073	38,868	34,804	10,182	8,509	6,023	5,669
Other current assets	3,328	5,362	7,053	4,224	500	799	1,096	688
<b>Total Assets</b>	<b>1,257,386</b>	<b>1,261,710</b>	<b>1,205,966</b>	<b>1,084,330</b>	<b>189,083</b>	<b>188,101</b>	<b>186,885</b>	<b>176,629</b>
<b>Shareholders Equity</b>	<b>665,234</b>	<b>700,852</b>	<b>672,562</b>	<b>578,496</b>	<b>100,037</b>	<b>104,487</b>	<b>104,225</b>	<b>94,233</b>
Share capital	436,667	436,667	436,667	436,667	67,500	67,500	67,500	67,500
Reserves	138,370	142,089	116,595	85,065	18,657	18,661	18,845	19,024
Retained earnings	90,197	122,096	119,300	56,764	13,880	18,326	17,880	7,709
<b>Non-Current Liabilities</b>	<b>497,362</b>	<b>501,678</b>	<b>482,634</b>	<b>395,803</b>	<b>74,792</b>	<b>74,792</b>	<b>74,792</b>	<b>64,473</b>
Bank debt	497,362	501,678	482,634	395,803	74,792	74,792	74,792	64,473
<b>Current Liabilities</b>	<b>94,790</b>	<b>59,180</b>	<b>50,770</b>	<b>110,031</b>	<b>14,254</b>	<b>8,822</b>	<b>7,868</b>	<b>17,923</b>
Bank debt	62,387	31,464	15,135	75,628	9,382	4,691	2,345	12,319
Accounts payable	5,128	5,094	12,948	18,688	770	759	2,007	3,044
Other current liabilities	27,275	22,622	22,687	15,715	4,102	3,372	3,516	2,560
<b>Total liabilities and shareholders equity</b>	<b>1,257,386</b>	<b>1,261,710</b>	<b>1,205,966</b>	<b>1,084,330</b>	<b>189,083</b>	<b>188,101</b>	<b>186,885</b>	<b>176,629</b>

# Cash flow statement

UNAUDITED FINANCIAL STATEMENTS FOR THE  
FOURTH QUARTER AND THE FULL YEAR 2020

CASH FLOW STATEMENT FOR THE FY 2020 unaudited	HRK 000				USD 000			
	Q1 2020	H1 2020	Q1-Q3 2020	FY 2020	Q1 2020	H1 2020	Q1-Q3 2020	FY 2020
Profit before tax	16,865	32,454	30,825	(31,684)	2,429	4,529	4,260	(5,907)
Amortisation	13,387	26,832	39,508	52,792	1,970	3,939	5,925	8,027
Changes in working capital	(25,560)	(24,902)	(23,254)	(20,075)	(3,735)	(3,718)	(3,601)	(3,220)
Other	1,443	(1,915)	(5,271)	50,043	(42)	(117)	(186)	9,146
<b>Cash flow from operating activities</b>	<b>6,135</b>	<b>32,469</b>	<b>41,808</b>	<b>51,076</b>	<b>622</b>	<b>4,633</b>	<b>6,398</b>	<b>8,046</b>
Cash inflows from investing activities	-	-	-	-	-	-	-	-
Cash outflows from investing activities	(6,307)	(10,304)	(22,555)	(33,115)	(934)	(1,533)	(3,439)	(5,092)
<b>Cash flow from investing activities</b>	<b>(6,307)</b>	<b>(10,304)</b>	<b>(22,555)</b>	<b>(33,115)</b>	<b>(934)</b>	<b>(1,533)</b>	<b>(3,439)</b>	<b>(5,092)</b>
Cash inflows from financing activities	-	-	-	12,319	-	-	-	2,000
Cash outflows from financing activities	(16,361)	(32,804)	(48,097)	(63,189)	(2,427)	(4,773)	(7,118)	(9,468)
<b>Cash flow from financing activities</b>	<b>(16,361)</b>	<b>(32,804)</b>	<b>(48,097)</b>	<b>(50,870)</b>	<b>(2,427)</b>	<b>(4,773)</b>	<b>(7,118)</b>	<b>(7,468)</b>
Net changes in cash	(16,533)	(10,639)	(28,844)	(32,908)	(2,739)	(1,673)	(4,159)	(4,513)
Cash and cash equivalents (beg, of period)	67,712	67,712	67,712	67,712	10,182	10,182	10,182	10,182
<b>Cash and cash equivalents (end of period)</b>	<b>51,179</b>	<b>57,073</b>	<b>38,868</b>	<b>34,804</b>	<b>7,443</b>	<b>8,509</b>	<b>6,023</b>	<b>5,669</b>

# Statement of changes in equity

UNAUDITED FINANCIAL STATEMENTS FOR THE  
FOURTH QUARTER AND THE FULL YEAR 2020

STATEMENT OF CHANGES IN EQUITY unaudited	Share capital	Retained Earnings	Other reserves and comprehensive income	Foreign exchange translation reserves	Total
For the period from 1 Jan to 31 Mar 2020	HRK 000	HRK 000	HRK 000	HRK 000	HRK 000
<b>Balance at 1 January 2020</b>	<b>436,667</b>	<b>90,197</b>	<b>127,377</b>	<b>10,993</b>	<b>665,234</b>
Net profit for the period	-	16,865	-	-	16,865
Change in capital	-	-	-	-	-
Change in other reserves	-	(555)	-	-	(555)
Changes in other comprehensive income	-	-	-	22,471	22,471
<b>Balance at 31 March 2020</b>	<b>436,667</b>	<b>106,507</b>	<b>127,377</b>	<b>33,464</b>	<b>704,015</b>
For the period from 1 Apr to 30 Jun 2020	HRK 000	HRK 000	HRK 000	HRK 000	HRK 000
<b>Balance at 1 April 2020</b>	<b>436,667</b>	<b>106,507</b>	<b>127,377</b>	<b>33,464</b>	<b>704,015</b>
Net profit for the period	-	15,589	-	-	15,589
Change in capital	-	-	-	-	-
Change in other reserves	-	-	-	-	-
Changes in other comprehensive income	-	-	-	(18,752)	(18,752)
<b>Balance at 30 June 2020</b>	<b>436,667</b>	<b>122,096</b>	<b>127,377</b>	<b>14,712</b>	<b>700,852</b>
For the period from 1 Jul to 30 Sep 2020	HRK 000	HRK 000	HRK 000	HRK 000	HRK 000
<b>Balance at 1 July 2020</b>	<b>436,667</b>	<b>122,096</b>	<b>127,377</b>	<b>14,712</b>	<b>700,852</b>
Net profit for the period	-	(1,629)	-	-	(1,629)
Change in capital	-	-	-	-	-
Change in other reserves	-	(1,167)	1,167	-	-
Changes in other comprehensive income	-	-	-	(26,661)	(26,661)
<b>Balance at 30 September 2020</b>	<b>436,667</b>	<b>119,300</b>	<b>128,554</b>	<b>(11,949)</b>	<b>672,562</b>
For the period from 1 Oct to 31 Dec 2020	HRK 000	HRK 000	HRK 000	HRK 000	HRK 000
<b>Balance at 1 October 2020</b>	<b>436,667</b>	<b>119,300</b>	<b>128,554</b>	<b>(11,949)</b>	<b>672,562</b>
Net profit for the period	-	(62,509)	-	-	(62,509)
Change in capital	-	-	-	-	-
Change in other reserves	-	(27)	-	-	(27)
Changes in other comprehensive income	-	-	-	(31,531)	(31,531)
<b>Balance at 31 December 2020</b>	<b>436,667</b>	<b>56,764</b>	<b>128,544</b>	<b>(43,479)</b>	<b>578,496</b>

STATEMENT OF CHANGES IN EQUITY unaudited	Share capital	Retained Earnings	Other reserves and comprehensive income	Foreign exchange translation reserves	Total
For the period from 1 Jan to 31 Mar 2020	USD 000	USD 000	USD 000	USD 000	USD 000
<b>Balance at 1 January 2020</b>	<b>67,500</b>	<b>13,880</b>	<b>19,689</b>	<b>(1,032)</b>	<b>100,038</b>
Net profit for the period	-	2,429	-	-	2,429
Change in capital	-	-	-	-	-
Change in other reserves	-	(82)	-	-	(82)
Changes in other comprehensive income	-	-	-	-	-
<b>Balance at 31 March 2020</b>	<b>67,500</b>	<b>16,227</b>	<b>19,689</b>	<b>(1,032)</b>	<b>102,384</b>
For the period from 1 Apr to 30 Jun 2020	USD 000	USD 000	USD 000	USD 000	USD 000
<b>Balance at 1 April 2020</b>	<b>67,500</b>	<b>16,227</b>	<b>19,689</b>	<b>(1,032)</b>	<b>102,384</b>
Net profit for the period	-	2,100	-	-	2,100
Change in capital	-	-	-	-	-
Change in other reserves	-	-	-	-	-
Changes in other comprehensive income	-	-	-	3	3
<b>Balance at 30 June 2020</b>	<b>67,500</b>	<b>18,327</b>	<b>19,689</b>	<b>(1,029)</b>	<b>104,487</b>
For the period from 1 Jul to 30 Sep 2020	USD 000	USD 000	USD 000	USD 000	USD 000
<b>Balance at 1 July 2020</b>	<b>67,500</b>	<b>18,327</b>	<b>19,689</b>	<b>(1,029)</b>	<b>104,487</b>
Net profit for the period	-	(269)	-	-	(269)
Change in capital	-	-	-	-	-
Change in other reserves	-	(178)	178	-	-
Changes in other comprehensive income	-	-	-	7	7
<b>Balance at 30 September 2020</b>	<b>67,500</b>	<b>17,880</b>	<b>19,867</b>	<b>(1,022)</b>	<b>104,225</b>
For the period from 1 Oct to 31 Dec 2020	USD 000	USD 000	USD 000	USD 000	USD 000
<b>Balance at 1 October 2020</b>	<b>67,500</b>	<b>17,880</b>	<b>19,867</b>	<b>(1,022)</b>	<b>104,225</b>
Net profit for the period	-	(10,167)	-	-	(10,167)
Change in capital	-	-	-	-	-
Change in other reserves	-	-	-	-	-
Changes in other comprehensive income	-	(4)	-	179	175
<b>Balance at 31 December 2020</b>	<b>67,500</b>	<b>7,709</b>	<b>19,867</b>	<b>(843)</b>	<b>94,233</b>

# NET ASSET VALUE CALCULATION

UNAUDITED FINANCIAL STATEMENTS FOR THE  
FOURTH QUARTER AND THE FULL YEAR 2020



NET ASSET VALUE CALCULATION ESTIMATE	At the date 31 Dec 2019 (000 USD)	At the date 31 Mar 2020 (000 USD)	At the date 30 Jun 2020 (000 USD)	At the date 30 Sep 2020 (000 USD)	At the date 31 Dec 2020 (000 USD)
<b>Total fleet value</b>	<b>167,950</b>	<b>163,630</b>	<b>147,420</b>	<b>147,650</b>	<b>146,800</b>
Investments	-	-	-	-	-
Current assets	3,709	7,423	6,772	7,287	7,670
Other non-current assets	416	17	19	39	81
<b>Total value of other assets</b>	<b>4,125</b>	<b>7,440</b>	<b>6,791</b>	<b>7,326</b>	<b>7,751</b>
Cash and cash equivalents	10,182	7,443	8,509	6,023	5,669
Bank debt	(84,174)	(81,828)	(79,483)	(77,137)	(76,792)
<b>Net debt</b>	<b>(73,992)</b>	<b>(74,385)</b>	<b>(70,974)</b>	<b>(71,114)</b>	<b>(71,123)</b>
Other non-current liabilities	-	-	-	-	-
Current liabilities	(4,872)	(4,814)	(4,131)	(5,523)	(5,604)
<b>Total value of other liabilities</b>	<b>(4,872)</b>	<b>(4,814)</b>	<b>(4,131)</b>	<b>(5,523)</b>	<b>(5,604)</b>
<b>NET ASSET VALUE</b>	<b>93,211</b>	<b>91,871</b>	<b>79,106</b>	<b>78,339</b>	<b>77,824</b>
Weighted average number of shares outstanding, basic & diluted	8,720,145	8,716,890	8,711,956	8,710,299	8,709,407
Net asset value per share (USD)	10.69	10.54	9.09	8.99	8.94

## KEY COMMENTS:

The calculation of the value of the operational fleet of the Company, which is based on the average values in the industry for a specific type of vessel basically contains assumptions and revenue generating ability of each unit, taking into account the currently obtainable daily hire, which can be achieved by employing a specific type of vessel at the time of evaluation.

The prevailing hire rates fluctuate depending on the season and the year, and thus reflect changes in freight rates, expectations of future freight rates and other factors. The degree of volatility of time charter hire rates is lower for long-term contracts than the ones fixed in the shorter term.

The revenue potential of TNG has usually been backed by secured contracts, which significantly alleviated the usual volatility of hire rates which were seen during this year.

Stability of operations was significantly contributed by the employment strategy of the fleet which preferred medium-term time charter employment, which mitigated the short-term volatility which is reflected in the changing freight rates, and volatility in the value of Company's assets.

Corrections on the freight rate market are also reflected in the current estimates of the sale and purchase value of vessels. Value of the fleet at December 31<sup>st</sup>, 2020 is estimated to USD 146.8m, which with all other unchanged parameters gives a NAV per share of USD 8.94.

Assessment of net asset value is based on current market conditions, and revenue and cost assumptions of typical or average product tanker and does not reflect specifics of TNG fleet, or the expectations of management related to the changes and recovery in the hire rates and the market of petroleum products, as well as the growth and development of the fleet in this segment in the available industrial analysis.

## ANNOUNCEMENTS IN Q4 2020

- 23.10.2020 Announcement of the Management and the Supervisory Board session
- 29.10.2020 Management and Supervisory Board meeting held
- 02.11.2020 Share Buy-Back Programme
- 23.11.2020 Share acquisition notice
- 23.12.2020 Secured long-term loan facility agreement in the amount of USD 44 million

## SHAREHOLDER STRUCTURE

Shareholder on 31 Dec 2020	No. of shares	Share (%)
Tankerska Plovidba	4,454,994	51.01%
PBZ Croatia Osiguranje OMF	839,000	9.61%
Erste Plavi OMF	808,000	9.25%
Raiffeisen OMF	752,036	8.61%
Raiffeisen DMF	372,103	4.26%
Other institutional and private investors	1,507,212	17.26%
<b>Total</b>	<b>8,733,345</b>	<b>100.00%</b>

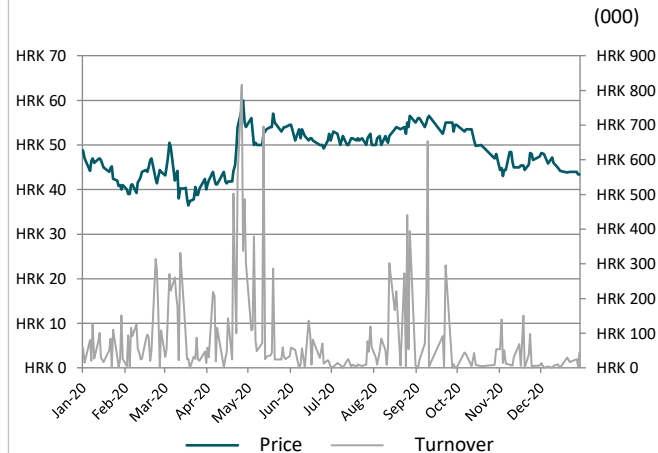
## MANAGEMENT AND SUPERVISORY BOARD

In 2020 there were no changes in Supervisory Board. On December 31<sup>st</sup>, 2020, the sole member of the Management Board is Mr. John Karvanić. The Supervisory Board consists of Mr. Ivica Pijaca, president, Mr. Mario Pavić, deputy president, and members Mr. Joško Miliša, Mr. Nikola Koščica and Mr. Dalibor Fell.

## TPNG-R-A STOCK

The share capital of the Company equals to HRK 436,667,250.00, divided into 8,733,345 ordinary dematerialized registered shares, without par value, and each share gives one vote at the General assembly of the Company.

The Company shares with the ticker TPNG-R-A are listed on the Zagreb Stock Exchange. In October 2020, the Management Board adopted a decision to launch a new Treasury Share Buy-Back Programme (hereinafter: the New Programme) in accordance with the resolution adopted by the General Assembly from August 2<sup>nd</sup>, 2020. The Programme commenced on November 2<sup>nd</sup>, 2020 and will last until November 2<sup>nd</sup>, 2021. The maximum number of shares intended to be acquired during the New Programme is 110,000, and the largest amount of money allocated to the Program is HRK 5,000,000.00.



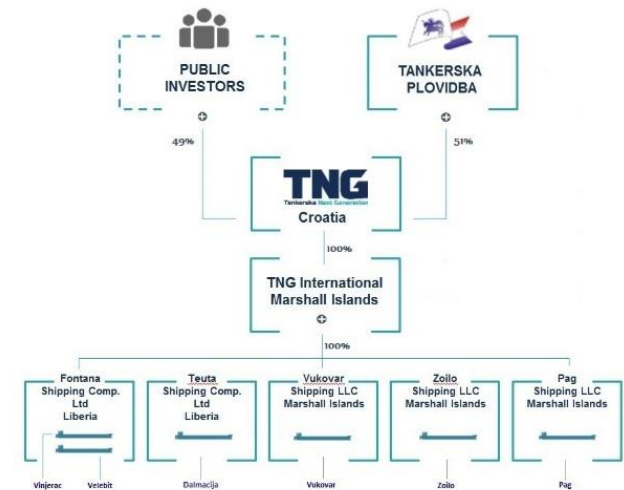
Since the beginning of the year until December 31<sup>st</sup>, the Company had repurchased a total of 13,720 treasury shares on the Zagreb Stock Exchange, representing 0.1571 % of the Company's share capital. The Company paid the equivalent of HRK 581.497,50 for the acquisition of abovementioned treasury shares.

As of December 31<sup>st</sup>, 2020 the Company had 26,920 treasury shares representing 0.3082% of the Company's share capital.

Despite the unusual circumstances, due to the COVID-19 pandemic, which had a negative impact on the domestic capital market, we would like to point out the fact that the Company met the set short-term goals which included increasing demand and liquidity of the Company's shares and creating added value for its shareholders.

On a positive note, Zagreb Stock Exchange Index Board determined that the shares of Tankerska Next Generation d.d (TPNG) are eligible for inclusion in the CROBEX® and CROBEXtr® indices. The inclusion into indices has taken effect on March 23<sup>rd</sup>, 2020.

## OVERVIEW OF RELATED PARTY TRANSACTIONS:



## SBB achievements

24 February –  
30 December 2020

Number of repurchased shares

**13,720** (0.16% capital)

Repurchased amount

**581.5k** HRK

Achieved turnover TPNG at ZSE  
in the period

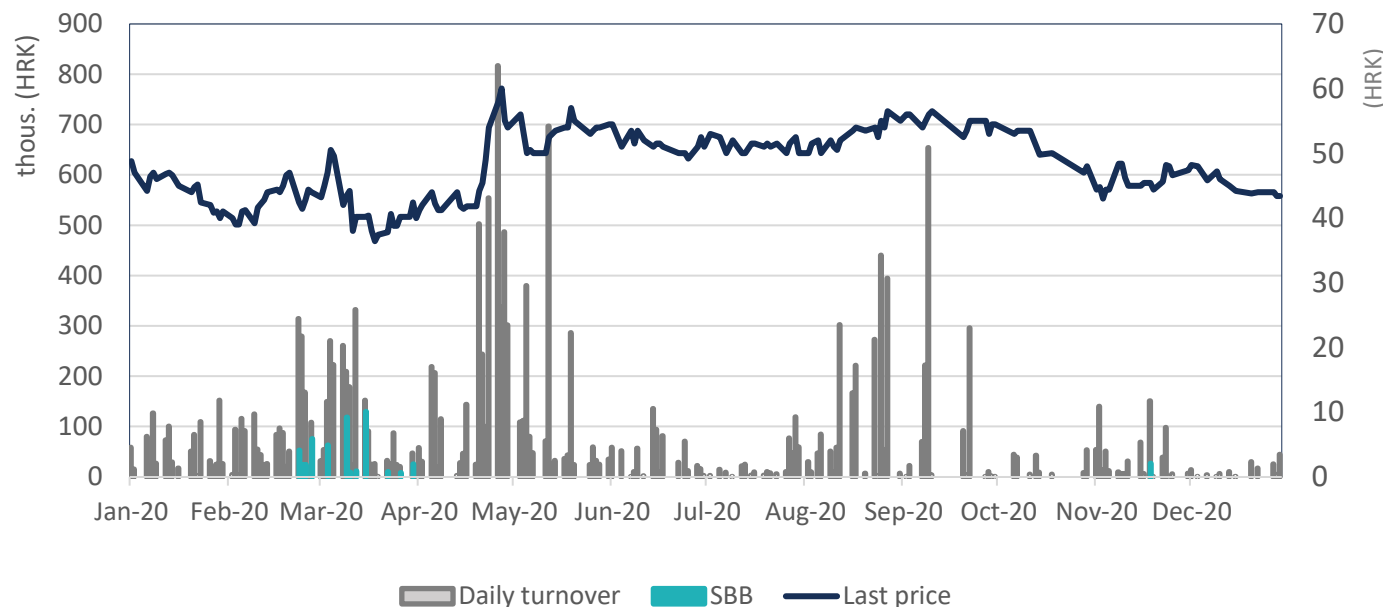
**17.174m** HRK

Percentage of repurchased treasury  
shares in total turnover

**3.4%**

Market capitalization  
31 Dec 2020

**374,4 mil. HRK**



TPNG at ZSE	HRK				
	2016	2017	2018	2019	2020
Volume (m)	14.7	4.1	1.5	5.9	17.17
Last price	75.00	54.00	38.80	47.20	43.00
Highest price	79.99	84.89	57.00	49.60	60.00
Lowest price	66.00	54.00	33.40	28.80	36.00
Average price	72.78	70.88	43.61	39.98	48.59





# Risk management

TNG's risk management policy in connection to managing its financial assets can be summarized as follows:

## Foreign exchange risk

TNG is exposed to the following currency risks: the transaction risk, which is the risk of a negative impact of fluctuations in foreign exchange rates against the Croatian kuna on TNG's cash flows from commercial activities; and the balance sheet risk, which is the risk that the net value of monetary assets on retranslation of kuna-denominated balances becomes lower as a result of changes in foreign exchange rates.

TNG operates internationally and is exposed to changes of US currency as significant amount of receivables and foreign revenues are stated in this currency. Current TNG policies do not include active hedging.

## Interest rate risk

Interest rate risk is the risk of change in value of financial instruments due to changes in market interest rates. The risk of interest rate in cash flow is a risk that the interest expenditure on financial instruments will be variable during the period. As TNG has no significant interest-bearing assets, its operating income and cash flows from operations are not significantly exposed to fluctuations in market interest rates. TNG's interest rate risk arises from long-term borrowings. TNG is exposed to interest rate risk on its long-term borrowings that bear interest at variable

rates.

Arranging interest rate swaps with the key lenders provides for easing the risk of volatility in the variable interest rate, allowing the company, which operates in terms of pre-fixed income contracted to manage the profitability of operations fixing one of the major cost components.

## Credit risk

Credit risk is the risk of failure by one party to meet commitments to the financial instruments, what could cause the financial loss to the other party. Maximum exposure to credit risk is expressed in the highest value of each of the financial asset in statement of financial position. Basic financial assets of TNG consist of cash and of account balance with banks, trade receivables and other receivables, and of investments. Credit risk in liquid funds is limited as the counterparty is often the bank that most international agencies assessed with high credit ratings.

## Liquidity risk

The responsibility for managing liquidity risk rests with the Management Board which sets an appropriate liquidity risk management framework for the purpose of managing its short-term, medium-term and long-term funding and liquidity requirements. Liquidity risk, which is considered the risk of financing, is the risk of difficulties which the TNG may encounter in collecting funds to meet commitments associated with financial instruments. TNG has significant interest bearing non-

current liabilities for loans with variable interest that expose TNG to the risk of cash flows. Company manages liquidity risk through maintaining adequate reserves and loan facilities, in parallel to continuously comparing planned and realized cash flow and maturity of receivables and liabilities.

## Price risk

TNG's activities expose it to price risk associated with changes in the freight rate. The daily freight rate (the spot rate) measured in USD per day, has historically been very volatile. In addition, TNG trades its spot exposed vessels in different pools that reduces the sensitivity to freight rate volatility by economies of scale and optimization of the fleet's geographical position.

## Operational risk

Due to the risks involved in seaborne transportation of oil products as well as due to very stringent requirements by the "oil majors", safety and environmental compliance are TNG's top operational priorities. The Fleet Manager will operate TNG's vessels in a way so as to ensure maximum protection of the safety and health of staff, the general public and the environment. TNG and the Fleet Manager actively manage the risks inherent in TNG's business and are committed to eliminating incidents that would threaten safety and the integrity of the vessels. Fleet Manager uses a risk management program that includes, among other, computer-aided risk analysis tools, maintenance and assessment programs, seafarers competence training program, and seafarers workshops.

## Daily rates

Time charter rates are usually fixed during the term of the charter. Vessels operating on time charters for a certain period of time provide more predictable cash flows over that period of time and yield conservative profitability margins. Prevailing time charter rates fluctuate on a seasonal and year-to-year basis reflecting changes in spot charter rates, expectations about future spot charter rates and other factors. The degree of volatility in time charter rates is lower for longer-term time charters as opposed to shorter term time charters.

Employment strategy based on longer than one year time charter enables the mitigation of this type of risk.

TNG and its fleet manager are committed to the following standards, strategies and insurance:

- International Standards Organization's ("ISO") 9001 for quality assurance,
- ISO 14001 for environmental management systems,
- ISO 50001 for energy management systems and Occupational Health and Safety
- "OHSAS" 18001 Safety Advisory Services
- ISM Code - International safety management code

## Company strategy

The Company's strategy is to be a reliable, efficient and responsible provider of seaborne refined petroleum product transportation services and to manage and expand the Group in a manner that is believed will enable the Company to increase its distributable cash flow, enhance its ability to pay dividends and maximize value to its shareholders.

Business operations are based on the timely acquisition of tankers, ensuring efficient use of raised capital and debt minimization. Basically, fleet management is directed towards increasing cash flow and profitability through outsourcing majority of functions and services, maintaining a flexible and simple organizational structure unencumbered with additional overheads. This enables efficient assets and liabilities management and ensures a stable dividend return to shareholders.

## Chartering strategy

Charterer's financial condition and reliability is an important factor in counterparty risk. TNG generally minimizes such risks by providing services to major energy corporations, large trading houses (including commodities traders), major crude and derivatives producers and other reputable entities with extenuating tradition in seaborne transportation.

## Insurance

The operation of any ocean-going vessel represents a potential risk of major losses and liabilities, death or injury of persons, as well as property damage caused by adverse weather conditions, mechanical failures, human error, war, terrorism, piracy and other circumstances or events. The transportation of oil is subject to the risk of pollution and to business interruptions due to political unrest, hostilities, labour strikes and boycotts. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade.

As an integral part of operating the vessels, TNG maintains insurance with first class international insurance providers to protect against the majority of accident-related risks in connection with the TNG's marine operations.

The Company believes that the TNG's current insurance program, is adequate to protect TNG against the majority of accident-related risks involved in the conduct of its business and that an appropriate level of protection and indemnity against pollution liability and environmental damage is maintained. TNG's goal is to maintain an adequate insurance coverage required by its marine operations and to actively monitor any new regulations and threats that may require the TNG to revise its coverage.



# INTERIM FINANCIAL STATEMENTS

## FOR PERIOD FROM 1<sup>ST</sup> JANUARY UNTIL 31 DECEMBER, 2020

(UNAUDITED)

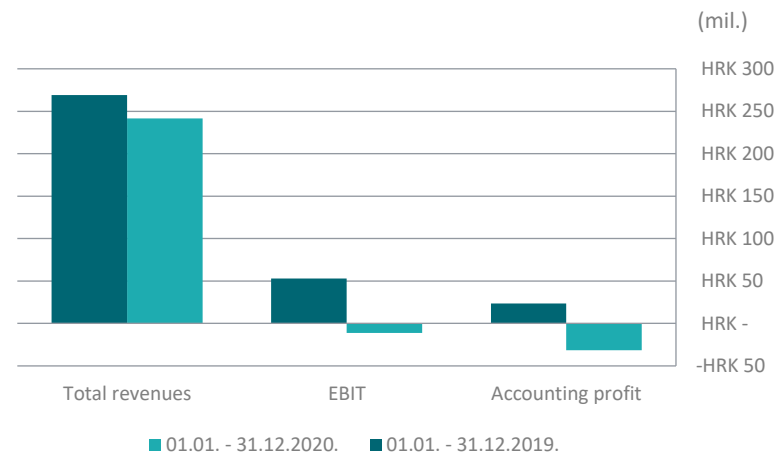
- I. Report of the Management Board on the Company's operations for the period from 1<sup>st</sup> January until 31<sup>st</sup> December, 2020
- II. Unaudited condensed quarterly financial statements:
  - Balance Sheet per as at 31<sup>st</sup> December, 2020
  - Profit and Loss Account for the period from 1<sup>st</sup> January until 31<sup>st</sup> December, 2020
  - Cash Flow Statement for the period from 1<sup>st</sup> January until 31<sup>st</sup> December, 2020
  - Statement of Changes in Equity for the period from 1<sup>st</sup> January until 31<sup>st</sup> December, 2020
  - Notes to the Financial Statements
- III. Statement of Responsibility for the Financial Statements

# Report of the management board on the company's operations

UNAUDITED FINANCIAL STATEMENTS FOR THE  
FOURTH QUARTER AND THE FULL YEAR 2020

for the period from 1<sup>st</sup> January until 31<sup>st</sup> December, 2020

DESCRIPTION	Period	
	1 <sup>st</sup> Jan – 31 <sup>st</sup> Dec 2019	1 <sup>st</sup> Jan – 31 <sup>st</sup> Dec 2020
Total revenues	HRK 269,128,633	HRK 241,380,155
Operating revenues / Total revenues	100%	98%
Other revenues / Total revenues	0%	2%
International market / Total revenues	100%	100%
Domestic market / Total revenues	0%	0%
Material costs / Operating expenses	41%	30%
Employee costs / Operating expenses	24%	20%
Financial expenses / Total Expenses	12%	8%
Net margin	8.69%	-13.14%
Accounting profit	HRK 23,340,242	-HRK 31,682,843
Operating profit (EBIT)	HRK 53,076,218	-HRK 11,317,160



During the reporting period the Company reported HRK 241.1 million of operating revenues, attributed predominantly to revenue generated from sales.

In the same period, the Company reported HRK 252.4 million of operating costs. The majority of operating expenses are the material costs HRK 75.2 million, followed by the costs of value adjustment of fixed assets (ships) in the amount of HRK 55.7 million, depreciation in the amount of HRK 52.8 million (including HRK 2.5 million of dry dock expenses), employee costs in the amount HRK 51.3 million and other expenses in the amount of HRK 17.4 million.

In the period ended 31st December 2020, financial income amounted to HRK 307 thousand while financial expenses amounted to HRK 20.7 million.

In the reporting period, the Company achieved cumulative loss in the amount of HRK 31.7m.

The Company's equity capital in the amount of HRK 436.7 million was allocated to 8.7 million of approved, issued and fully paid ordinary shares without nominal value.

In February 2020, based on the authorization of the General Assembly from 2016, the Company launched the Share Purchase Program (hereinafter: the Program), with the intention to acquire up to max. 110,000 shares, with the amount allocated to the Program being max. 5,000,000 kuna and completion no later than February 24, 2021.

In October 2020, the Management Board adopted a Decision approving the Share Purchase Program (hereinafter: the New Program) based on the authorization of the General Assembly from 2020, starting on November 2, 2020, and ending on November 2, 2021. The largest number of shares that is intended to be acquired during the duration of the New Program is 110,000, and the largest amount of money allocated to the New Program is HRK 5,000,000.

By accepting the New Program, the Program adopted in February 2020 is abandoned.

During the Program the Company acquired 13,123 treasury shares, while during the New Program Company acquired 597 treasury shares.

Details of each individual acquisition of treasury shares have been made public in accordance with the provisions of the Companies Act, the provisions of the Capital Market Act and the Rules of the Zagreb Stock Exchange.

As of December 31, 2020, the Company held 26,920 treasury shares, representing 0.3082% of the total number of shares. Reserves for treasury shares are formed from retained Company's earnings.

On December 31, 2020, the Company has the following companies abroad:

1. Tankerska Next Generation International Ltd., Majuro, Marshal Islands;
2. Fontana Shipping Company Limited, Monrovia, Liberia;
3. Teuta Shipping Company Ltd., Monrovia, Liberia;
4. Vukovar Shipping, LLC, Majuro, Marshal Islands;
5. Zoilo Shipping, LLC, Majuro, Marshal Islands;
6. Pag Shipping, LLC, Majuro, Marshal Islands.

The table above shows some of the most significant financial report data for the observed period.

Annex 1		
ISSUER'S GENERAL DATA		
Reporting period:	01/01/2020	to 31/12/2020
Year:	2020	
Quarter:	4.	
<b>Quarterly financial statements</b>		
Registration number (MB):	04266838	Issuer's home Member State code: HR
Entity's registration number (MBS):	110046753	
Personal identification number (OIB):	30312968003	LEI: 74780000Y04HB9CIA883
Institution code:		
Name of the issuer:	Tankerska Next Generation d.d.	
Postcode and town:	23000	Zadar
Street and house number:	Božidara Petranovića 4	
E-mail address:	tng@tng.hr	
Web address:	www.tng.hr	
Number of employees (end of the reporting period):	135	
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	(Yes/No) Tankerska plovidba d.d. (name of the bookkeeping firm)
Contact person:	John Karavanić (only name and surname of the contact person)	
Telephone:	023202132	
E-mail address:	tng@tng.hr	
Audit firm:		
	(name of the audit firm)	
Certified auditor:		
	(name and surname)	



<b>BALANCE SHEET</b>			
balance as at 31.12.2020			
			in HRK
Submitter: Tankerska Next Generation 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>	1,165,009,408	1,002,441,257
<b>I INTANGIBLE ASSETS (ADP 004 to 009)</b>	<b>003</b>	0	0
1 Research and development	004	0	0
2 Concessions, patents, licences, trademarks, software and other rights	005	0	0
3 Goodwill	006	0	0
4 Advances for the purchase of intangible assets	007	0	0
5 Intangible assets in preparation	008	0	0
6 Other intangible assets	009	0	0
<b>II TANGIBLE ASSETS (ADP 011 to 019)</b>	<b>010</b>	1,164,900,179	1,002,441,257
1 Land	011	0	0
2 Buildings	012	0	0
3 Plant and equipment	013	1,162,133,624	993,490,420
4 Tools, working inventory and transportation assets	014	0	0
5 Biological assets	015	0	0
6 Advances for the purchase of tangible assets	016	2,560,722	3,135,487
7 Tangible assets in preparation	017	205,833	5,815,350
8 Other tangible assets	018	0	0
9 Investment property	019	0	0
<b>III FIXED FINANCIAL ASSETS (ADP 021 to 030)</b>	<b>020</b>	109,229	0
1 Investments in holdings (shares) of undertakings within the group	021	0	0
2 Investments in other securities of undertakings within the group	022	0	0
3 Loans, deposits, etc. to undertakings within the group	023	0	0
4. Investments in holdings (shares) of companies linked by virtue of participating interests	024	0	0
5 Investment in other securities of companies linked by virtue of participating interests	025	0	0
6 Loans, deposits etc. to companies linked by virtue of participating interests	026	0	0
7 Investments in securities	027	0	0
8 Loans, deposits, etc. given	028	109,229	0
9 Other investments accounted for using the equity method	029	0	0
10 Other fixed financial assets	030	0	0
<b>IV RECEIVABLES (ADP 032 to 035)</b>	<b>031</b>	0	0
1 Receivables from undertakings within the group	032	0	0
2 Receivables from companies linked by virtue of participating interests	033	0	0
3 Customer receivables	034	0	0
4 Other receivables	035	0	0
<b>V DEFERRED TAX ASSETS</b>	<b>036</b>	0	0
<b>C) CURRENT ASSETS (ADP 038+046+053+063)</b>	<b>037</b>	89,135,543	78,023,252
<b>I INVENTORIES (ADP 039 to 045)</b>	<b>038</b>	5,360,667	9,022,302
1 Raw materials and consumables	039	5,360,667	9,022,302
2 Work in progress	040	0	0
3 Finished goods	041	0	0
4 Merchandise	042	0	0
5 Advances for inventories	043	0	0
6 Fixed assets held for sale	044	0	0
7 Biological assets	045	0	0
<b>II RECEIVABLES (ADP 047 to 052)</b>	<b>046</b>	16,063,267	34,197,016
1 Receivables from undertakings within the group	047	0	0
2 Receivables from companies linked by virtue of participating interests	048	0	0
3 Customer receivables	049	15,977,046	33,838,253
4 Receivables from employees and members of the undertaking	050	6,532	26,792
5 Receivables from government and other institutions	051	25,915	67,116
6 Other receivables	052	53,774	264,855
<b>III CURRENT FINANCIAL ASSETS (ADP 054 to 062)</b>	<b>053</b>	6,649,911	6,139,039
1 Investments in holdings (shares) of undertakings within the group	054	0	0
2 Investments in other securities of undertakings within the group	055	0	0
3 Loans, deposits, etc. to undertakings within the group	056	0	0
4 Investments in holdings (shares) of companies linked by virtue of participating interests	057	0	0
5 Investment in other securities of companies linked by virtue of participating interests	058	0	0
6 Loans, deposits etc. to companies linked by virtue of participating interests	059	0	0
7 Investments in securities	060	0	0
8 Loans, deposits, etc. given	061	6,649,911	6,139,039
9 Other financial assets	062	0	0
<b>IV CASH AT BANK AND IN HAND</b>	<b>063</b>	61,061,698	28,664,895
<b>D) PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>064</b>	3,241,424	3,865,421
<b>E) TOTAL ASSETS (ADP 001+002+037+064)</b>	<b>065</b>	1,257,386,375	1,084,329,930
<b>OFF-BALANCE SHEET ITEMS</b>	<b>066</b>	0	0

Item	ADP code	Last day of the preceding business year	At the reporting date of the current period
1	2	3	4
<b>A) CAPITAL AND RESERVES (ADP 068 to 080)</b>	<b>067</b>	<b>665,234,069</b>	<b>578,497,199</b>
I INITIAL (SUBSCRIBED) CAPITAL	068	436,667,250	436,667,250
II CAPITAL RESERVES	069	68,425,976	68,425,976
III RESERVES FROM PROFIT (ADP 071+072-073+074+075)	070	69,944,055	16,638,537
1 Legal reserves	071	3,951,238	5,118,250
2 Reserves for treasury shares	072	996,600	1,578,097
3 Treasury shares and holdings (deductible item)	073	-996,600	-1,578,097
4 Statutory reserves	074	0	0
5 Other reserves	075	65,992,817	11,520,287
IV REVALUATION RESERVES	076	0	0
V FAIR VALUE RESERVES (ADP 078 to 080)	077	0	0
1 Fair value of financial assets available for sale	078	0	0
2 Cash flow hedge - effective portion	079	0	0
3 Hedge of a net investment in a foreign operation - effective	080	0	0
VI RETAINED PROFIT OR LOSS BROUGHT FORWARD (ADP 082-083)	081	66,856,546	88,448,279
1 Retained profit	082	66,856,546	88,448,279
2 Loss brought forward	083	0	0
VII PROFIT OR LOSS FOR THE BUSINESS YEAR (ADP 085-086)	084	23,340,242	-31,682,843
1 Profit for the business year	085	23,340,242	0
2 Loss for the business year	086	0	31,682,843
VIII MINORITY (NON-CONTROLLING) INTEREST	087	0	0
<b>B) PROVISIONS (ADP 089 to 094)</b>	<b>088</b>	<b>0</b>	<b>0</b>
1 Provisions for pensions, termination benefits and similar obligations	089	0	0
2 Provisions for tax liabilities	090	0	0
3 Provisions for ongoing legal cases	091	0	0
4 Provisions for renewal of natural resources	092	0	0
5 Provisions for warranty obligations	093	0	0
6 Other provisions	094	0	0
<b>C) LONG-TERM LIABILITIES (ADP 096 to 106)</b>	<b>095</b>	<b>497,362,042</b>	<b>395,803,103</b>
1 Liabilities to undertakings within the group	096	0	0
2 Liabilities for loans, deposits, etc. of undertakings within the group	097	0	0
3 Liabilities to companies linked by virtue of participating	098	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	099	0	0
5 Liabilities for loans, deposits etc.	100	0	0
6 Liabilities to banks and other financial institutions	101	497,362,042	395,803,103
7 Liabilities for advance payments	102	0	0
8 Liabilities to suppliers	103	0	0
9 Liabilities for securities	104	0	0
10 Other long-term liabilities	105	0	0
11 Deferred tax liability	106	0	0
<b>D) SHORT-TERM LIABILITIES (ADP 108 to 121)</b>	<b>107</b>	<b>74,283,247</b>	<b>98,824,403</b>
1 Liabilities to undertakings within the group	108	1,788,218	11,224,896
2 Liabilities for loans, deposits, etc. of undertakings within the group	109	0	0
3 Liabilities to companies linked by virtue of participating	110	0	0
4 Liabilities for loans, deposits etc. of companies linked by virtue of participating interests	111	0	0
5 Liabilities for loans, deposits etc.	112	0	0
6 Liabilities to banks and other financial institutions	113	62,387,128	75,627,733
7 Liabilities for advance payments	114	0	0
8 Liabilities to suppliers	115	5,128,524	7,459,721
9 Liabilities for securities	116	0	0
10 Liabilities to employees	117	4,769,215	4,329,249
11 Taxes, contributions and similar liabilities	118	111,495	55,620
12 Liabilities arising from the share in the result	119	53,774	53,774
13 Liabilities arising from fixed assets held for sale	120	0	0
14 Other short-term liabilities	121	44,893	73,410
<b>E) ACCRUALS AND DEFERRED INCOME</b>	<b>122</b>	<b>20,507,017</b>	<b>11,205,225</b>
<b>F) TOTAL – LIABILITIES (ADP 067+088+095+107+122)</b>	<b>123</b>	<b>1,257,386,375</b>	<b>1,084,329,930</b>
<b>G) OFF-BALANCE SHEET ITEMS</b>	<b>124</b>	<b>0</b>	<b>0</b>

# Statement of profit or loss

UNAUDITED FINANCIAL STATEMENTS FOR THE  
FOURTH QUARTER AND FY 2020



## STATEMENT OF PROFIT OR LOSS for the period 01.01.2020 to 31.12.2020

in HRK

Submitter: Tankerska Next Generation 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>268,709,320</b>	<b>66,821,716</b>	<b>241,072,838</b>	<b>51,386,898</b>
1 Income from sales with undertakings within the group	126	0	0	0	0
2 Income from sales (outside group)	127	267,944,046	66,788,778	236,956,224	51,244,006
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	0	0	0	0
5 Other operating income (outside the group)	130	765,274	32,938	4,116,614	142,892
<b>II OPERATING EXPENSES (ADP 132+133+137+141+142+143+146+153)</b>	<b>131</b>	<b>215,633,102</b>	<b>54,122,396</b>	<b>252,389,998</b>	<b>109,144,125</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	87,534,436	19,465,787	75,242,370	22,035,406
a) Costs of raw materials and consumables	134	40,366,711	8,082,898	32,345,420	9,072,357
b) Costs of goods sold	135	0	0	0	0
c) Other external costs	136	47,167,725	11,382,889	42,896,950	12,963,049
3 Staff costs (ADP 138 to 140)	137	51,383,148	13,621,827	51,289,750	13,833,455
a) Net salaries and wages	138	50,919,146	13,491,894	50,629,395	13,677,702
b) Tax and contributions from salary costs	139	333,975	92,141	464,997	108,439
c) Contributions on salaries	140	130,027	37,792	195,358	47,314
4 Depreciation	141	52,505,691	13,261,865	52,806,268	13,293,427
5 Other costs	142	16,809,013	3,061,038	16,832,657	4,137,810
6 Value adjustments (ADP 144+145)	143	4,687,632	4,687,632	55,675,536	55,675,536
a) fixed assets other than financial assets	144	4,687,632	4,687,632	55,675,536	55,675,536
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	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	2,713,182	24,247	543,417	168,491
<b>III FINANCIAL INCOME (ADP 155 to 164)</b>	<b>154</b>	<b>419,313</b>	<b>13,950</b>	<b>307,317</b>	<b>155,663</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	0	0	0	0
5 Exchange rate differences and other financial income from operations with undertakings within the group	159	37,631	0	0	0
6 Income from other long-term financial investments and loans	160	0	0	0	0
7 Other interest income	161	381,682	13,950	82,071	3,648
8 Exchange rate differences and other financial income	162	0	0	225,246	152,015
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>30,155,289</b>	<b>6,934,702</b>	<b>20,673,000</b>	<b>4,906,511</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	6,677	1,103,256	1,064,063
3 Interest expenses and similar expenses	168	30,067,123	6,832,399	19,569,744	3,842,448
4 Exchange rate differences and other expenses	169	88,166	95,626	0	0
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>269,128,633</b>	<b>66,835,666</b>	<b>241,380,155</b>	<b>51,542,561</b>
<b>X TOTAL EXPENDITURE (ADP 131+165+175 + 176)</b>	<b>178</b>	<b>245,788,391</b>	<b>61,057,098</b>	<b>273,062,998</b>	<b>114,050,636</b>
<b>XI PRE-TAX PROFIT OR LOSS (ADP 177-178)</b>	<b>179</b>	<b>23,340,242</b>	<b>5,778,568</b>	<b>-31,682,843</b>	<b>-62,508,075</b>
1 Pre-tax profit (ADP 177-178)	180	23,340,242	5,778,568	0	0
2 Pre-tax loss (ADP 178-177)	181	0	0	-31,682,843	-62,508,075
<b>XIII 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>23,340,242</b>	<b>5,778,568</b>	<b>-31,682,843</b>	<b>-62,508,075</b>
1 Profit for the period (ADP 179-182)	184	23,340,242	5,778,568	0	0
2 Loss for the period (ADP 182-179)	185	0	0	-31,682,843	-62,508,075

# Statement of profit or loss

UNAUDITED FINANCIAL STATEMENTS FOR THE  
FOURTH QUARTER AND FY 2020



Item 1	ADP code 2	Same period of the previous year		Current period	
		Cumulative 3	Quarter 4	Cumulative 5	Quarter 6
<b>DISCONTINUED OPERATIONS (to be filled in by undertakings subject to IFRS only with discontinued operations)</b>					
XIV PRE-TAX PROFIT OR LOSS OF DISCONTINUED OPERATIONS (ADP 187-188)	186	0	0	0	0
1 Pre-tax profit from discontinued operations	187	0	0	0	0
2 Pre-tax loss on discontinued operations	188	0	0	0	0
XV INCOME TAX OF DISCONTINUED OPERATIONS	189	0	0	0	0
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>					
XVI PRE-TAX PROFIT OR LOSS (ADP 179+186)	192	0	0	0	0
1 Pre-tax profit (ADP 192)	193	0	0	0	0
2 Pre-tax loss (ADP 192)	194	0	0	0	0
XVII INCOME TAX (ADP 182+189)	195	0	0	0	0
XVIII PROFIT OR LOSS FOR THE PERIOD (ADP 192-195)	196	0	0	0	0
1 Profit for the period (ADP 192-195)	197	0	0	0	0
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>					
XIX PROFIT OR LOSS FOR THE PERIOD (ADP 200+201)	199	0	0	0	0
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>					
I PROFIT OR LOSS FOR THE PERIOD	202	23,340,242	5,778,568	-31,682,843	-62,508,075
II OTHER COMPREHENSIVE INCOME/LOSS BEFORE TAX (ADP 204 to 211)	203	17,666,204	-11,941,988	-54,472,530	-31,530,599
1 Exchange rate differences from translation of foreign operations	204	17,666,204	-11,941,988	-54,472,530	-31,530,599
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
III TAX ON OTHER COMPREHENSIVE INCOME FOR THE PERIOD	212	0	0	0	0
IV NET OTHER COMPREHENSIVE INCOME OR LOSS (ADP 203-212)	213	17,666,204	-11,941,988	-54,472,530	-31,530,599
V COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 202+213)	214	41,006,446	-6,163,420	-86,155,373	-94,038,674
<b>APPENDIX to the Statement on comprehensive income (to be filled in by undertakings that draw up consolidated statements)</b>					
VI COMPREHENSIVE INCOME OR LOSS FOR THE PERIOD (ADP 216+217)	215	0	0	0	0
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 01.01.2020 to 31.12.2020			
in HRK			
Submitter: Tankerska Next Generation 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	23,340,242	-31,682,843
2 Adjustments (ADP 003 to 010):	002	87,820,313	124,816,132
a) Depreciation	003	52,505,691	52,806,268
b) Gains and losses from sale and value adjustment of fixed tangible and intangible assets	004	4,687,632	55,675,536
c) Gains and losses from sale and unrealised gains and losses and value adjustment of financial assets	005	0	105,045
d) Interest and dividend income	006	-381,682	-82,070
e) Interest expenses	007	30,067,122	19,569,744
f) Provisions	008	0	0
g) Exchange rate differences (unrealised)	009	979,181	-4,361,647
h) Other adjustments for non-cash transactions and unrealised gains and losses	010	-37,631	1,103,256
<b>I Cash flow increase or decrease before changes in working capital (ADP 001+002)</b>	<b>011</b>	<b>111,160,555</b>	<b>93,133,289</b>
3 Changes in the working capital (ADP 013 to 016)	012	19,502,215	-20,074,510
a) Increase or decrease in short-term liabilities	013	7,152,225	3,343,432
b) Increase or decrease in short-term receivables	014	3,931,696	-19,756,307
c) Increase or decrease in inventories	015	8,418,294	-3,661,635
d) Other increase or decrease in working capital	016	0	0
<b>II Cash from operations (ADP 011+012)</b>	<b>017</b>	<b>130,662,770</b>	<b>73,058,779</b>
4 Interest paid	018	-30,398,729	-20,410,967
5 Income tax paid	019	0	0
<b>A) NET CASH FLOW FROM OPERATING ACTIVITIES (ADP 017 to 019)</b>	<b>020</b>	<b>100,264,041</b>	<b>52,647,812</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	1,228,591	95,554
4 Dividends received	024	0	0
5 Cash receipts from repayment of loans and deposits	025	0	0
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>1,228,591</b>	<b>95,554</b>
1 Cash payments for the purchase of fixed tangible and intangible assets	028	-2,780,161	-33,114,534
2 Cash payments for the acquisition of financial instruments	029	0	0
3 Cash payments for loans and deposits for the period	030	0	0
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>-2,780,161</b>	<b>-33,114,534</b>
<b>B) NET CASH FLOW FROM INVESTMENT ACTIVITIES (ADP 027 +033)</b>	<b>034</b>	<b>-1,551,570</b>	<b>-33,018,980</b>
<b>Cash flow from financing activities</b>			
1 Cash receipts from the increase in initial (subscribed) capital	035	0	0
2 Cash receipts from the issue of equity financial instruments and debt financial instruments	036	0	0
3 Cash receipts from credit principals, loans and other borrowings	037	0	12,319,252
4 Other cash receipts from financing activities	038	0	0
<b>V Total cash receipts from financing activities (ADP 035 to 038)</b>	<b>039</b>	<b>0</b>	<b>12,319,252</b>
1 Cash payments for the repayment of credit principals, loans and other borrowings and debt financial instruments	040	-88,264,023	-62,607,648
2 Cash payments for dividends	041	0	0
3 Cash payments for finance lease	042	0	0
4 Cash payments for the redemption of treasury shares and decrease in initial (subscribed) capital	043	0	-581,497
5 Other cash payments from financing activities	044	0	0
<b>VI Total cash payments from financing activities (ADP 040 to 044)</b>	<b>045</b>	<b>-88,264,023</b>	<b>-63,189,145</b>
<b>C) NET CASH FLOW FROM FINANCING ACTIVITIES (ADP 039 +045)</b>	<b>046</b>	<b>-88,264,023</b>	<b>-50,869,893</b>
1 Unrealised exchange rate differences in respect of cash and cash equivalents	047	873,872	-1,666,614
<b>D) NET INCREASE OR DECREASE IN CASH FLOWS (ADP 020+034+046+047)</b>	<b>048</b>	<b>11,322,320</b>	<b>-32,907,675</b>
<b>E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>049</b>	<b>56,389,289</b>	<b>67,711,609</b>
<b>F) CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD(ADP 048+049)</b>	<b>050</b>	<b>67,711,609</b>	<b>34,803,934</b>

# Statement of changes in equity

UNAUDITED FINANCIAL STATEMENTS FOR THE  
FOURTH QUARTER AND THE FULL YEAR 2020

STATEMENT OF CHANGES IN EQUITY																	
for the period from 01/01/2020 to 31/12/2020																	
Item	ADP code	Attributable to owners of the parent														in HRK	
		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	436,667,250	68,425,976	3,637,013	996,600	996,600		48,326,613	0	0	0	0	67,170,771	0	624,227,623	0	624,227,623
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	436,667,250	68,425,976	3,637,013	996,600	996,600	0	48,326,613	0	0	0	0	67,170,771	0	624,227,623	0	624,227,623
5 Profit/loss of the period	05	0	0	0	0	0	0	0	0	0	0	0	0	23,340,242	23,340,242	0	23,340,242
6 Exchange rate differences from translation of foreign operations	06	0	0	0	0	0	0	17,666,204	0	0	0	0	0	0	17,666,204	0	17,666,204
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	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
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	314,225	0	0	0	0	0	0	0	0	0	0	0	0	0
22 Increase in reserves arising from the pre-bankruptcy settlement procedure	22	0	0	0	0	0	0	0	0	0	0	0	-314,225	0	0	0	0
23 Balance on the last day of the previous business year reporting period (04 to 22)	23	436,667,250	68,425,976	3,951,238	996,600	996,600	0	65,992,817	0	0	0	0	66,856,546	23,340,242	665,234,069	0	665,234,069
<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	17,666,204	0	0	0	0	0	0	17,666,204	0	17,666,204
II COMPREHENSIVE INCOME OR LOSS FOR THE PREVIOUS PERIOD (ADP 05+24)	25	0	0	0	0	0	0	17,666,204	0	0	0	0	0	23,340,242	41,006,446	0	41,006,446
III TRANSACTIONS WITH OWNERS IN THE PREVIOUS PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 15 to 22)	26	0	0	314,225	0	0	0	0	0	0	0	0	-314,225	0	0	0	0

# Statement of changes in equity

UNAUDITED FINANCIAL STATEMENTS FOR THE  
FOURTH QUARTER AND THE FULL YEAR 2020

Item	ADP code	Attributable to owners of the parent													Minority (non-controlling) interest	Total capital and reserves	
		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
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>Current period</b>																	
<b>1 Balance on the first day of the current business year</b>	<b>27</b>	436,667,250	68,425,976	3,951,238	996,600	996,600	0	65,992,817	0	0	0	0	90,196,788	0	665,234,069	0	665,234,069
2 Changes in accounting policies	28								0	0	0	0	0	0	0	0	0
3 Correction of errors	29								0	0	0	0	0	0	0	0	0
<b>4 Balance on the first day of the current business year (restated) (ADP 27 to 29)</b>	<b>30</b>	436,667,250	68,425,976	3,951,238	996,600	996,600	0	65,992,817	0	0	0	0	90,196,788	0	665,234,069	0	665,234,069
5 Profit/loss of the period	31	0	0	0	0	0	0	0	0	0	0	0	0	-31,682,843	-31,682,843	0	-31,682,843
6 Exchange rate differences from translation of foreign operations	32	0	0	0	0	0	0	-54,472,530	0	0	0	0	0	0	-54,472,530	0	-54,472,530
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	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	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	581,497	581,497	0	0	0	0	0	0	-581,497	0	-581,497	0	-581,497
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	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21 Transfer to reserves according to the annual schedule	47	0	0	1,167,012	0	0	0	0	0	0	0	0	-1,167,012	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
<b>23 Balance on the last day of the current business year reporting period (ADP 30 to 48)</b>	<b>49</b>	436,667,250	68,425,976	5,118,250	1,578,097	1,578,097	0	11,520,287	0	0	0	0	88,448,279	-31,682,843	578,497,199	0	578,497,199
<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>																	
<b>I OTHER COMPREHENSIVE INCOME FOR THE CURRENT PERIOD, NET OF TAX (ADP 32 to 40)</b>	<b>50</b>	0	0	0	0	0	0	-54,472,530	0	0	0	0	0	0	-54,472,530	0	-54,472,530
<b>II COMPREHENSIVE INCOME OR LOSS FOR THE CURRENT PERIOD (ADP 31+50)</b>	<b>51</b>	0	0	0	0	0	0	-54,472,530	0	0	0	0	0	-31,682,843	-86,155,373	0	-86,155,373
<b>III TRANSACTIONS WITH OWNERS IN THE CURRENT PERIOD RECOGNISED DIRECTLY IN EQUITY (ADP 41 to 48)</b>	<b>52</b>	0	0	1,167,012	581,497	581,497	0	0	0	0	0	0	-1,748,509	0	-581,497	0	-581,497

## NOTES TO THE FINANCIAL STATEMENTS

### 1. General information

Tankerska Next Generation was incorporated in 2014 in the Republic of Croatia. It's headquarter is at Božidara Petranovića 4, Zadar, Croatia.

Management Board:

- John Karavanić, the sole member of the Board

Supervisory board members from January 1<sup>st</sup>, 2020 up to the reporting date:

- Ivica Pijaca, chairman
- Mario Pavić, vice chairman
- Nikola Koščica, member
- Joško Miliša, member
- Dalibor Fell, member

As of December 31<sup>st</sup>, 2020 Tankerska Next Generation's Inc. share capital amounted to HRK 436,667,250 divided into 8,733,345 TPNG-R-A ordinary shares with no par value.

The Financial Statements for the period ending December 31<sup>st</sup>, 2020 include assets and liabilities, revenues and expenses respectively of Tankerska Next Generation Inc. and its international subsidiaries (companies engaged in international shipping). All companies are managed by Tankerska Next Generation Inc. from the sole headquarters and by the same Management Board. Pursuant to the Article 429.a, section 4 of the Maritime Code ("Official Gazette" No. 181/04., 76/07., 146/08., 61/11., 56/13., 26/15. and 17/19.) Tankerska Next Generation Inc. is obliged to conduct accounting and prepare financial statements for all domestic and international business operations, including all shipping companies in which it holds the majority ownership and

which are engaged in vessel operations with their net tonnage being included in the tonnage tax calculation.

For some of Tankerska Next Generation Inc. subsidiaries that, pursuant to the regulations of the states they have been founded in, are not obliged to keep business books and prepare financial statements, Tankerska Next Generation Inc., in accordance with the Accounting Act and the Income Tax Act, states their assets and liabilities, revenues and expenses respectively, within its financial statements.

### 2. Principal accounting policies

Tankerska Next Generation Inc. financial statements include assets and liabilities, revenues and expenses of the following fully owned subsidiaries:

1. Tankerska Next Generation International Ltd., Majuro, Marshall Islands;
2. Fontana Shipping Company Ltd., Monrovia, Liberia;
3. Teuta Shipping Company Ltd., Monrovia, Liberia;
4. Vukovar Shipping, LLC, Majuro, Marshall Islands;
5. Zoilo Shipping, LLC, Majuro, Marshall Islands;
6. Pag Shipping, LLC, Majuro Marshall Islands.

The Financial statements for the period ending December 31<sup>st</sup>, 2020 do not include all information important for comprehension of the current period in the course of the year and should be read together with the Company's Financial Statements as at 31<sup>st</sup> December, 2019.

Financial statements have been prepared based on the same accounting policies, presentations and calculation methods as the ones used during preparation of the financial statements for the period ending 31<sup>st</sup> December 2019.



### 3. Vessels and equipment

During the observed period, the Company invested HRK 24.4m in the procurement of ballast water treatment systems.

The Company performed value adjustment of assets (vessels) in the amount of HRK 55.7 million.

### 4. Equity and reserves

In the treasury share repurchase program, in the fourth quarter of 2020, the Company repurchased 597 treasury shares for a total value of HRK 27 thousand. Reserves for treasury shares are formed from the Company's retained earnings.

As of 31 December 2020, the Company holds a total of 26,920 treasury shares, representing 0.3082% of the Company's share capital (31 December 2019: 13,200 treasury shares, representing 0.1511% of share capital).

### 5. Interest bearing liabilities

In the fourth quarter of 2020, Tankerska Next Generation d.d. concluded a long-term loan agreement with foreign banks Crédit Agricole Corporate and Investment Bank and Hamburg Commercial Bank AG in the total amount of up to 44.0 mil. USD, at a variable interest rate of LIBOR, payable in 20 quarterly installments, for refinancing of existing loans for the ships "Vukovar", "Zoilo" and "Dalmacija".

### 6. Earnings per Share

Since the Company has no potential dilutable ordinary shares, basic and diluted earnings per share are identical.

EARNINGS PER SHARE	Period 1 <sup>st</sup> Jan – 31 <sup>st</sup> Dec 2019	Period 1 <sup>st</sup> Jan – 31 <sup>st</sup> Dec 2020
Net (loss) / profit to shareholders	23,340,242	<b>-31,682,843</b>
Weighted average number of shares	8,720,145	<b>8,709,407</b>
Basic (loss) / earnings per share	HRK 2.68	<b>-HRK 3.64</b>

### 6. Transactions with the Related Parties

RELATED PARTY TRANSACTIONS	Period 1 <sup>st</sup> Jan – 31 <sup>st</sup> Dec 2019	Period 1 <sup>st</sup> Jan – 31 <sup>st</sup> Dec 2020
Sales to related parties	HRK 0	<b>HRK 0</b>
Purchase from related parties	HRK 18,618,701	<b>HRK 17,818,796</b>
Receivables from related parties	HRK 0	<b>HRK 0</b>
Liabilities towards related parties	HRK 1,788,218	<b>HRK 11,224,896</b>
Given loans to related parties	HRK 0	<b>HRK 0</b>
Received loans from related parties	HRK 0	<b>HRK 0</b>

### 7. Subsequent events after Balance Sheet date

#### Impact of COVID-19 on the Company's operations

The MR tanker market is still very volatile due to an uncertain recovery from the COVID-19 pandemic. As voyages and demand for petroleum products remain limited, and the world is likely to open up slowly, no rapid recovery is expected.

Apart from the above, there were no other events after the balance sheet date that would significantly affect the Company's financial statements as at December 31st, 2020.

# Statement of responsibility for the financial statements

UNAUDITED FINANCIAL STATEMENTS FOR THE  
FOURTH QUARTER AND THE FULL YEAR 2020

**TNG**  
Tankerska Next Generation

The financial statements for the period starting January 1<sup>st</sup>, 2020 and ending December 31<sup>st</sup>, 2020 have been prepared by applying the International Financial Reporting Standards and provide an accurate and truthful review of assets, liabilities, profit and loss, financial position and operating of the Company.

The report of the Management Board on the Company's operations for the period starting on January 1<sup>st</sup>, 2020, and ending on December 31<sup>st</sup>, 2020, contains a fair presentation of the Company's development, operating results and position with the description of significant risks and uncertainty the Company is exposed to.

Zadar, February 25<sup>th</sup>, 2021



John Karavanić, CEO

The Group uses a variety of industry terms and concepts when analysing its own performance. These include the following:

**Revenue Days.** Revenue Days represent the total number of calendar days the Group's vessels were in possession of the Group during a period, less the total number of Off-Hire Days during that period generally associated with repairs, drydocking or special or intermediate surveys.

Consequently, Revenue Days represent the total number of days available for a vessel to earn revenue. Idle days, which are days when a vessel is available to earn revenue, yet is not employed, are included in Revenue Days. The Group uses Revenue Days to explain changes in its net voyage revenues (equivalent to time charter earnings) between periods.

**Off-Hire Days.** Off-Hire Days refer to the time a vessel is not available for service due primarily to scheduled and unscheduled repairs or drydocking.

When a vessel is off-hire, or not available for service, the charterer is generally not required to pay the charter hire rate and the Group will be responsible for all costs, including the cost of fuel bunkers unless the charterer is responsible for the circumstances giving rise to the lack of availability. Prolonged off-hire may obligate the vessel owner to provide a substitute vessel or permit the charter termination.

The Group's vessels may be out of service, that is, off-hire, for several reasons: scheduled drydocking, special surveys, vessel upgrade or maintenance or inspection, which are referred to as scheduled off-hire; and unscheduled repairs, maintenance, operational deficiencies, equipment breakdown, accidents/incidents, crewing strikes, certain vessel detentions or similar problems, or charterer's failure to maintain the vessel in compliance with its specifications and contractual and/or market standards (for example major oil company acceptances) or to man a vessel with the required crew, which is referred to as unscheduled off-hire.

**Operating Days.** Operating Days represent the number of days the Group's vessels are in operation during the year. Operating Days is a measurement that is only applicable to owned and not bareboated or chartered-in vessels. Where a vessel is under the Group's ownership for a full year, Operating Days will generally equal calendar days. Days when a vessel is in a dry dock are included in the calculation of Operating Days as the Group still incurs vessel operating expenses.

Operating Days are an indicator of the size of the fleet over a period of time and affect both revenues and expenses recorded during that period.

**Time Charter Equivalent (TCE).** TCE is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time

charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed per day as charter hire rates for vessels on time charters are. Therefore the net equivalent of a daily time voyage rate is expressed in net daily time charter rate.

**(Net) TCE earnings.** The Group defines time charter equivalent earnings, or TCE earnings, as vessel revenues less commissions and voyage-related costs (both major and minor) during a period.

**(Net) TCE rates.** The Group defines time charter equivalent rates, or **TCE rates**, as vessel revenues less commission and voyage related costs (both major and minor) during a period divided by the number of Revenue Days during that period. TCE rates is a measure of the average daily revenue performance of a vessel or a fleet, achieved on a given voyage or voyages and it is expressed in US dollars per day. TCE rates correspond to the net voyage earnings per day. The Group's definition of TCE rates may not be the same as that used by other companies in the shipping or other industries. The Group uses the foregoing methodology for calculating TCE rates and TCE earnings in cases of both time charter and voyage charter contracts.

**Gross Time Charter rates (GTC rates).** The Group defines gross time charter rates, or GTC rates, as vessel revenues during a period divided by the number of Revenue Days during that period. GTC rates should reflect the average daily charter rate of a vessel or a fleet and is expressed in US dollars per day. The Group's definition of GTC rate may not be the same as that used by other companies in the shipping or other industries.

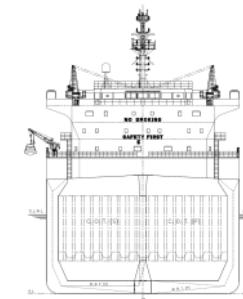
**Daily vessel operating expenses.** Daily vessel operating expenses is a metric used to evaluate the Group's ability to efficiently operate vessels incurring operating expenses and to limit these expenses.

Daily vessel operating expenses represent vessel operating expenses divided by the number of Operating Days of vessels incurring operating expenses and is expressed in US dollars per day.

**Average number of vessels.** Historical average number of owned vessels consists of the average number of vessels that were in the Group's possession during a period. The Group uses average number of vessels primarily to highlight changes in vessel operating costs.

**Fleet utilization.** Fleet utilization is the percentage of time that the Group's vessels generate revenues. The shipping industry uses fleet utilization to measure a company's efficiency in finding employment for its vessels and in minimizing the number of days that its vessels are off-hire for reasons such as scheduled repairs, drydocking, surveys or other reasons other than

commercial waiting time. Fleet utilization is calculated by dividing the number of Revenue Days during a period by the number of Operating Days during that period.



The Group's performance can be affected by some of the following types of charter contracts:

**Time charter.** Time charter is a contract under which a charterer pays a fixed daily hire rate on a semi-monthly or monthly basis for a fixed period of time for using the vessel. Subject to any restrictions in the charter, the charterer decides the type and quantity of cargo to be carried and the ports of loading and unloading. Under a time charter the charterer pays substantially all of the voyage-related costs (etc. port costs, canal charges, cargo manipulation expenses, fuel expenses and others). The vessel owner pays commissions on gross voyage revenues and the vessel operating expenses (etc. crew wages, insurance, technical maintenance and other).

Time charter rates are usually fixed during the term of the charter. Vessels operating on time charters for a certain period of time provide more predictable cash flows over that period of time, but can yield lower profit margins than vessels operating under voyage charters in the spot market during periods characterized by favourable market conditions. Prevailing time charter rates fluctuate on a seasonal and year-on-year basis reflecting changes in spot charter rates, expectations about future spot charter rates and other factors. The degree of volatility in time

charter rates is lower for longer-term time charters compared to shorter-term time charters.

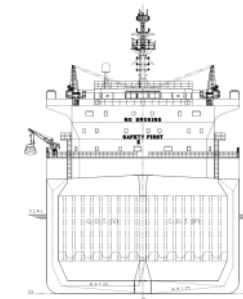
**Voyage charter.** Voyage charter involves the carriage of a specific amount and type of cargo from a specific loading port(s) to a specific unloading port(s) and most of these charters are of a single voyage nature. The owner of the vessel receives one payment derived by multiplying the tonnes of cargo loaded on board by the cost per cargo tonne. The owner is responsible for the payment of all expenses including commissions, voyage-related costs, operating expenses and capital costs of the vessel. The charterer is typically responsible for any costs associated with any delay at the loading or unloading ports. Voyage charter rates are volatile and fluctuate on a seasonal and year-on-year basis.

**Other charters.** Besides the two most common charters (time and voyage) the shipping industry provides other types of contracts between the ship owner and the charterer:

- **Bareboat charter.** Bareboat charter is a contract pursuant to which the vessel owner provides the vessel to the charterer for a fixed period of time at a specified daily rate, and the charterer provides for all of the vessel's operating expenses in addition to

the commissions and voyage related costs, and generally assumes all risk of operation. The charterer undertakes to maintain the vessel in a good state of repair and efficient operating condition and drydock the vessel during the term of the charter consistent with applicable classification society requirements.

- **Time charter trip.** Time charter trip is a short term time charter where the vessel performs a single voyage between loading port(s) and unloading port(s). Time charter trip has all the elements of a time charter including the upfront fixed daily hire rate.



# Important financial and operating terms and concepts

The Group uses a variety of financial and operational terms and concepts when analysing its own performance. These include the following:

**Vessel revenues.** The Group generates revenues by charging customers for the transportation of their oil products using its own vessels. Historically, the Operating Fleet's services have generally been provided under time charters although the Group may enter into voyage charters in the future. The following describes these basic types of contractual relationships:

**Time charters**, under which the vessels are chartered to customers for a fixed period of time at rates that are generally fixed; and

**Voyage charters**, under which the vessels are chartered to customers for shorter intervals that are priced on a current or "spot" market rate

Under a time charter the charterer pays substantially all of the voyage-related costs. The vessel owner pays commissions on gross vessel revenues and also the vessel operating expenses. Time charter rates are usually fixed during the term of the charter.

Vessels operating under time charters provide

more predictable cash flows over a given period of time, but can yield lower profit margins than vessels operating under voyage charters in the spot market during periods characterized by favourable market conditions. Prevailing time charter rates fluctuate on a seasonal and year-on-year basis reflecting changes in spot charter rates, expectations about future spot charter rates and other factors. The degree of volatility in time charter rates is lower for longer-term time charters as opposed to shorter-term time charters.

**Other revenues.** Other revenues primary includes revenues from charterers for other services and revenues from profit commission on insurance policies.

## Primary distinction among these types of charters and contracts

	Time charter	Voyage charter
Typical contract length	1-5 years	Single voyages, consecutive voyages and contracts of affreightment (COA)
Hire rate basis (1)	Daily	Varies
Commercial fee (2)	The Group pays	The Group pays
Commissions (2)	The Group pays	The Group pays
Major Vessel related costs (2)	Customer pays	The Group pays
Minor Vessel related cost (2)	The Group pays	The Group pays
Vessel operating costs (2)	Customer does not pay	Customer does not pay
(1) 'Hire' rate refers to the basic payment from the charterer for the use of the vessel		
(2) See 'Important Financial and Operational Terms and Concepts below'		
(3) 'Off-hire' refers to the time a vessel is not available for service due primarily to scheduled and unscheduled repairs and drydockings		

**Commercial fee.** Commercial fees expenses include fees paid to the Fleet Manager, under the Management Agreement, for providing the Group with chartering and commercial management services.

**Commissions.** Commissions are realized in two basic forms: addressed commission and brokerage commission.

Addressed commission is commission payable by the ship owner to the charterer, regardless of charter type and is expressed as a percentage of the freight or hire. This commission is a reimbursement to the charterer for costs incurred in relation to the chartering of the vessel either to third party brokers or by the charterer's shipping department.

Brokerage commission is payable under a time charter on hire. Subject to the precise wording of the charter, the broker's entitlement to commission will therefore only arise when the charterers remit hire or is recovered by some other means. Commission under a voyage charter is payable on freight, and may also be payable on deadfreight and demurrage.

**Voyage-related costs.** Voyage-related costs are typically paid by the ship owner under voyage charters and by the customer under time charters. Voyage-related costs are all expenses which pertain to a specific voyage. The Group differs major and minor voyage-related costs.

Most of the voyage-related costs are incurred in connection with the employment of the fleet on the spot market (voyage charter) and under COAs (contracts of affreightment). Major voyage-related costs include bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees, extra war risks insurance and any other expenses related to the cargo are typically paid by the customer.

Minor voyage-related expenses such as draft surveys, tank cleaning, postage and other minor miscellaneous expenses related to the voyage may occur and are typically paid by the ship owner. From time to time, the ship owner may also pay a small portion of above mentioned major voyage-related costs.

**Vessel operating costs.** The Group is responsible for vessel operating costs which include crewing, repairs and maintenance, lubricants, insurance, spares, stores, registration and communication and sundries.

Vessel operating costs also includes management fees paid to the Fleet Manager, under the Management Agreement, for providing the Group with technical and crew management, insurance arrangements and accounting services.

The largest components of vessel operating costs are generally crews and repairs and maintenance. Expenses for repairs and maintenance tend to fluctuate from period to period because most repairs

and maintenance typically occur during periodic drydocking. These expenses may tend to increase as these vessels mature and thus the extent of maintenance requirements expands.

**Depreciation and amortization.** The Group depreciates the original cost, less an estimated residual value, of its vessels on a straight-line basis over each vessel's estimated useful life. The estimated useful life of 25 years is the Management Board's best estimate and is also consistent with industry practice for similar vessels. The residual value is estimated as the lightweight tonnage of each vessel multiplied by an estimated scrap value (cost of steel) per tone. The scrap value per tone is estimated taking into consideration the historical Indian sub-continent five year scrap market rate.

Depreciation expense typically consists of charges related to the depreciation of the historical cost of the vessels (less an estimated residual value) over the estimated useful lives of the vessels and charges relating to the depreciation of upgrades to vessels, which are depreciated over the shorter of the vessel's remaining useful life or the life of the renewal or upgrade. The Group reviews the estimated useful life of vessels at the end of each annual reporting period.

## **Drydocking and surveys (special and intermediate).**

The vessels are required to undergo planned drydocking for replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessels are operating, approximately every 30 months or 60 months depending on the nature of work and external requirements. The Group intend to periodically drydock each of vessels for inspection, repairs and maintenance and any modifications to comply with industry certification or governmental requirements. The number of drydocking undertaken in a given period and the nature of the work performed determine the level of drydocking expenses.

**Vessel impairment.** The carrying amounts of the vessels are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indications exists, the vessel's recoverable amount is estimated. Vessels that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The carrying values of the vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuilds. Historically, both the charter rates and vessel values have been cyclical in nature.

Management Board's judgment is critical in assessing whether events have occurred that may impact the carrying value of the vessels and in developing estimates of future cash flows, future charter rates, vessel operating expenses, and the estimated useful lives and residual values of those vessels. These estimates are based on historical trends as well as future expectations. Management Board's estimates are also based on the estimated fair values of their vessels obtained from independent ship brokers, industry reports of similar vessel sales and evaluation of current market trends.

**General and administrative expenses.** General and administrative expenses comprise of the administrative staff costs, management costs, office expenses, audit, legal and professional fees, travel expenses and other expenses relating to administration.

**Interest expense and finance costs.** Interest expense and finance costs comprise of interest payable on borrowings and loans and foreign exchange gains and losses.

**Tonnage tax.** The tonnage tax regime is introduced into the Croatian maritime legislation by new amendments to the Maritime Act and is applicable from January 1, 2014. According to the relevant provisions of the Maritime Act ("Maritime Act"), qualifying companies may choose to have their

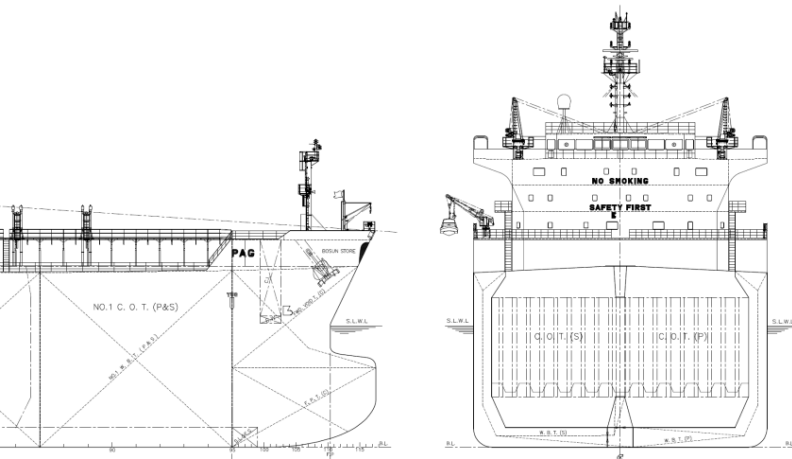
shipping activities taxed on the basis of the net tonnage of their fleet instead of on the basis of their actual profits. Companies, having opted for the tonnage tax, must remain subject to this regime for the following 10 years. The qualifying company has to be a shipping company liable under the Croatian corporate tax on any profits it generates. Furthermore, it must operate the vessels which satisfy all applicable requirements, and most importantly, the qualifying company must be carrying out the strategic and commercial management activities of vessels in Croatia.

In the tonnage tax system, the shipping operations shifted from taxation of business income to tonnage-based taxation. Under the tonnage tax regime, the tax liability is not calculated on the basis of income and expenses as under the normal corporate taxation, but is based on the controlled fleet's notional shipping income, which in turn depends on the total net tonnage of the fleet under management.

**Summary of expenses.** Under voyage charters, the Group will be responsible for commissions, all vessel voyage-related costs and operating expenses. Under time charters, the charterer generally pays commissions, operating expenses and minor voyage-related costs. For both types of contracts the Group is responsible to pay fees to the Fleet Manager, under the Management Agreement.



# Important financial and operating terms and concepts



EXPENSE TYPE	MAIN COMPONENTS	TIME CHARTER	VOYAGE CHARTER
<b>Capital</b>	Capital Principal Repayment Interest		
<b>Operating</b>	Crewing Repairs and Maintenance Lubricants Insurance Spares and stores Registration, communication and sundries <i>Management fee*</i> - <i>technical management</i> - <i>crew management</i> - <i>insurance arrangements</i> - <i>accounting services</i>		
<b>Commissions</b>	Address Brokerage		
<b>Commercial fee*</b>	<i>Chartering and commercial management services</i>		
<b>Voyage (minor)</b>	Draft surveys Tank cleaning Postage Other minor miscellaneous expenses		
<b>Voyage (major)</b>	Bunker fuel expenses Port fees Cargo loading and unloading expenses Canal tolls Agency fees Extra war risks insurance Other expenses related to the cargo		

Ship-owner payments

Charterer payments

\* fees paid to the Fleet Manager, under the Management Agreements

## Cautionary note regarding forward-looking statements

Certain statements in this document are not historical facts and are forward-looking statements. They appear in a number of places throughout this document. From time to time, the Group may make written or oral forward-looking statements in reports to shareholders and in other communications. Forward-looking statements include statements concerning the Group's plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditure, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, business strategy and the trends which the Group anticipates in the industries and the political and legal environment in which it operates and other information that is not historical information.

Words such as „believe“, „anticipate“, „estimate“, „expect“, „intend“, „predict“, „project“, „could“, „may“, „will“, „plan“ and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. Prospective investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

When relying on forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates. Such forward-looking statements speak only as of the date on which they were made.

Accordingly, the Company does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise, other than as required by applicable laws and the Zagreb Stock Exchange Rules. The Company makes no representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

**TANKERSKA NEXT GENERATION d.d.**

Božidara Petranovića 4

23 000 Zadar

Croatia

Tel: +385 23 202 135

e-mail: [tng@tng.hr](mailto:tng@tng.hr)

[www.tng.hr](http://www.tng.hr)



[LinkedIn](#)

